

AUDIT PRACTICE MANUAL

(A Complete Audit System with Guidance Notes, Forms, Checklists and Programmes)

To be used by the
Practising Members and Staff of
CA Firms in Bangladesh



The Institute of Chartered
Accountants of Bangladesh (ICAB)

2017

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Accountants of Bangladesh (ICAB)**

2017

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF BANGLADESH

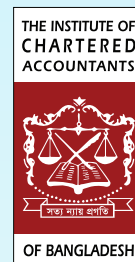
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The Institute of Chartered Accountants of Bangladesh



Foreword

On behalf of the Institute of Chartered Accountants of Bangladesh (ICAB), I am pleased to announce that Audit Practice Manual (APM) has been updated and published under the World Bank Funded Project “Strengthening Financial Reporting Framework and Audit Practice”- IDF Grant No.TF016566 to assist in ensuring quality of audit and assurance services. This APM is designed for use by practicing firms of the Institute, specially those who do not have an audit manual of their own. Both Bangladesh Standards on Auditing (BSAs) and Bangladesh Financial Reporting Standards (BFRSs) and other relevant Standards have been followed as necessary while preparing this Audit Practice Manual.

Being a member of IFAC, ICAB has already developed and submitted an Action Plan on Statements of Membership Obligation (SMOs) for publication through IFAC website. ICAB is committed to monitor the quality of audit and assurance work conducted by its member firms. The APM is to be followed as a good guidance for the practicing members of the Institute.

The chapters of the APM are Guidance Notes, Audit Completion Forms, Audit Planning Forms, Audit Control Forms, Audit Procedures Forms, Audit Program Forms, Audit Permanent File Forms and Appendixes. The APM includes detailed forms, work flow charts, table, audit programme, summary sheet, risk analysis guidelines and also various procedures for conducting an audit in accordance with BSAs. It is recommended that all practicing firms should use such an audit and assurance guideline, compliance of which can provide it and users with reasonable assurance that the audit procedures are relevant, adequate and in accordance with BSAs.

I would like to thank ICAB Council Members and Vice Presidents for their support and suggestions for updating this publication. My special thanks and gratitude to the relevant staff of the World Bank, Consultant Mr. Anwarul Karim FCA, ICAB Secretary, Director Technical, Senior Deputy Director (Professional Misconduct) and other relevant officials of ICAB connected with this project for their hard work.

While best endeavors were made to publish the Audit Practice Manual error free, we seek your indulgence for any inadvertent mistakes.

Adeeb Hossain Khan FCA
President - ICAB

THE INSTITUTE - A BRIEF OUTLINE

The Institute of Chartered Accountants of Bangladesh (ICAB) is the National Professional Accounting Body in Bangladesh, established under the Bangladesh Chartered Accountants Order, 1973 (President's Order No. 2 of 1973) for the purpose of regulating the profession of accountants and for matters connected therewith. The vision, mission, aims and objectives of the Institute are as follow:

VISION

ICAB members hold a widely respected professional accounting qualification which supports enterprise, corporate governance and sustainable growth in the business environment.

MISSION

- * To promote and regulate high quality financial reporting and auditing in Bangladesh
- * To develop and maintain the competence of professional accountants and
- * To enhance the reputation of the accounting profession in all sectors of the economy.

VALUES

- * **Integrity:** To uphold the highest professional integrity and ethical standards.
- * **Expertise:** To conduct professional responsibilities with a high level of knowledge, competency and skill.
- * **Transparency:** To conduct activities in a clear and transparent way.
- * **Accountability:** ICAB members to be responsible for their actions.

STRATEGIC GOALS

- * Increase number of members, students and financial strength
- * Align with members' careers
- * Enhance ICAB's image within the country and internationally
- * Further enhance the reputation for professionalism and high standards of integrity
- * Ensure compliance with requirements of IFAC (International Federation of Accountants) membership

AIMS & OBJECTIVES

To accomplish its above mission, ICAB has been endeavoring to:

- * Regulate the Accountancy Profession and matters connected therewith
- * Administer its members and students
- * Ensure professional ethics and code of conduct
- * Provide specialized and professional training in Accounting, Auditing, Taxation, Corporate Laws, Management Consultancy, Information Technology and related subjects
- * Impart Continuing Professional Development (CPD) to members
- * Foster acceptance and observance of International Accounting Standards/ International Financial Reporting Standards (IAS/IFRS) and International Standards on Auditing / International Auditing Practices Standards (ISA/IAPS) and adopt the same in Bangladesh as Bangladesh Accounting Standards/ Bangladesh Financial Reporting Standards (BAS/BFRS) and Bangladesh Standards on Auditing/ Bangladesh Auditing Practices Standards (BSA/BAPS) respectively
- * Keep abreast of the latest developments in Accounting techniques, Audit methodology, Information technology, Management consultancy and related fields and
- * Liaise with international and regional organizations to strengthen mutual cooperation

ADMINISTRATIVE MINISTRY

The Ministry of Commerce, Government of the People's Republic of Bangladesh is the Administrative Ministry of the Institute of Chartered Accountants of Bangladesh.

GOVERNANCE

The Council-ICAB is the supreme authority responsible for the administration and management of the Institute in accordance with P.O. No. 2 of 1973 and ICAB Bye-Laws 2004. The Council is composed of twenty members elected by the members of the Institute from its two regional constituencies in Bangladesh for every three years. The President and the Vice-Presidents of the Institute are elected by the Council every calendar year to manage the affairs of the Institute. The President who is the Chief Executive of the Council heads the Council. The Council is assisted by various Standing and Other (Non-Standing) Committees and Boards. For the purpose of assisting the Council and the committees/Boards in matters concerning their functions, the Council is empowered to constitute Regional Committees, the members of which are elected by the general members of the respective constituencies. Currently there are two Regional Committees in Dhaka, Chittagong and Overseas Chapters: UK Chapter Management Committee, North American Chapter and Asia-Pacific Chapter. The day to day activities of the Institute is delegated to the Secretariat, headed by the Secretary as Administrative Head.

MEMBERSHIP

The total number of Members of the Institute is 1583 as of 01 July 2016 of whom 1419 are residing in Bangladesh and 164 in abroad. There are 973 Fellows and 610 Associates enrolled with the Institute. Out of 1583 members, 366 are practicing as public accountants and the rest 1217 are either serving in various key positions in public and private organizations, both at home and abroad, and self employed running their own business. However, up to December 2016, total number of members is 1610 which includes 102 female members.

SERVICES RENDERED

While almost all the non-practicing chartered accountants serve in key positions of various government and non-government organizations, banks, autonomous & semi-autonomous bodies, listed and other types of corporate and non-corporate entities, educational institutions, etc. within the country and abroad, the practicing Chartered Accountants mainly carry out audits of financial statements of various enterprises as public accountants under the banners of various CA firms approved by the Institute.

Apart from specialization in traditional accounting and auditing services, CA Firms are also engaged in:

- * Taxation services
- * Information Technology
- * Statutory and Liquidation services
- * Management consultancy services encompassing, inter alia, the following areas :
 - * Valuation of business and shares
 - * Designing of accounting, internal control and operational systems for organizations
- * Rendering of miscellaneous services like maintaining computerized financial accounts of companies business processes-engineering, management selection and recruitment, disinvestments of government enterprises, etc
- * Due diligence study, feasibility study etc.

INTERNATIONAL AFFILIATION

ICAB is an active member of the following international and regional accounting bodies:

- * The International Federation of Accountants (IFAC)
- * The International Accounting Standards Board (IASB)
- * The Confederation of Asian and Pacific Accountants (CAPA)
- * International Financial Reporting Standards (IFRS)
- * The South Asian Federation of Accountants (SAFA)

MoU & MRA

ICAB has Memorandum of Understanding (MOU) and the Mutual Recognition Arrangement (MRA) with the following national & international organizations:

- * MoU with the Institute of Chartered Accountants in England & Wales (ICAEW), UK
- * MRA with CPA Ireland
- * MoU with IFRS
- * MoU for Local Governance Support Project in Bangladesh
- * MoU with Office of the Comptroller & Auditor General of Bangladesh (OCAG)

ICAB PUBLICATIONS

ICAB publications include, inter alia, a quarterly Journal titled 'The Bangladesh Accountant' and a monthly mouthpiece 'ICAB News Bulletin'. In the Journal articles of ICAB Members and others are published. Articles on various aspects of Auditing, Accounting, Financial and Economic issues are published in the Journal whereas the latest ICAB events and related to the profession and the institute unfold in the News Bulletin. ICAB also publishes books and booklets on accounting profession and their interest.

ICAB Website (www.icab.org.bd)

ICAB website provides required information for the Students, Members and other Stakeholders.

EXTERNAL RESOURCES

Legal Adviser

- * Barrister Mahbub Shafique
Advocate, Bangladesh Supreme Court, Dhaka
- * Sarder Md. Suruzzaman
Advocate, Bangladesh Supreme Court, Dhaka

Auditors

- * Md. Amirul Islam FCA
Partner
K. M. HASAN & CO.
Chartered Accountants
Hometown Apartments (7th, 8th & 9th Floor)
87, New Eskaton Road, Dhaka-1000
and
- * Mohammad Ataul Hoque FCA
Partner
Hoque Bhattacharjee Das & Co.
Chartered Accountants
106/Ka, Cosmic Tower, Level-9
NayaPaltan, Dhaka-1000

Bankers

- * Dhaka Bank Ltd.
- * Southeast Bank Ltd.
- * AB Bank Ltd.
- * Janata Bank Ltd.
- * Social Islami Bank Ltd.
- * Sonali Bank Ltd.-UK
- * Bank Asia

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1. USING THE AUDIT PRACTICE MANUAL

1.1 Introduction

This Audit Practice Manual (APM) is a stand-alone system, with complete audit documentation available for use as required.

APM incorporates all the documentation needed to enable compliance with Bangladesh Standards on Auditing (BSA).

The manual is very flexible, allowing you, through the planning, to decide the best approach to auditing each of the relevant sections. This enables you to comply with all the relevant standards as efficiently and effectively as possible. The main programmes for the use on an audit can be found within section 3. This section also includes a series of optional programmes which can be used when required.

1.1.1 Case Study

A Case Study (real life example) of this APM is attached as appendix covering all the major sections of an audit.

1.2 Referencing system

All working papers generated during the course of the audit or documents filed on the audit working paper file should be referenced and cross-referenced to facilitate review.

The system contains detailed indices for all sections.

1.3 Forms

The forms in the APM have been designed to facilitate and encourage review and conclusions.

Where a form requires a formal conclusion, this will always be found at the bottom of the form, where space is provided for originator and reviewer to sign. Many of the forms may be signed by staff other than the audit principal, hence the use of the terms 'prepared by' and 'reviewed by'. Where, however, a signature is required by a senior/manager and/or partner specifically, the forms specify this.

Where forms do not require a formal conclusion, the 'prepared by' and 'reviewed by' sections are to be found at the head of the form or schedule. Staff of appropriate seniority should complete these forms, with reviewers, in particular, being trained to carry out their review task. There is also a box at the top of the page to indicate that the form has been tailored at the planning stage by a particular individual, and allowing for review of the tailoring. This is essential to allow for the overall review of the planning by the audit principal.

The term ‘partner’ or ‘principal’ has been used to denote the responsible individual engagement partner on the audit, who may be a sole practitioner. In certain circumstances, ‘second partner’ may refer to another firm, sole practitioner or other external agency with whom consultation has taken place. Incorporated practices should interpret these terms accordingly.

1.4 Photocopying

The forms in APM have been designed to be photocopied.

2. Control

This section provides detailed guidance on the use of the documentation, including the way in which the forms should be completed for the preparation of a well-documented audit file.

2.1 Accounts

The A section should contain the final draft of the accounts and all subsequent journals, up to the final accounts.

The self-assessment tax return is only likely to be prepared when the accounts are near completion. Copies of the computations should be kept in this section.

The signed letter of representation and a copy of the letter of comment should also be filed on this section as they are an essential part of the audit evidence and they will often contain issues of significance for future years.

BSA 580: *Written representations* make it clear that a letter of representation should be obtained from the client. Remember, however, that it is not acceptable to use the letter as an excuse for not carrying out the necessary audit work. The letter of representation is not an audit substitute.

Care must, therefore, be taken not to place excessive assurance on management representations. Although the client will confirm responsibility for the accounts, make sure that during this confirmation the client fully understands what is being signed.

A7 Disclosure checklist

With the increasing sophistication of accounts preparation packages it is not essential that a checklist be completed each year. However, an annual review for proper preparation of the accounts in accordance with the Companies Act 1994, IFRSs and IAS should take place and will form part of the critical review of the accounts.

It is suggested that a full checklist should be completed as necessary on very small companies and more frequently for larger or more complex companies. It will generally be necessary to complete a new checklist following any major change in disclosure requirements or in the size/operating characteristics of the client in question.

2.2 Partner completion

The partner completion is dealt with in two stages on the file, to reflect the way that the completion process is dealt with within a practice.

Final (Section A)

The final partner completion should be completed when the client has returned the signed accounts. It provides a checklist to ensure all necessary procedures have been undertaken before the audit report is signed. It also contains procedures to ensure that the accounts filed to Registrar of Joint Stock Companies are in accordance with all the regulations.

Where considered necessary or where required by the firm's procedures, an independent partner should review the file and complete the relevant clearance section on this schedule. This is a requirement in respect of listed clients, other public interest clients or clients of higher audit risk. In the case of a sole practitioner seeking consultation with another practitioner or other external agency, it would be appropriate for the other practitioner to complete that section although the audit firm would retain the ultimate responsibility.

Initial (Section B)

The initial partner completion should be signed off before the accounts are sent to the client for approval. The form allows the manager or partner to detail any work that needs to be undertaken before the audit report is signed.

At this stage all significant audit work should have been undertaken but you may still be waiting for some answers to queries or direct confirmations.

2.3 Completion

B2 Audit standards questionnaire

This should be the final form to be completed before the initial partner completion.

The purpose of the form is to ensure compliance with the Bangladesh Standards on Auditing (BSA), it can be a useful aid when completing a review of the file, particularly where the reviewer is a little uncertain about the quality of the evidence on the file or is relatively inexperienced.

The form contains one or more questions relating to each of the BSAs. It provides a final check to ensure that full consideration has been given to compliance with all of the BSAs.

B3 File completion questionnaires

A senior member of staff on the audit should complete the completion questionnaires.

The first section (B3.1) should be completed before the initial partner review. The second section (B3.2) should be completed before the partner authorises the issue of accounts to the client for approval.

B4 Critical review of accounts questionnaire

A final critical review of the accounts should be performed in conjunction with the updating of the annual summary of statistics on the Permanent audit file or within your accounts preparation package. The ratios and trends noted on the permanent file should be specific and appropriate to the client. They should not just be ratios for ratios sake.

This final critical review is not, of itself, a sufficient basis for the expression of an audit opinion on the accounts, but it should hopefully support the conclusions drawn from other audit work or else indicate areas in need of further enquiry.

The form requires consideration of a number of factors in addition to ratio analysis. For this review to be effective, it must be carried out by someone with adequate skill and experience and with sufficient knowledge of the business to appreciate the expected trends, results and ratios as well as to prepare any free-form report highlighting the significance of apparent inconsistencies.

B5 Audit highlights report

There is no standard form for this; however, it is still an essential document. The senior member of staff should use this schedule to highlight the major issues that have arisen during the audit, the key risk areas, any contentious issues and how they were resolved. It is useful also to summarise the extent of audit coverage in each audit area, and each major balance within that area. This will help the partner to structure the review to ensure that adequate consideration is given to areas of importance.

Preparation of an audit highlights report is a good discipline for the senior and manager as it helps ensure that all key areas identified at the planning stage have been addressed. If the audit highlights report is properly drafted it will save partner time at the review stage as the partner will be able to review the file selectively concentrating on key and problem areas.

B6 Justification of audit report

The purpose of this form is to ensure that there is adequate evidence that the suitability of the audit report has been considered. Any problems encountered should be scheduled and their effect on the audit report considered.

The form specifically directs the auditor to consider any problems resulting from issues such as:

- a qualification in the previous year;
- inadequate books and records;
- difficulties obtaining adequate information from the directors or from branches not visited;
- a refusal by the directors to confirm certain representations in writing, and
- doubts over going concern.
-

The final question asks about other problems which could impact on the audit report. This would include, for example, the need to report under s. 213(6) CA 1994 in respect of a special, general order by the Government.

B7 Summary of unadjusted errors

All errors should be recorded, so that their cumulative impact on the accounts may be assessed, and so that their disposal may be documented.

Extrapolated errors and actual errors should be disclosed separately on this form. Errors should not be netted off or judged not material before being carried forward to this form. Any unaudited balances (for example where petty cash expenditure is immaterial and hence has not been audited) should be recorded as potential errors. At the end of the job the total of the unadjusted errors should be compared with materiality and adjustment should be made where necessary. It should be noted that no adjustment should be made in respect of extrapolated errors until such time as further work has been undertaken to determine the extent of the actual error with reasonable certainty.

The form includes a column to indicate whether or not errors are considered 'clearly trivial'. It is essential that this column is completed and concluded upon in order to demonstrate compliance with BSA 450. In particular, where the client has not adjusted for misstatements drawn to their attention the form prompts for the letter of representation to include the directors' reasons for not adjusting as required by BSA 450.14.

B8 Points for Partner

This is another free-form schedule to record specific matters which need to be communicated to the partner and which will often require a decision or judgment to be made.

B9 Final analytical review form

Where a preliminary analytical review has been carried out and documented on C7, possibly in conjunction with extensive analytical review during the course of the audit, final analytical review should confirm that any points arising at early stages of the audit have been satisfactorily thought through and that the ratios in the final accounts are consistent with those originally calculated. Any differences should be adequately explained, documented and considered in the light of the audit work performed.

The main purpose of this final review is to consider whether the accounts make sense in view of the audit evidence obtained and your knowledge of the client. Of central importance here are those trends and ratios of direct relevance to the client. It is far more important to analyse, comment and conclude upon these than merely to file a schedule of standard ratios from the accounts preparation package.

B10 Points forward to next year

It is essential that all points forward of relevance to next year's audit are identified and recorded on a free-form schedule. This should not be restricted to issues such as a proposed capital purchase but should be used to comment on any points that would ensure the subsequent year's audit will be as effective and efficient as possible.

B11 Cleared audit queries

A record of audit queries and their resolution, where retained, should be filed here. It is essential that the working papers are updated to reflect the answer to the original query and that the answer is not just recorded on the review schedule as this will lead to a loss of audit evidence. This is all the more important if the audit queries themselves are not retained.

2.4 Planning

C1 Planning summary

This schedule is effectively a sign-off sheet to evidence:

- approval of the planning by the engagement partner;
- reading of the audit plan by the engagement team, and
- final review of the planning at the completion stage.

C1.1 Acceptance procedures

This form is designed to demonstrate that adequate consideration has been given to independence in accepting appointment/reappointment for the audit. It also demonstrates that the firm has adequate resources and the appropriate technical knowledge necessary to carry out the audit properly.

The form must be completed and signed by the partner prior to any detailed work being commenced on the audit. This includes the completion of the detailed planning.

Where any of the questions have been answered with a 'yes', the partner must specify precisely what action is to be taken to safeguard independence or overcome the problems with available resources or technical knowledge.

Any 'yes' answer will create either an ethical or practical issue, which may require consultation. As a result, the form may have to be signed off by a second partner who is independent from the audit. This is a mandatory requirement in the case of listed or other public interest audits and those of higher audit risk. If this is not possible, the form may have to be signed by the firm or organisation with which consultation takes place. However, the audit firm retains ultimate responsibility for the audit.

Where a 'yes' answer is given to question 11 'rotation of audit engagement partner' it may not be necessary to have a second partner review. However, there must be evidence to show that the engagement partner has carefully considered any long relationship with the client as this could affect auditor independence. A second partner or other independent agency will normally corroborate this decision. There will normally be an undertaking that the file will be subjected to a second review where any contentious issues, such as a potential or actual qualification, have arisen.

Where there are any fees outstanding IFAC Ethical Standards require the responsible individual to consider whether the fees outstanding taken together with the fees for the current audit could constitute a significant loan. Significance should be measured in respect of the individual partner and the practice fees and not in respect of materiality for the client. If the decision is that the work can commence this should be corroborated by a second partner. This is not necessary if you are a sole practitioner.

At the end of each audit, consideration should be given to whether or not it is appropriate to be reappointed/continue in office for the following year. This is undertaken on the B3.2 final file completion questionnaire.

C2 Audit planning checklist

This checklist should be completed as a control over the planning of the audit. It will ensure that all initial steps are properly taken. In particular it will guide users through completion of the risk assessment and internal control evaluation forms.

The planning checklist (C2) is set out in the order that the various tasks should be completed. It therefore starts with preliminary engagement activities including agreement of engagement terms and then moves onto planning activities: firstly at a strategic level, and then in greater detail.

In addition, a free-form planning memorandum should be prepared dealing with such matters as:

- introduction: an outline of the background of the business, the markets it serves, its major customers and suppliers, its principal business risks and ownership structure;
- developments in the business: an outline of changes in key market suppliers, customers or altered business strategy;
- risk and materiality overview: an assessment of the overall engagement risk and a commentary of the major risks perceived within the assignment;
- audit timetable, and
- planned staffing and budget.

An example form (C3) provides an outline for such a memorandum. It should be stressed that the form at C3 is an example showing the sort of headings that should be included. This form should not be used as a record of the planning memorandum!

A well-planned audit will save considerable time, particularly in the final stages. Where you are looking to improve the efficiency and effectiveness of the audit through reliance on internal controls and/or the use of extensive analytical review it is absolutely essential that thought and time is put into the planning of the audit to determine the most appropriate approach. Proper planning will also help ensure compliance with auditing standards.

C2.1 Points forward from last year

A copy of the points forward from last year's audit should be filed on the current working paper file and actioned accordingly.

Care must be taken to ensure that all the points have been properly addressed and dealt with. These should be recorded in the relevant part of the file and cross-referenced on the form itself.

C4 Record of planning meeting

BSA 240: *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and
BSA 315: *Identifying and Assessing the Risks of Material Misstatement through Understanding the*

Entity and Its Environment both require the audit engagement team to have a meeting to brainstorm ideas on the susceptibility of the company's financial statements to material misstatement due to fraud or error. The purpose of C4 is to provide a convenient layout to record the results of that meeting.

It is not essential to use the form provided at C4. The relevant matters could easily be recorded in the detailed planning memorandum. Where that is the case the C4 slot should be used to file notes used to brief staff at the planning meeting.

C5 Systems and internal controls summary

BSA 315: *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* requires a much deeper understanding of the client's procedures and systems of internal control than was the case previously. The purpose of C5 is therefore twofold:

- to guide users through the completion of the relevant forms to document that deeper understanding, and
- to record the conclusions in relation to internal controls at the planning and completion stages.

The approach to systems and internal control required by the APM is set out below.

Understanding of the company

BSA 315.11 requires the auditor to obtain an understanding of the company and the environment in which it operates. This includes:

- industry, regulatory, and other external factors, including the applicable financial reporting framework;
- nature of the entity, including its operations, ownership and governance structures, types of investments, the way that the entity is structured and is financed the entity's selection and application of accounting policies;
- objectives and strategies and the related business risks that may result in a material misstatement of the financial statements;
- measurement and review of the entity's financial performance; and
- internal controls.

The following paragraphs (see BSA 315.13-24) makes it clear that a much more detailed understanding and level of documentation is required than was previously the case.

A 'Know your client' checklist (PAF Schedule 3) has been provided in the permanent file to assist firms in recording the necessary detail. A proforma register of laws and regulations is also provided (PAF05).

System of internal control (last point above) has a wide definition under BSA 315 and includes:

- the control environment;
- the entity's risk assessment process;

- the information system, including the related business processes, relevant to financial reporting and communication;
- control activities, and
- monitoring of controls.

Controls relevant to the audit

BSA 315.12 states that as part of obtaining an understanding of the company and its environment the auditor should obtain an understanding of *the internal control environment relevant to the audit*. Again this in itself does not sound onerous; however, BSA 315.13, A74 states:

‘Obtaining an understanding of internal control involves evaluating the design of a control and determining whether it has been implemented. Evaluating the design of a control involves considering whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements’.

An Internal Control Questionnaire (S4) has been provided to assist with the identification of controls relevant to the audit.

C5.1 Review of design and implementation of internal controls

As noted above BSA 315.13 requires the auditor to obtain an understanding of the design and implementation of controls relevant to the audit. This is required regardless of whether any reliance will be placed on those controls. Testing the operational effectiveness of controls (traditional compliance testing) is a different issue. BSA 315.8 makes this clear that obtaining an understanding of an entity’s controls is not sufficient to serve as testing the operating effectiveness of controls.

The review of the design and implementation of controls relevant to the audit should be documented on **C5.1**. This form must be completed on every audit as a review of the design and implementation of controls relevant to the audit is required on every audit.

Testing the operational effectiveness of internal controls so as to reduce the amount of substantive testing should be considered where this approach is expected to be more effective. However, there are two occasions where testing the operational effectiveness of controls is a requirement.

1. When the auditor’s assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively, (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures). perform tests of controls to obtain sufficient appropriate audit evidence that the controls were operating effectively at relevant times during the period under audit. (BSA 330.8(a))
2. Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. When the auditor has determined that it is not possible or practicable to reduce the risks of material misstatement at the assertion level with audit evidence obtained only from substantive procedures, the auditor should perform tests of relevant controls to obtain audit evidence about their operating effectiveness. (BSA 330.8(b))

Testing the operational effectiveness of controls is dealt with in Section S.

Completing C5.1

The purpose of C5.1 is to document the review of the design and implementation of controls that are relevant to the audit. As the precise nature of controls and their relevance to the audit will vary from one company to another the form is of necessity mainly blank boxes. Guidance is given below on completion of this form. There is also a partially completed example included in the case study.

Where this is completed manually it is likely that some of the boxes will not be big enough! If this is the case the schedule should be blown-up to A3 on a photocopier or use made of continuation sheets.

Heading	Guidance on completion
Outline of information system and controls	A brief outline of the systems and controls relevant to each business area should be given. It is not necessary to reproduce the system notes from the permanent file here! The description should be sufficient to identify the controls being evaluated.
Comment on design and effectiveness of controls	Comment on the design and potential effectiveness of a control by considering whether the control, individually or in combination with other controls, is capable of effectively preventing, or detecting and correcting, material misstatements. Inquiry alone is not sufficient to evaluate the design of a control: further work such as inspecting documents or tracing transactions through the system is required. Comments made on the design should include the nature of the work undertaken. Any weaknesses in design should be flagged and recorded on the draft letter of comment to the client.
Comment on implementation of controls	Comment on the implementation of the control: did the control exist and was the company using it as intended? Again inquiry alone is not sufficient to evaluate the implementation of a control: further work such as inspecting documents or tracing transactions through the system is required. Comments made on the implementation should include the nature of the work undertaken. And again, any weaknesses in implementation should be also be flagged and recorded on the draft letter of comment to the client.
Is this a key control? Y/N	Not all controls relevant to the audit will be key controls. If a control could be relied upon to reduce the level of substantive testing in a particular area then it is a key control. This is only relevant if tests of the operational effectiveness of controls are to be undertaken. Clearly there will be little value in testing the operational effectiveness of controls that are not key controls.

<i>Heading</i>	<i>Guidance on completion</i>
Further testing required ? Y/N	<p>Testing of the operational effectiveness of internal controls must be undertaken where:</p> <ul style="list-style-type: none"> the risk assessment includes an expectation that controls are operating effectively, or substantive tests alone do not provide sufficient evidence of operation. <p>If either of these circumstances applies the question should be answered yes and a compliance test of the operational effectiveness designed on S2 and S3.</p> <p>In addition, where testing the operational effectiveness of controls is more effective than relying solely on substantive procedures this question should be answered yes and a suitable test designed.</p>
Ref to ICE (S3)	This is simply a cross-reference to one of the schedules referred to above.

C6 Audit Risk Summary

BSAs 315 and 330 require the auditor to document:

- the identified and assessed risks of material misstatement at the financial statement level and at the assertion level, and
- the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures.

C6 is a summary sheet that confirms that the necessary procedures have been undertaken at the planning stage and reviewed as part of the audit completion. It also summarises the response to financial statement level risks that do not have a direct impact at the assertion level.

C6.1 Audit risk checklist

The audit risk checklist at **C6.1** serves two purposes:

- firstly it acts as a guide through the various stages in assessing risk and determining the responses to those risks, and
- secondly it is a checklist to help ensure that all those stages are followed.

The approach to risk assessment under the APM is set out below.

Risk assessment

As noted above in relation to controls, BSA 315.11 requires the auditor to obtain an understanding of the company and the environment in which it operates. This is the starting point, as this process should gather sufficient information that will enable identification of the various risks facing the company.

BSA 315.25 states that:

‘The auditor should identify and assess the risks of material misstatement at the financial statement level, and at the assertion level for classes of transactions, account balances, and disclosures. For this purpose, the auditor:

- identifies risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures in the financial statements;
- relates the identified risks to what can go wrong at the assertion level;
- considers whether the risks are of a magnitude that could result in a material misstatement of the financial statements, and
- considers the likelihood that the risks could result in a material misstatement of the financial statements.’

The detailed risk assessment at **C6.4** should be completed as a means of identifying the risks applying to the company. This assessment is also used to determine the overall risk at the financial statement level attaching to the assignment, which plays an important part in determining sample sizes.

Response to risk

Once risks have been identified BSA 330.4 requires the auditor to determine overall responses to address the risks of material misstatement at the financial statement level, and BSA 330.6 requires the design and performance of further audit procedures whose nature, timing, and extent are responsive to the assessed risks of material misstatement at the assertion level.

Documenting the response to risk at the assertion level is considered on the **C6.3** Specific Risk Action Plan and **C6.2** Risk Response Summary which pulls together the work in respect of specific risks with the approach to testing in other areas. This is a key schedule as it documents in respect of each area:

- Whether any testing at all is required.
- If testing is required, whether the standard programme is sufficient.
- Additional or alternative procedures to be undertaken.

The response to risk at the financial statement level to the extent that it is not already addressed on **C6.3** is summarised on **C6**.

Guidance on the completion of these forms is given below.

C6.2 Risk response summary

The purpose of the risk response summary is to summarise the responses to risks and set out the audit approach section by section. Risks on this schedule are therefore considered in summary and are categorised by financial statement area rather than by the nature of the risk or the order they were recorded.

The risk response summary relates to the individual financial statement areas. For example, the audit could be generally high risk, because there are outside shareholders, and the company is being sold based on balance sheet values. That said, fixed assets may specifically be a low risk area, because there is little or no danger of misstatement within this area of the audit. Conversely, it is quite feasible for areas of the audit to be identified as a specific high risk, even where the general risk is low. The risk response summary sets out the approach by financial statement area in such circumstances.

In addition to summarising risks by financial statement area the risk response summary plays an important part in determining sample sizes through the setting of a risk level for each financial statement area.

Completing C6.2

Where this is completed manually it is likely that some of the boxes will not be big enough! If this is the case use should be made of continuation sheets.

<i>Heading</i>	<i>Guidance on completion</i>
Major Risk Factors identified	The major risk factors affecting the financial statement area that have been identified should be noted. These need not be in any great detail as this will be set out on C6.3 . The purpose here is to give an overview of main risks.
Other risks H, M or L?	<p>The assessment here is effectively the residual risk. If there is a major risk factor, the existence of stock for example, but other areas in stock such as valuation are well controlled then the assessment of the other risks will be low. Specific procedures will be documented on C6.3 in relation to the risks affecting existence; these do not affect valuation so the conclusion in this area can be low risk.</p> <p>It will also be possible to conclude that the risk in a particular area is medium or high even though there are no specific risk factors. This may be because of value - perhaps say trade debtors are the largest item in the balance sheet and whilst there are no indications of problems and the controls are good, if there is going to be a material error in the accounts this is where it would be!</p> <p>This approach allows the audit work to be increased in areas where the risk is higher and reduced where the risk is lower since the risk assessments made for each section affect the sample size for that area.</p>
Justification for other Risks	This column provides space for an explanation of the risk assessed as discussed above. In particular, an explanation should be given where the assessment is other than low, or where the assessment is apparently low but there are factors that suggest that this may not be the case.

Audit Approach	<p>A summary of the approach to this financial statement area should be given. This will often be completion of the standard programme as amended by additional tests identified on C6.3.</p> <p>Where a decision is taken to use a bespoke programme then this should be explained. It would also be appropriate to opt out of using the standard audit programme in the following instances:</p> <ul style="list-style-type: none"> • for an immaterial area of the audit, or • where a more efficient or effective audit approach can be performed, eg, proof in total, or • where it is a specialist area, such as some types of work in progress, and the standard audit programme is not judged appropriate. <p>Where the standard programme is not used, explain what work is to be carried out on that section or cross-reference it to a tailored audit programme.</p>
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C6.3 Specific risk action plan

BSA 330.28 requires that:

‘The auditor should document the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures’.

The purpose of C6.3 is to document the responses to specific risks assessed and the work undertaken in response as required above. Proper completion of this schedule is therefore crucial to conducting an audit in compliance with Bangladesh Standards on Auditing (BSA). The schedule provides a link between the risks assessed, the controls if any in those areas, the audit approach and the outcome of the work.

Completing C6.3

Where this is completed manually it is likely that some of the boxes will not be big enough! If this is the case the schedule should be blown-up to A3 on a photocopier or use made of continuation sheets. Users of the Excel version can simply insert additional rows.

When completing the form a summary of the relevant issues in each column should always be given and not simply a cross-reference. In this way C6.3 will, for each risk, give a complete picture of the risk itself, the impact, the planned work and the outcome of that work.

<i>Heading</i>	<i>Guidance on completion</i>
Specific risk affecting the client	Details of the specific risk affecting the client should be recorded here. If details of the risk are set out elsewhere (such as C6.4) then the full explanation need not be repeated here, just sufficient to identify the issue concerned with a cross reference to where the detail may be found.

<i>Heading</i>	<i>Guidance on completion</i>
H, M or L	<p>The risk should be categorised as ‘High’, ‘Medium’ or ‘Low’. A risk should be categorised as high where it is so significant as to require special audit consideration in accordance with BSA 31(Revised)5.28.</p> <p>Risks recorded on this schedule would not normally be categorised as low as specific testing would not normally be undertaken in response to a low risk. Where a low risk is recorded careful consideration should be given as to whether any specific testing is necessary or whether the risk is properly assessed as low.</p>
Management response	<p>This column should be used to record the management response to each risk. This may be in the form of relevant procedures; control activities such as authorisation or reconciliation; or monitoring controls by management. Where it appears that management were not aware of a risk or had ignored it then careful consideration should be given to the design of the audit approach.</p> <p>Any weaknesses in internal controls identified at this stage should be noted on the draft letter of comment.</p> <p>Details of any internal controls implemented by management should be cross-referenced to the review of the design and implementation of those controls on C5.1. This is a requirement of BSA 315 in respect of internal controls in areas where:</p> <ul style="list-style-type: none"> • the risk is classified as high/significant (BSA 315.29), or • it is not expected to be able to reduce the risks of material misstatement at the assertion level to an acceptably low level on the basis of substantive testing alone. (BSA 315.30) <p>However, all controls identified on C6.3 should be cross-referenced to C5.1. There is a requirement to review the design and implementation of all controls relevant to the audit and it hard to see how a control referred to on C6.4 could not fall into this category.</p>
Financial reporting areas and assertions affected	<p>The financial report area affected is relatively straightforward, for example ‘balance sheet debtors’ or ‘profit and loss account sales’. However, the assertions must be more specific.</p> <p>The main financial statement assertions are set out in BSA 315.25(b)-A129; but it is not sufficient to simply reproduce the wording of the relevant assertion from the BSA. The assertion affected should be expressed in terms specific to the client so it is clear exactly how the risk will impact. For example, the assertion relating to completeness (BSA 315.25(b)-A129 (a)(ii) is:</p> <p>‘All transactions and events that should have been recorded have been recorded, and all related disclosures that should have been included in the financial statements have been included’.</p> <p>But, if the risk is that cash sales at a particular location may not have been recorded then the assertion should be worded in those terms.</p> <p>Where a general risk relates to all financial areas and assertions such as the possible sale of the business then ‘All’ should be included in this column.</p>

Heading	Guidance on completion
Audit approach	The specific work to be undertaken in response to the identified risk should be recorded. This work will normally be additional bespoke tests. It is not necessary to specify in detail on C6.3 the work that will be performed, a summary with a cross-reference to the programme where the detailed tests may be found is sufficient. Where the reference is to one or more of the standard tests then an explanation as to why these are sufficient should be given.
Outcome	A summary of the outcome of the work referred to above should be given. The key issue here is to record the overall conclusion on the work undertaken and whether the risk has been reduced to an acceptably low level. A cross-reference should be given as to where the detailed results can be found.

C6.4 Detailed risk assessment

This detailed risk assessment serves three main purposes:

- as an *aide-memoire* for identifying specific risks affecting the client that may require further action;
- a means of formally documenting the approach to issues where the risk is assessed as low and which may as a result not require specific additional testing, and
- a means of determining an overall risk assessment for the client.

The latter point is important as this has an impact on the sampling approach in the APM but also has wider implications for quality control issues such as the need for an engagement quality control review (second partner review) as part of the firm's procedures under ISQC1: *Quality control for firms that perform audits and reviews of historical financial information, and other assurance and related-services engagements*.

It is not expected that this checklist will be completed every year. It will be acceptable only to complete the checklist afresh every third year. However, the completed checklist should obviously be reviewed with the client in the intervening years with particular attention paid to areas assessed as high risk or where further information available to the auditor suggests that an area should be reassessed as being higher risk.

Completing C6.4

Where this is completed manually it is likely that some of the boxes will not be big enough! If this is the case use should be made of continuation sheets.

Heading	Guidance on completion
Specific risk affecting the client	The first column of the checklist identifies general risk questions. The purpose of this column is to translate those general risk questions into a specific risk affecting the client.
Assessment H, M, L or N/A	The risk should be categorised as 'High', 'Medium' or 'Low'. A risk should be categorised as high where it is so significant as to require special audit consideration in accordance with BSA 315.28.
How will the audit risk be managed?	Where a risk is assessed as medium or high this will normally be carried forward to C6.3 and a reference to this effect will be sufficient. Where a risk is assessed as low then this column should explain how that risk would be managed.

Once the individual points on the form have been assessed as high, medium or low, the major risk areas must be identified in the 'conclusion' section, and an overall assessment of risk given to the audit. It must be stressed that the overall assessment is not an arithmetic average of the number of high, medium and low points recorded above. Indeed, any one high-risk item in the section, 'other external factors', may be enough to give an overall high-risk assessment. Conversely, a number of the detailed points may be identified as high risk, but the overall general risk may still be set as medium.

This is very much a matter of exercising professional judgment.

C7 Preliminary analytical review

BSA 315.6(b) states that the auditor should apply analytical procedures as risk assessment procedures to obtain an understanding of the entity and its environment. This applies even where there are no draft accounts available for analysis and comparison but there may be, for example, management accounts. The main purpose of this procedure is to determine the overall audit approach by, for example:

- identifying abnormal trends, transactions, balances or ratios meriting further enquiry;
- highlighting new transactions, balances or areas of increased importance, or
- indicating whether extensive analytical review or control reliance might be appropriate.

When undertaking detailed analytical review, it is necessary to set expectations. In setting these expectations, auditors need to establish plausible and predictable relationships relevant to the figures being audited. Often, analytical review is confined to a mere comparison of trends and ratios. This is of limited value as the information is all generated by the client.

For stronger analytical review, procedures involve the reconciliation of non-financial to financial data. It might also be possible to compare external data with internal data. An example of the latter is industry statistics (widely available on the web). Where autonomous divisions are operated, these can also be a subject of good analytical review procedures.

'Proof in total' is the strongest form of analytical review. By breaking down a balance, it is often possible to prove the total of a stratum (for example, purchases from a main supplier) leaving only the remainder of the population to be substantively sampled.

Having set expectations, it is then necessary to predict the expected outcome. This prediction must then be compared with the actual figures and any material differences enquired into. Explanations given as to any variances must be corroborated, fully documented and the analytical review concluded upon.

For those entities with less formal means of controlling and monitoring performance, it may be possible to extract relevant financial information from the accounting system (perhaps from the draft financial statements, VAT returns or bank statements). Discussions with management, focused on identifying significant changes in the business since the prior financial period, may also be useful. In this scenario the auditor should look at whatever records the client has in order to assess if there are any particular changes indicated by the books and records.

For example, if the auditor can see, on looking at the bank statements, that the company appears to be trading at or around its overdraft limit, then this could indicate a potential going concern problem.

Many smaller clients, although not being able to produce full financial accounts for the auditor to audit, may well prepare certain schedules from which the auditor can prepare the accounts. A potential example of this would be a sales daybook. The auditor could then assess whether or not the sales daybook indicated sales on a seasonal basis were consistent with expectations and previous years.

The client may also have computerised purchase and sales ledgers. These might give the auditor not only balances owed to suppliers and due from customers but also the level of activity. From this information basic ratios can be calculated, such as creditors days and debtors days.

If this is not possible at the outset of the job, then the auditor should be looking to calculate key ratios such as stock turnover and debtors days as and when the relevant information becomes available during accounts preparation work. If the figures and ratios vary significantly from previous periods and this cannot be adequately explained, then the risk assessments relating to that particular area need to be revised wherever necessary.

The other form that the analytical review at the planning stage may take is a discussion with the directors of the business as to how they feel the business has performed over the last accounting period. The auditor will find among his or her clients that the bulk of them has a reasonable idea as to how they have fared in the last 12 months. It is, however, important that the discussion is undertaken close to the year-end so that any relevant events are still fresh in the minds of the directors and management of the entity.

When conducting this discussion with the directors, the auditor needs to ensure that he or she collects as much information as possible in respect of significant changes in the business and the resulting effect on the figures that they would expect to see in this year's accounts.

It may well be sufficient for the auditor to include narrative notes of his or her discussions with the directors as to what their expectations are and what the accounts will show for the year in question.

This actually achieves two things, not only does it help the efficiency and effectiveness of the audit but it will also help client relations if the auditor shows willingness to discuss results with them before his or her work starts.

However, the preliminary analytical review still needs to be reviewed on an ongoing basis as detailed audit procedures may result in original ratios being changed as errors are corrected during the audit and other judgmental adjustments are made.

Once the preliminary analytical review is carried out, it will have to be repeated at the final analytical review stage if the figures have changed significantly. In other cases, the final ratios of the current year should be compared to the preliminary ones, with an explanation being given of changes arising during the course of the audit.

Preliminary analytical review will not always provide audit assurance of itself, but may be used as an introduction to extensive analytical review, which forms part of substantive audit testing.

The most important point to note is that a conclusion to the work is required. This will normally be expressed in terms of whether any particular problems have been identified or whether there are any particular areas of the client's operations that require more detailed investigation.

C8 Materiality summary

This is the third of the planning schedules that affects the level of sampling during an audit. Guidance on the various factors which will determine materiality on an individual audit is given in Chapter 6 of these Guidance Notes.

Since this is a planning document, figures for the accounts being audited will on occasions not be available. Where this is the case the anticipated figures for the current year (perhaps based on VAT or sales records) and, if appropriate, the figures for the previous years should be used.

The materiality figure established sets the overall materiality to apply to the audit as a whole. It must be emphasised that setting the materiality level is ultimately a matter of professional judgment. The ranges given on C8 are for guidance only and there will be occasions when materiality is determined to fall outside these ranges. Under no circumstances should the ranges be treated as a formula or materiality calculated as an average of the three.

BSA 320: *Materiality in Planning and Performing an Audit* requires the auditor to consider the level of materiality throughout the audit.

There is a question in each section asking the auditor to consider whether there is any need to revise the materiality level. At the end of the job you are asked to record the final level on the C8 form. In the case of materiality being reduced, you should reconsider the adequacy of the audit work done in earlier sections.

C9 Other planning schedules

A number of optional planning schedules are included for use where appropriate. Many users prefer to deal with such matters in the detailed planning memorandum.

C9.1 Accountancy work planning

This form allows you to set a level of acceptable accounting differences for use when the accountancy work is being undertaken by the practice. It should also be used to plan the analysis work required for audit, tax or other statutory purposes.

The form includes a prompt to consider the ethical implications of providing accounting services to an audit client.

C9.2 Sample size planning

The form provides a convenient summary of the sample sizes in each area.

C9.3 Assignment planning timetable

This schedule may be useful if there are a number of organisational points arising on the audit.

It will help to ensure that both the firm and the client are aware of key dates, which may reduce the risk of misunderstandings or delays.

C9.4 Budget and performance summary

It is increasingly likely that a formal estimate of the cost of the audit work will be agreed with the client in advance.

Regardless of this, audit quality must never be compromised. If the audit is to be carried out efficiently, it is necessary to know how best the time should be allocated. It is normally the case that the smaller the audit the more precisely the time can be budgeted.

Although not considered compulsory, it is highly recommended that this form be completed.

If time increases over budget, it will be essential to be able to explain to the client where costs increased and why.

In any debriefing at the end of the audit, the budget to actual comparison can provide evidence of how the time was spent, whether it was wisely spent, and can provide a basis for planning next year's audit in terms of staffing and audit focus, in order to minimise the risk of recurrence.

C9.5 Job progress report

This form allows progress to be tracked of work on the main file sections. Tracking progress against budget both in terms of timings and time spent is a good way to identify problems early.

3. AUDIT EVIDENCE

This chapter explains the use of the audit programmes within this Audit Practice Manual. Particular reference is made to the summary sheets, on which conclusions on individual audit areas are required.

3.1 Section D - extensive analytical review

Section D is devoted to extensive analytical review which may be carried out on the accounts as a whole or in respect of particular aspects of the accounts.

Where it is considered that useful audit evidence can be derived from an extensive analytical review, this approach can be adopted. It is often very cost effective. For extensive analytical review to be effective it must be targeted, the results must be corroborated with independent data and it must be undertaken by a suitably senior and experienced individual.

Remember that the extent to which the results of analytical review can be used to reduce the level of substantive testing will depend on the results of the review work.

It may be, for example, that detailed analytical review leads to the belief that there is a particular problem in the valuation of stock. It would obviously be wrong to blindly accept the results of the analytical review in such circumstances. Analytical review may, therefore, help concentrate the audit on significant aspects of the company's accounts for maximum audit efficiency.

To continue the stock analogy, it may be that audit tests indicate that stock has been overvalued, throwing the problem back onto the rate of gross profit, which will have been affected by the required reduction in stock values. This new area of apparent difficulty would now need to be investigated.

Analytical review is ongoing throughout the audit. At any stage the results of audit tests may cause a rethink of the view apparently presented by preliminary analytical review. This continuous process of analysis is an essential theme of any audit, where analytical procedures are being used.

The results of extensive analytical review may indicate that the nature and/or extent of detailed testing may be reduced or in some cases it may not be necessary to do any further testing. This should be recorded on the 'sample selection planning form'. This form may be found useful as a means of linking assessment of risk, materiality and, where appropriate, the results of extensive analytical review to provide an objective sample size.

Blank 'sample selection planning' forms for the balance sheet and profit and loss account are included in each section of the file. In addition, there is a form within the planning section (C9.2) that allows you to record the different methods of obtaining audit evidence and the anticipated sample sizes for each of the audit sections.

3.2 Summary sheets

Audit objectives

BSA 500.6 requires that the auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion.

BSA 315.25(b) goes on to state that the auditor should use assertions for classes of transactions, account balances, and presentation and disclosures in sufficient detail to form a basis for the assessment of risks of material misstatement and the design and performance of further audit procedures. The auditor uses assertions in assessing risks by considering the different types of potential misstatements that may occur, and thereby designing audit procedures that are responsive to the assessed risks.

The assertions referred to above are set out in BSA 315.25(b)-A129, which is reproduced below. Assertions used by the auditor fall into the following three categories.

1. Assertions about classes of transactions and events for the period under audit such as:
 - **occurrence** transactions and events that have been recorded have occurred and pertain to the entity;
 - **completeness** all transactions and events that should have been recorded have been recorded;
 - **accuracy** amounts and other data relating to recorded transactions and events have been recorded appropriately;
 - **cut-off** transactions and events have been recorded in the correct accounting period; and
 - **classification** transactions and events have been recorded in the proper accounts.

2. Assertions about account balances at the period end such as:
 - **existence** assets, liabilities, and equity interests exist;
 - **rights and obligations** the entity holds or controls the rights to assets, and liabilities are the obligations of the entity;
 - **completeness** all assets, liabilities and equity interests that should have been recorded have been recorded; and
 - **valuation and allocation** assets, liabilities and equity interests are included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

3. Assertions about presentation and disclosure such as:
 - **occurrence and rights and obligations** disclosed events, transactions and other matters have occurred and pertain to the entity;
 - **completeness** all disclosures that should have been included in the financial statements have been included;
 - **classification and understandability** financial information is appropriately presented and described, and disclosures are clearly expressed; and
 - **accuracy and valuation** financial and other information are disclosed fairly and at appropriate amounts.

Audit objectives are the auditor's method of defining and testing these assertions. Audit tests must be designed to meet each of these financial statement assertions.

Some of these assertions are often more inherently risky than others. For example, it is often the case that the 'Completeness' and 'Valuation' assertions are more risky from an auditing point of view than (say) the 'Existence' assertion. Accordingly, specific risk assessments should not be restricted to just considering the balance as a whole. The key to an efficient audit lies in appreciating where the risks truly lie in terms of the underlying assertions within a particular balance and focusing the audit work accordingly.

At the commencement of each audit programme section there is a summary sheet setting out the audit objectives for that audit area and how the audit tests meet those objectives. By keeping specific audit objectives in mind, audit tests can be efficiently directed to meet them.

If any tailoring of the programme is done, the audit objectives should be cross-referenced to the tailored programme to ensure that they continue to be met by the revised/new programme. If additional or alternative tests are carried out, these should likewise be cross-referenced to the audit objectives. This should ensure that these tests also meet the objectives set.

At the planning stage, each summary sheet should be signed off by whoever has planned the audit programme and also signed off at this stage as reviewed.

Audit conclusion

A conclusion should be drawn for each audit area. This is vitally important. Not only should the summary sheet be concluded upon, but for each main test within each area, the relevant working paper should state:

- the aim of the tests;
- the work performed;
- the results obtained, and
- the conclusion reached.

The conclusion section provides the following options:

Planning

Particularly where there has been significant tailoring of the audit approach, it is essential that there is evidence to show that the partner has approved the approach being taken to the audit of the particular section before the work is commenced. This will also serve to improve the efficiency of the audit.

Final completion stage

The conclusion requires confirmation of a number of different things. This includes confirmation that:

- the work detailed in the audit programme has been carried out;
- the results have been adequately recorded;
- all necessary information has been collected for the preparation of the statutory accounts, and
- subject to any minor matters highlighted on **B5** or **B8**, the objectives have been met.

Alternative conclusion

The summary sheet should state clearly the alternative conclusion reached, with adequate explanation for the conclusion to be understood. The alternative conclusion must be brought to the attention of the partner on schedule **B5** or **B8**.

Before reaching an alternative conclusion, consideration should be given to whether or not there are any additional audit procedures that could be carried out to enable a satisfactory confirmation of the audit objectives to be given.

3.3 Audit programmes

The audit programmes contain the main tests that would normally need to be undertaken when carrying out an audit. However, the programmes should always be considered in the light of the specific needs of the client. The programmes must be amended at the planning stage to include any

additional tests required to meet specific aspects of the client. In many cases, certain tests may be inappropriate.

The first column asks ‘Test required?’ This column should be completed at the planning stage of the audit, by entering a ‘Y’ against those tests to be undertaken. Conversely, enter ‘N’ for those tests which are not required.

Where specific tests are not being performed, ensure that sufficient other audit work is being performed adequately to satisfy the audit objectives. Cross referencing any amendments to the audit programme with the objectives on the summary sheet ensures that this occurs.

The second column should state whether the results of the test were satisfactory. A ‘no’ answer here means that audit objectives have not been satisfied. This therefore represents an ‘audit problem’ and should be referred to on schedule **B5** or **B8**, ‘Points for partner/Audit highlights’. There should be a note of any alternative procedures that have been applied that may have helped to demonstrate that the objectives have in fact been met.

If the programmes are completed properly, then it should be relatively straightforward for the manager or partner to review the programmes and quickly spot any problems.

Any comments relating to a test can be noted in the fourth column. For example, where a planned test is not applicable the reason should be noted rather than simply stating that it is not applicable.

3.4 Permanent audit file index

The permanent audit file index provides a detailed list of various matters that are of ongoing relevance and that should be maintained on the permanent audit file. Tick the boxes on the Index to identify what information is actually on the file.

The purpose of the permanent audit file is to maintain documentation and information of continuing relevance to the audit. The file must be reviewed at least annually, with material that is no longer of use being removed from the file and archived. The file should not be considered to be a permanent repository for all documentation that may once have been pertinent.

Forms have been provided to allow recording of the basic information, which should be contained on the permanent audit file. These include:

- Background information (PAF02)
- Details of bankers and professional advisors (PAF03)
- Know your client checklist (PAF04)
- Register of laws and regulations (PAF05)
- Details of related parties (PAF06)
- Significant accounting policies (PAF07)

Know your client checklist

The ‘know your client checklist’ is an *aide-memoire* of the sort of information that should be recorded in order to comply with the requirements of BSA 315: *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. It should be completed prior to the planning process.

Register of Laws and Regulations

The Register of Laws and Regulations is, as the name suggests, a form for recording all the significant laws and regulations which affect the client company. BSA 250: *Consideration of laws and regulations in an audit of financial statements* requires the auditor to:

- obtain a general understanding of the legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates and how the entity is complying with that framework (BSA 250.12);
- obtain a general understanding of the procedures followed by the entity to ensure compliance with that framework (BSA 250.12(b));
- perform further audit procedures to help identify instances of non-compliance with those laws and regulations where non-compliance should be considered when preparing financial statements (BSA 250.18).

The form must therefore be tailored to suit the client: this requires more than a vague note about the applicability of the Companies Act 1994 and employment legislation. It requires specific comment on:

- the procedures the client has in place to ensure compliance with each requirement, and
- the audit approach for determining compliance.

The form has been split to consider those laws and regulations which relate to the accounts, those which relate to business in general, and those which are specific to the client. Particular regard should be had to those laws and regulations that provide a framework within which the entity operates, as well as those whose infringement could threaten the entity's ability to continue to trade.

4. APM OVERVIEW

4.1 Introduction

Audit Practice Manual is intended for use whenever an audit is carried out in accordance with International Standards on Auditing (ISA) as well as Bangladesh Standards on Auditing (BSA).

While this will apply principally to audits of limited companies, it applies equally to audits of other businesses. However, when dealing with certain specialist audits like banks, NGOs, Insurance Cos., Educational Institutions, Utility Cos. you may wish to consider using specific tailored audit programmes which can be used in conjunction with the programmes contained within this APM.

The APM audit approach may be summarised as follows.

1. Planning
2. Collection of evidence
3. Controlling and recording
4. Review and opinion

The APM uses an approach that ensures compliance with BSA in an efficient way.

4.2 Planning

Planning is essential for two reasons.

1. It is a requirement of BSA.
2. It is the key to successful auditing and would be part of the APM approach even if there was no requirement for it in BSA.

In order to assist in a disciplined approach to planning and to ensure compliance with BSA, the APM provides documentation enabling a record of planning to be kept, demonstrating the approach adopted for each audit and the reasons for that approach.

Guidance on APM audit planning is set out in Chapter 2 (above).

In addition to the standard documentation there should always be a client-specific planning memorandum setting out:

- what the entity does;
- how it conducts its business;
- where the risks and issues are. and
- how these will be audited.

4.3 Assessment of risk and materiality

The assessment of risk and materiality are two of the principal planning procedures. The assessment of risk in particular is at the core of the approach to audit set out in the BSA. A more detailed discussion of the assessment of risk and materiality is contained in Chapters 5 and 6 (below) respectively.

In the APM approach audit risk interacts with materiality and population value to determine sample sizes.

4.4 Analytical review

Analytical review can be a useful source of audit evidence. It may include:

- a preliminary analytical review;
- an extensive analytical review, and/or
- a final analytical review.

These separate stages should not be considered to be mutually exclusive, but part of a continuous process of review.

It is probably fair to suggest that analytical review is not as widely used as it could be, particularly in the audits of smaller companies. Some form of final analytical review is generally carried out but, by that stage, it may be of little use in directing the audit towards areas of importance.

More detailed guidance on analytical review procedures is set out in Chapter 7.

4.5 Tests of controls

Bangladesh Standards on Auditing (BSA) require a much greater consideration of the client's system of internal control than was the case under the old standards. Under the old regime the testing of internal controls was entirely optional. This is not the case under BSA.

- As part of understanding the entity and its environment it is a requirement to evaluate the design and implementation of all controls relevant to the audit.
- Evaluating the design and implementation of controls requires more than just enquiry; further work such as inspecting documents or tracing transactions through the system is required.
- Testing of the operational effectiveness of internal controls (compliance testing) is mandatory where: the risk assessment includes an expectation that controls are operating effectively, or substantive tests alone do not provide sufficient evidence of their operation.

In addition, as before, the auditor may choose to test the effectiveness of controls where this is more effective than relying solely on substantive procedures.

Review of the design and implementation of controls is considered as part of the planning process (C5.1). Testing the effectiveness of controls is dealt with in Section S.

The initial stage is to complete the Internal Control Questionnaire (S4) in order to determine the controls that operate over the main business processes. Where controls have been identified these should be recorded on C5.1 to evaluate the design and implementation of those controls.

Where there is a requirement to test controls or where a decision is made to do so the Internal Control Evaluation (S3) allows you to record how operation of the controls will be tested. The results and consideration of the impact that the results will have on the reliance on the controls should also be recorded here.

Where reliance is placed on testing the effectiveness of internal controls, it is still necessary to undertake some substantive testing.

‘Irrespective of the assessed risk of material misstatement, the auditor should design and perform substantive procedures for each material class of transactions, account balance, and disclosure. This requirement reflects the fact that the auditor’s assessment of risk is judgmental and may not be sufficiently precise to identify all risks of material misstatement. Further, there are inherent limitations to internal control including management override.’(BSA 330.18) Accordingly, while the auditor may determine that the risk of material misstatement may be reduced to an acceptably low level by performing only tests of controls for a particular assertion related to a class of transactions, account balance or disclosure, the auditor always performs substantive procedures for each material class of transactions, account balance, and disclosure.

Therefore, whilst it is not appropriate to abandon substantive testing completely, where an effective control has been identified, the nature of the substantive tests can be altered or the sample size can be reduced in line with the guidance on the sample selection planning form. The greater the reliance that can be placed on controls, the lower the level of substantive work that is needed.

Operation of controls implicit in a low risk assessment

BSA 330.8(a) states that when the auditor's assessment of risks of material misstatement at the assertion level includes an expectation that controls are operating effectively, the auditor should perform tests of controls to obtain sufficient appropriate audit evidence that the controls were operating effectively at relevant times during the period under audit.

When calculating the sample size in these circumstances it will be appropriate, based on knowledge of the client and the review of the design and implementation of controls, to assume that the risk will be low and that internal controls are operating when calculating any relevant sample size. Clearly if the controls prove not to be operating effectively and/or the risk assessment is revised, then it will be necessary to consider increasing the relevant sample sizes.

However, users should note that it is not compulsory to test controls. It is perfectly acceptable to conclude that it is more effective to follow a substantive approach and accept a higher level of risk. It is also possible that, based on our past experience of the client's systems and the fact that those systems appear to be unchanged, we may conclude that risk can be reduced from high to medium. Our samples for substantive testing would be reduced accordingly.

In some areas of the audit that are material, but not critical, it may be possible to argue that the risk assessment is low without any need for reliance on controls. However this is unlikely to be true for any of the main transaction cycles.

4.6 Collection of audit evidence

The APM audit programmes are comprehensive and designed to deal with most eventualities. However, it is crucial that the programmes are tailored to meet particular circumstances of the client.

Detailed guidance on their use is set out in Chapter 3 above.

4.7 Audit sampling

The question of how many items to test has always been a debatable subject. It is far better to design tests directly relevant to the client rather than to merely 'fill in the forms'. Tailoring or drafting of programmes using the APM as an *aide-memoire* is therefore encouraged. Clearly, any sample must be representative of the whole population and it must be sufficiently large to enable credible conclusions to be formed.

The exercise of judgment must ultimately determine the sufficiency of sample sizes. The use of inherent risk factors, materiality and population characteristics may give a useful theoretical starting point but ultimately judgment must prevail. The standard risk model does at least provide a benchmark against which to assess the reasonableness of your judgment.

More detailed guidance on audit sampling is set out in Chapter 8 below.

4.8 Evaluation of errors

Errors found in the performance of audit tests must be evaluated to determine their impact on the population being tested and on the accounts as a whole.

Evidence suggests that, at times, auditors have difficulty in making this evaluation.

More detailed guidance on the evaluation of errors is set out in Chapter 9 below.

5. ASSESSMENT OF RISK

5.1 Introduction

The biggest impact of the change to Bangladesh Standards on Auditing (BSA) is in the approach to risk. There are two risk BSAs:

- BSA 315: Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment; and
- BSA 330: The auditor's procedures in response to assessed risks.

These BSAs are significantly more demanding than the previous standards in the depth of understanding of the client's systems and operations that is required and also the extent of the linkage of the actual work undertaken to the assessed risks.

The nature of risk

Audit risk is present in the giving of any audit opinion on financial statements. Elements of audit risk include those arising:

- from the business environment in which the entity operates;
- from the operation of the entity's control systems; or
- from the failure of audit procedures, including 'sampling risk'.

The third component can only rarely be eliminated completely. It is almost certain that some risk will remain. The purpose of this manual is to ensure that the risk is minimised and that, even in the event of auditing procedures failing to detect misstatements in the accounts, the auditors can nevertheless be shown to have undertaken adequate audit procedures.

For these reasons, an assessment of audit risk is essential on all audits, no matter how small the company may be.

Even in a small company audit, it is necessary to consider the business environment in which the company operates. An assessment of audit risk will cover a company's regulatory environment, the markets it serves, the risks it faces, its strategic objectives, the threats to those objectives and any related pressures on management. Consideration should also be given, for example, to whether or not the view presented by the company's accounts is consistent with the life-style of its directors and shareholders. To a large extent, this is why it is considered necessary in any audit to see the company at its own premises. If the company operates from the director's home, then go and see him at home. It is not easy to satisfactorily assess audit risk from a completely office-bound perspective. It is impossible get a 'feel' for a company by sitting behind a desk!

Business risk

The idea of business risk has been around for some time and many audit firms already incorporate this into their audit systems. However, this is now a requirement of BSA 315.15 which states:

'The auditor should obtain an understanding of the entity's process for identifying business risks relevant to financial reporting objectives, estimating the significance of the risks, assessing the likelihood of their occurrence, and deciding about actions to address those risks.'

The detailed risk assessment (C6.4) includes a section on business objectives to assist firms in identifying such risks.

Audit risk

Audit risk is defined as the risk that the auditors will give an inappropriate audit opinion. This can arise by either:

- an audit report being qualified when it should not have been; or
- an unqualified audit opinion being issued when a qualification was appropriate.

One way to look at Audit risk is to express it as the combination of inherent risk (IHR), control risk (CR) and detection risk (DR), as follows:

$$\text{Audit risk} = \text{IHR} \times \text{CR} \times \text{DR}$$

Detection risk can be further subdivided between sampling risk (SR) and other substantive procedures risk (OSPR) to give the following:

$$\text{Audit Risk} = \text{IHR} \times \text{CR} \times \text{SR} \times \text{OSPR}$$

This relationship between the various components of risk gives the basis of the sampling approach. This is because, for given levels of audit risk and inherent risk, it follows from the above that:

- the greater the reliance that can be placed on compliance tests (ie, the lower control risk), and
- the greater the reliance that can be placed on other substantive procedures, such as analytical procedures (ie, the lower the OSPR risk) then
- the greater the risk the auditor can afford to take in respect of sampling to maintain a given level of audit risk (ie the lower the sample size).

Inherent risk - the risk that errors will arise - needs to be considered, firstly, at two levels.

1. At the level of the engagement itself (the higher the risk of the engagement, the lower the audit risk the auditor should be willing to accept).
2. At the level of a particular balance, or class of transactions.

In addition, it is possible to take the analysis further and to consider the risks inherent in each financial assertion within an account balance. Typically, the completeness and valuation assertions will be more risky than (say) the existence assertion.

Inherent risk

This is the susceptibility of an account balance or class of transactions to material misstatement, either individually or when aggregated with misstatements in other balances or classes, irrespective of related internal controls. In the APM, inherent risk is considered first at the engagement level (general risk) (C6.4) and second at the account balance level (specific risk) (C6.2).

Control risk

Control risk is the risk that a misstatement that could occur in an account balance or class of transactions that could be material (either individually or when aggregated with misstatements in other balances or classes) and might not be prevented, or detected and corrected on a timely

basis, by the accounting and internal control systems. This definition blurs the distinction between inherent risk and control risk. As a result, they are often assessed together.

BSA 315 requires the auditor to review the design and implementation of all controls relevant to the audit. This review should be documented on **C5.1**. When completed it will allow the auditor to identify where there are controls within the accounting systems that can be relied on and the impact that this will have on the audit approach being adopted.

Detection risk

Detection risk is the risk that auditors' substantive procedures do not detect a misstatement that exists in an account balance or class of transactions that could be material, either individually or when aggregated with misstatements in other balances or classes. As noted above, the substantive audit procedures applied through the APM system serve to minimise, but cannot eliminate, detection risk.

Audit testing

The extent to which substantive test of detail can be reduced by reliance upon controls and analytical procedures will depend upon the auditor's assessment of the reliability of those procedures and, in particular, the risk that they may fail to detect a material misstatement.

5.2 General risk assessment

General risk relates to the commercial and regulatory environment in which the audit client operates. It is also affected by the business risks the entity faces and an assessment of the integrity of management.

This assessment should assist in determining the riskiness of the engagement as a whole. The higher the perceived risk, the lower the audit risk that the auditor is willing to take and the greater the audit assurance that is needed.

The overall assessment of risk for a client is determined after completion of the detailed risk assessment at **C6.4**.

5.3 Specific risk assessment

The assessment of specific risk achieves two objectives:

- it may be used in the context of the very small company to assess the extent to which the full audit programme approach can be foregone in the particular circumstances of the audit in question. This approach must always be documented and justified, not simply applied without reason; and
- it may be used to pull together the various risks identified on **C6.4** and **C6.3** and consider their overall impact on a particular area of the financial statements.

This helps to concentrate the audit work on areas of audit significance, ensuring that the bigger picture is not lost through concentration on individual risks identified on **C6.3**.

5.4 Reliability factors

The standard model used in this manual can be expressed as:

$$\text{Sample size} = \frac{\text{Population value } \textit{minus} \textit{ Items above Tolerable error } \textit{minus} \textit{ Key items}}{\text{Tolerable Error}}$$

i.e.

$$\text{Sample size} = \frac{\text{Adjusted Population Value}}{\text{Tolerable Error}}$$

By using the normal distribution it is possible to express confidence in sampling results in the form of risk factors. The reciprocal of a risk factor is a reliability factor and these form the basis of the sampling method. A table of reliability factors can be found on schedule C6.2 Risk Response Summary. When sampling is undertaken, the factor relevant to the particular audit test should be recorded on the relevant sample selection planning form. The reliability factor will then be multiplied by a quotient dependent upon whether tests of detail only or tests of detail plus analytical review and/or compliance tests are to be undertaken. The multiple is also different for balance sheet and profit and loss account testing. Details of the multiplier that affects the reliability factor are given on the sample selection planning forms.

5.5 Vouching the total population

It may be that a total population is tested in the audit of very small companies. For example, it may be that a very small company has 12 invoices a year and that it has been decided to examine all 12.

The inherent risk assessment will not be applied, and would make no difference, in these circumstances.

The general risk assessment must still be considered because the vouching of all 12 invoices cannot, on its own, provide all the audit evidence that we require to form a reasonable conclusion that all income has been completely and accurately recorded in the company's accounting records.

5.6 Accountancy work and audit testing

Assuming that the ethical issues have been properly addressed, it may be possible to use audit evidence derived from work carried out in the preparation of the accounts.

Such accountancy work must have been properly planned with specific audit objectives in mind, be properly controlled and recorded and subject to adequate review.

In such circumstances it may be that sufficient audit evidence can, in respect of certain assertions, be obtained to obviate the need for further detailed testing.

Remember, however, that such audit evidence will not provide evidence of, for example, completeness, continued existence or title, thus still requiring top up audit work to be done.

5.7 Conclusion

The assessment of risk and the response to those risks is the central plank of the audit approach implicit within ISA/ BSA. The response to assessed risks affects all parts of the audit so it must therefore be an integral part of the audit planning. This will enable the auditor to direct resources to key areas of the audit.

6. MATERIALITY

6.1 Introduction

BSA 320 reiterates the following definition of materiality which is taken from the IASB ‘Framework for the Preparation and Presentation of Financial Statements’.

‘Information is material if its omission or misstatement could influence the economic decisions of users taken on the basis of the financial statements. Materiality depends on the size of the item or error judged in the particular circumstances of its omission or misstatement. Thus, materiality provides a threshold or cut-off point rather than being a primary qualitative characteristic which information must have if it is to be useful’.

Materiality affects audit work in two ways.

1. It is one of the factors which influences the nature and extent of the tests of detail.
2. It influences decisions as to whether or not an auditor should seek adjustment for actual and projected errors and for assessing the significance of areas of disagreement on judgmental matters.

‘True and fair’ accounts are those free of ‘material’ misstatement. For this reason above all others, an assessment of materiality should always be made, even on the very smallest of companies.

6.2 Basis of determining materiality

Any basis of determining materiality is necessarily judgmental. No basis should be applied blindly. In general, the level of materiality is relative to the size of the business. However, some items might be material by their nature, regardless of magnitude (e.g. statutory disclosures such as directors’ remuneration).

Apart from profit before taxation, turnover is also used as a yardstick in determining the level of materiality because it is indicative of the level of business and transactions undertaken in the year. Total (gross) assets are also indicative of size and, therefore, should also be taken into account. A trading entity would usually be audited including turnover-based materiality. An investment company would normally be audited including asset-based materiality.

Profit before tax on ordinary activities is determined after directors’ remuneration. In most smaller businesses the impact of such remuneration on profit will be significant. Where exceptional salaries, including bonuses, or other exceptional items have been charged in arriving at profit before tax, the exceptional element of such costs should be added back when calculating profit-based materiality to the extent these costs are discretionary.

The following notes are a guide only to determining materiality in particular circumstances. Wherever the figure of materiality appears to be more appropriately calculated by other means, an alternative basis should be used, but the reasons for doing so must be documented.

6.3 The small company

When the materiality ranges based on the guidelines have been established, the overall materiality must be determined. This is not a mathematical average but a matter of professional judgement. In most small businesses it may be close to the turnover parameter. However, in an asset-based business, such as a property investment company, it may be closer to the gross asset parameter. This figure should be used to help decide what level is most appropriate, somewhere between the turnover and gross asset parameters. Once materiality has been set, it might be appropriate to consider differing levels of tolerable error within different account balances. For example, auditors could normally be prepared to tolerate a greater error in stocks than in banks and cash. However, tolerable error should not exceed materiality.

Where total liabilities are significant, it may be necessary to calculate a parameter for total liabilities, introducing this into the overall equation. This may be particularly relevant where the company is making a loss.

Where the company is close to break even, such that a relatively small error could turn a profit into a loss (or vice versa), greater emphasis should be placed on trends over a period of years. Remember that materiality should remain broadly constant from year to year (subject to inflation and significant changes in the level of business carried on). However, many choose to revise materiality downwards where a company is near break even, either in terms of its results for the period or in terms of the net assets.

6.4 Determining materiality

A guide for determining the level of materiality is set out below and on **C8**. It must be emphasised that the table is guidance only. The level of materiality is a matter for professional judgment. Under no circumstances should materiality be ‘calculated’ as an average of the three parameters!

TK.	Profit before taxation parameters	Turnover and total assets parameters
0-5 Crores	10%	3.0%
5 Crores 1 to 10 Crores	10%	2.5%
10 Crores 1 to 20 Crores	10%	2.0%
20 Crores 1 to 56 Crores	10%	1.5%
Over 56 Crores	10%	1.0%

6.5 Conclusion

The above table is not, however, mandatory. Firms are free to set their own levels, but, in doing so, should take care not to set levels of materiality which are either too high or too low. In the very small company audit, experience indicates that there may be a tendency to set materiality at too low a figure, probably as a result of confusion between audit and accounting materiality.

Setting materiality too low will affect sample sizes: they will increase. This may cause time problems without necessarily increasing audit efficiency. Too low a materiality figure could also pose problems if an audit firm's work is called into question. By defining materiality at too low a level, the firm is defining 'truth and fairness' in too precise terms. Its work could be found wanting when judged in terms of too precise a definition of 'truth and fairness'. By opining that the accounts are 'not materially misstated', auditors do themselves no favours by setting materiality at too low a level. In general, therefore, it is suggested that the table may be accepted for use in all but exceptional circumstances.

7. ANALYTICAL REVIEW

7.1 Introduction

BSA 315.6(b) and 520.6 states that the auditor should apply analytical review procedures as risk assessment procedures to obtain an understanding of the entity and its environment and in the overall review at the end of the audit. This paragraph also states that analytical procedures may be applied as substantive procedures.

In the context of the smaller company, the extent to which analytical review procedures are effective or even possible will vary widely. It would, however, be quite wrong to suggest, as a matter of principle that analytical review need not be carried out for smaller companies.

In many smaller companies, analytical review may form an effective part of substantive procedures. They can be particularly useful in circumstances in which tests of transactions cannot provide adequate evidence of completeness.

Extensive analytical review procedures may highlight fluctuations in ratios. These may be normal fluctuations (business trends, seasonal changes, trade cycles, cost/selling price relationships) or abnormal fluctuations (exceptional transactions, bad debts, loss of assets by fire or theft, changes in the bases of valuation of stock and cut-off errors).

In analysing the cause of the fluctuations, there is a tendency in smaller company audits for the auditor to accept too readily the explanation given by management. Care must be taken to check that the facts given by management are valid and complete and that their effect is sufficient to explain the fluctuation. The recording of such explanations and corroborating their validity in the working papers will be as important as the identification of the fluctuation itself. Only a corroborated commentary provides valid audit evidence.

This same problem would arise in the audit of, for example, a shop. Audit tests on till rolls can never provide total audit assurance that all sales have been rung up on the till. Analytical review may, in such circumstances, provide the only practicable alternative procedures to verify completeness of sales.

Analytical review in this last example would involve analysis of margins, analysis of stock records etc. This should provide the additional audit evidence necessary to avoid the possibility of a qualification on grounds of lack of control over cash income.

It is the importance of this aspect of analytical review procedures that the Audit Practice Manual hopes to emphasise. Experience indicates that many auditors of smaller companies do not adequately appreciate the extent to which analytical review procedures can help, believing erroneously that such procedures are only applicable to larger audits.

7.2 Timing and objectives of analytical review procedures

Analytical review may be relevant to three distinct but interrelated stages of the audit:

- the planning stage;
- extensive analytical review as a substantive test, and
- the final stage – as part of the critical review of accounts.

The planning stage

A preliminary analytical review should be carried out as required by BSA 315.6(b). This states: ‘the auditor shall apply analytical procedures as risk assessment procedures to obtain an understanding of the entity and its environment’.

Where draft accounts are not available, information should be extracted from available records such as daybooks, copy VAT returns etc., or expected changes from previous years should be discussed with the directors. If management accounts or draft accounts are available at an early stage in the audit, it may be appropriate to carry out a more detailed preliminary analytical review as soon as they are available.

Preliminary analytical review procedures should assist in identifying significant matters that require consideration during the audit. This suggests that wherever possible, preliminary analytical review should be carried out before completing the assessment of general and specific risk. Risk assessments should be reconsidered as further evidence comes to light.

Preliminary analytical review procedures do not, of themselves, provide audit assurance, although they should contribute to effective auditing by minimising the risk of over- and under-auditing.

The purpose of preliminary analytical review is to identify areas of the audit where there are greater risks or areas that may, for other reasons, require more detailed investigation. It is therefore vital that there is some commentary on the variances and ratios calculated together with a conclusion identifying any matters that require further investigation, or noting that there are none.

Extensive analytical review

During the course of the audit, extensive analytical review procedures may be carried out on specific areas of the accounts, or on the accounts as a whole, as a means of providing formal audit assurance as already discussed in section 3.1 above.

Care must, however, be taken in the analysis of the results of extensive analytical review procedures. It would be wrong to assume that extensive analytical review procedures can result in an automatic reduction in the extent of detailed testing. Only if the results of the procedures are satisfactory,

can the extent of substantive testing be reduced. If, as may often be the case, extensive analytical review indicates unexpected variations in trends or ratios, these would require investigation, directing audit attention accordingly. In such circumstances, it might be inappropriate to reduce the level of substantive testing. Where exceptionally good quality evidence has been gained, it may be that no further work is required on an area once the detailed analytical review has been undertaken. This can be evidenced through the forms in the D section of the working papers.

In other instances, extensive analytical review procedures may bridge the gap in the audit trail where, for example, detailed stock records are not maintained. This will arise in the retail trade, where detailed stock movements will tend not to be recorded. If audit tests are based on copy sales invoices, these may not contain details of all sales. What of the 'sale' that was not recorded on a sales invoice? Transaction testing will never pick this up. In the above example, no transaction test can be fully effective in cases where there is no reliable record of the complete population of dispatches. Extensive analytical review procedures may, however, provide alternative audit procedures. These may enable appropriate reliable audit evidence to be derived from a combination of transaction testing and analytical review, from which it can be concluded that all sales have been properly recorded in the accounting records, or at least have not been materially understated.

The final stage – as part of the critical review of accounts

A final analytical review should always be carried out. The procedures for final analytical review will be similar to those of preliminary analytical review. Both are mandatory procedures under BSAs.

BSA 520.6 states: 'The auditor shall apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's understanding of the entity'.

Final analytical review will, therefore, compare current year final figures and trends and ratios with those of previous years and with the findings of the audit tests. Where preliminary analytical review has been carried out, it will nevertheless be necessary to re-perform this work at the final stage unless the figures have not altered significantly.

As with preliminary analytical review it is the commentary and conclusion that are important rather than the number crunching. In this case the conclusion should be expressed in terms of the overall truth and fairness of the figures.

7.3 Conclusion

Preliminary analytical review procedures should be performed, with a final review on completion of the audit, without repetition of any earlier work unless the final figures are materially different.

Wherever effective, carry out extensive analytical review procedures, corroborate and explain the findings and rely on the assurance provided to reduce the extent of transaction testing or to refocus audit work.

Always carry out a final critical review of the accounts including the final analytical review. This critical review should involve primarily a review of the financial statements but auditors must also read other information to be issued with the financial statements. The critical review should help auditors to form a final overall view on the truth and fairness of the financial statements as well as ensuring that the other information included with the financial statements is not inconsistent with them.

8. AUDIT SAMPLING

8.1 Introduction

The sampling method in the APM is designed to provide a reasonable guide to the level of testing that should be applied to individual populations. However, always consider whether the sample size produced is appropriate. The sample size must ultimately be a matter of reasoned professional judgment. Accordingly, the suggested sample size may be adjusted, but the reasons for the adjustment must be given on the relevant audit working papers and must be justifiable.

8.2 Determining sample sizes

The proposed basis of determining sample sizes uses the following figures:

- the monetary value of the population;
- the overall level of materiality set for the audit;
- the calculated reliability factor (i.e., a converse measure of risk), and
- the identification of high value and key items.

By basing the sample size on a combination of the monetary value of the population, materiality and risk, the auditor is using the data determined at the planning stage of the audit in determining the size of the audit sample. The lower the figure of materiality and the lower the sampling risk the auditor is willing to accept (i.e. the higher the risk factor), the larger the sample will be. Following the APM sampling method therefore ensures that work undertaken is responsive to the level of assessed risk in the relevant area.

High value items and key items should be stratified separately for testing. These are considered sufficiently important to justify selecting all such items. In an overstatement test, high value items are those transactions or balances that are higher than the figure of tolerable error (materiality divided by the inherent risk factor). In an understatement test of, say, creditors, 'high value items' are those balances, of whatever magnitude, with major suppliers. Key items and other high value balances or transactions are identified as significant in the particular circumstances of the test being carried out.

Judgment is required in assessing whether or not an item is a 'key' item for these purposes. For example, in the context of debtors, this might be by reference to ageing or known higher risk types of debtor balances, suggesting that greater audit attention should be given to such balances. No absolute definition of key items is suggested or possible. Judgment must be exercised as necessary.

Once an understatement test has been completed, any balances over materiality remaining unaudited should be verified.

The value of the population should relate specifically to the test being carried out. For example, a test designed to verify the provision for obsolete stock should not be based on the value of the provisions made by the client. The main concern is to ensure that all items of obsolete stock have been identified. In these circumstances, the population should be the total value of stock. Of course, it would be in order to concentrate testing on high-risk items, such as those with no sales over the past few months. The remainder of the population cannot, however, be ignored. Tests must cover some apparently low risk items and hence the value of the residual population also forms the basis for testing.

8.3 Sample selection planning form

Sample selection planning forms may be used to determine sample sizes in all the examples referred to in 8.2 above and are included in each of the main file sections.

Sample sizes may be determined without using the form, but, in such circumstances, the basis should be explained.

The form takes you step-by-step through the data determined in the planning stage to provide an objective means of determining the sample size. Reference to the inherent risk factors should be made as necessary.

Different risk factors are used for balance sheet sample selection and profit and loss account sample selection.

Where the sample size has been determined by means of the form, it may, nevertheless, not be considered appropriate. Be careful: do not simply override the form and select a different figure; think about whether the information derived from the planning forms is fair in all the circumstances. If a different sample size is selected, the reason for having done so must be explained in the working papers. The form is not, therefore, intended to provide an absolutely rigid approach to sample selection. Judgment must be used.

An example of a difficulty quite commonly encountered in sample selection is the determination of a very high sample size. While it may be that in circumstances of high-risk areas of high-risk audits, high sample sizes are selected, the sample selected must be capable of proper testing in an appropriate time scale. It is generally not efficient, especially in the smaller company, to test very large samples, suggesting that a rethink of audit strategy may be necessary. It is likely that alternative audit tests should be considered as a means of obtaining sufficient audit evidence, reducing the tests of detail accordingly.

Care should also be taken where the calculated sample size is small, say below 10, as such a sample is unlikely to be representative of the population. A small sample might be because the population has a low value or because assurance has been gained from tests of control or detailed analytical review. In these circumstances, an alternative test such as a scrutiny for material/unusual items or a proof in total may be more suitable.

8.4 Selecting the sample from the population

Various means are available for selecting the chosen sample from the population. High value and key items will already have been identified. The sample from the residual population should be selected so as to cover fairly the whole of the population being selected.

This involves the use of random, systematic or judgmental means of selection. Try to avoid the selection of a block of items as this is prone to bias and fails adequately to consider the whole population.

If using a random selection, start with a random number (the serial number of a Tk. 5 note, for example), selecting every n th item thereafter where n equals the residual population value divided

by the sample size. Again, ignore high value items and key items as these should already have been selected for testing.

Regardless of the sampling basis used, state the basis and explain why it was chosen.

8.5 Samples for compliance testing

No specific guidance is given on the size of samples for compliance testing, as this is essentially a judgmental area. The standard sampling approach does not apply, as the population for many controls will be monthly, weekly or daily. In these circumstances it is a matter of judgement as to how many should be tested.

Where a control operates at a transaction level then dual purpose testing is normally the most effective approach. This means that a substantive sample is selected, based on the assumption that the control is operating, and is tested substantively (for example, that a purchase invoice exists to support a nominal ledger debit) and also for the operation of the control (perhaps that the invoice is agreed to a goods received note).

8.6 Conclusion

Sample sizes should feel right, judgmentally. It is not, however, sufficient to determine the size of a sample without recording the logical thought used in its selection.

The sample selected should be capable of being properly tested. If this cannot be done, it is nearly certain that the work will not be carried out well.

Finally, once a sample size has been selected, it is essential to stick to it. To test, say, half the chosen sample is not acceptable.

9. EVALUATION OF ERRORS

9.1 Introduction

The investigation and evaluation of errors encountered during audit tests is a vital part of the audit. Errors should always be followed up. In no circumstances should they simply be ignored.

9.2 Extrapolation (estimation) of errors

When an error is encountered, the questions which must be addressed are twofold:

1. Could other similar errors exist elsewhere within the population?
2. Is it possible that those errors could be material to the accounts?

If the answers to these questions are both 'yes', then some additional audit work must be carried out. Remember, the second question is asking whether it is possible, not whether it is likely. In normal circumstances, therefore, some additional work must be carried out whenever an error is encountered.

Having considered the nature of an error, it may well be possible to devise an alternative test which can more effectively and efficiently identify the likely impact. This may involve detailed analytical review or some other test altogether. In the absence of this, it will be appropriate to extend the sample size in order to determine whether the level of error encountered is found over the population as a whole.

Since the method of sampling has already identified all high value items and tested these individually, any errors within these items will have already been fully evaluated. Increased audit work will, therefore, be within the residual population.

Where the increased work identifies a certain level of error within the population, it will usually be appropriate to extrapolate that level of error over the residual population. This, combined with the errors found in the high value items tested, will give us the most likely level of error in the population as a whole. Consideration must be given to whether this level of error is likely to produce a material misstatement within the accounts.

Errors are not always most effectively dealt with by simply increasing the sample size. The nature of the error, and why it may have arisen must be considered. For example, if posting errors arose during the period when a particular member of staff was on holiday, it would clearly be sensible to extend tests to concentrate on that period of absence, rather than the year as a whole. Similarly, if errors are occurring in one particular branch or depot, additional testing should concentrate on this location.

9.3 Projecting the value of errors

Two non-statistical methods of projecting errors in a population are set out below.

The ratio method may be more appropriate where the amount of error in a transaction relates closely to its size, ie, the bigger the transaction, the bigger the error.

The difference method may be more appropriate where the size of the transaction would make no difference to the amount of the error, ie, the error is of a constant amount.

Both bases of calculation are able only to project an error in the population as a whole.

The ratio method

$$\text{Projected error in population} = \text{Error found} \times \frac{\text{Population Value}}{\text{Sample values}}$$

Example

Total value of population	Tk. 250,000
Total value of high value key items	Tk.100,000 (errors - Tk 4,000)
Sample value	Tk. 45,000 (errors - Tk 2,000)
Projected error in the residual population	Tk 2,000 $\frac{150,000}{45,000}$ = Tk 6,667
Overall projected error	Tk 10,667 (Tk 6,667+ Tk 4,000)
Known error	Tk 6,000 (Tk 4,000 + Tk 2,000)

The difference method

$$\text{Projected error in population} = \text{Error found in sample} \times \frac{\text{Number of items in population}}{\text{Number of items in sample}}$$

Example

Total number of items in population	300
Number of items examined 100%	20 (errors - Tk 1,000)
Number of items in sample	25 (errors - Tk 1,200)
Projected error in the residual population	Tk 1,200 x $\frac{280}{25}$ = Tk 13,440
Overall projected error	Tk 14,440 (Tk 13,440+ Tk 1,000)
Known error	Tk 2,200 (Tk 1,000 + Tk 1,200)

Where information about the nature of errors is not known, the ratio method should normally be used.

9.4 Errors and materiality

The total value of all projected errors must be accumulated to determine whether or not this value could give rise to material error in the accounts. Any such errors should be recorded on the **B7** summary of unadjusted errors.

The nature of the errors, their amount and the accounts areas on which they impact will all affect the auditor’s judgment in evaluating their effect on the truth and fairness of the accounts.

9.5 Conclusion

Where the projected error is not considered likely to reflect the actual error in the population, the options open are to:

- request the client to investigate the errors and the potential for further errors, or
- extend the audit tests to gain a more precise conclusion, or
- perform alternative procedures (if possible), or
- qualify the audit opinion on grounds of uncertainty.

The effect of errors found in audit tests must be resolved. It is not acceptable to leave an error position uncertain. A conclusion about its impact on the area being tested and the accounts as a whole must be drawn.

10. PRACTICAL POINTS ON REVIEWING APM FILES

Knowing where to look in an audit file can be a valuable skill when it comes to reviewing files. The top twenty problems often found on reviewing audit files are set out below in reverse order.

20. Too much photocopying

There is generally too much photocopying on audit files. Typically a file will contain copies of all or some of the clients entire nominal ledger, aged debtor and creditor listings, rough stock sheets, final stock sheets and all invoices and supplier statements examined! If details from a report are extracted for testing it is not necessary to copy the entire report as well. Unless the report is short normally only the first and last pages are required to identify the version of the report tested. Similarly it is not necessary to copy invoices or statements unless there is something contentious. If it is really felt necessary to copy huge swathes of the client's records then these should be placed on a separate file so that they do not make the audit file unmanageable.

19. Analytical review as a substantive test

There is often confusion over use of extensive analytical review in section D. This section is intended for where analytical review is used as a substantive test to reduce other detailed testing. This is distinct from analytical review undertaken at the planning (C7) and final (B9) stages.

18. Completion of programmes

Audit programme tests are completed with 'Yes' or 'OK', but there is no evidence of the work undertaken to support that result. In these circumstances the only conclusion available is that there is insufficient audit evidence on the file. At the very least there should be some comment on the programme as to what was done and a reference to any separate work schedule

17. Post balance sheet events

The post balance sheet events review is signed off at the date the fieldwork was completed and is not updated to the date of approval of the audit report. In particular there is some confusion concerning the use of the two post balance sheet events programmes. The programme **T2** is intended to be completed at the fieldwork stage by the senior or manager. The partner or manager should complete the programme **T4** just prior to the approval of the audit report if there has been a significant delay from the completion of the fieldwork or where there are indications of material post balance sheet events. If the audit is signed off very quickly after completion of the fieldwork and there are no indications of any post balance sheet events it is not necessary to complete **T4**, a simple note on file to that effect will suffice.

16. Permanent files

Permanent files are not complete or up to date and often consist only of copies of contracts, agreements and past accounts. Matters such as the client's accounting system or a register of relevant laws and regulations are not included. It is difficult to see how the auditor will be able to demonstrate compliance with BSAs 240 and 315 in such circumstances.

15. Engagement letters

The engagement letter is out of date, particularly in respect of the services being provided!

14. Disclosure checklists

A disclosure checklist is not completed in the year; there is no annual review of changes or a copy of a completed disclosure checklist on the permanent file. In these circumstances it is hard to evidence that the assertions concerning correctness of disclosure have been considered, particularly when we find disclosure errors in the accounts! It is important to have a clear policy as to how often a full checklist will be completed and how disclosure will be considered in the intervening years.

13. Accounting policies

Files rarely include any discussion of key or unusual accounting treatments, the client's policy being simply accepted. For example, it is common to see the calculation of depreciation charges being checked but no consideration of whether the rates used are appropriate. Justification for non-depreciation of buildings is also often accepted without any evidence of consideration of the reasonableness of the arguments for the building having a high residual value and or long economic life.

12. Title to properties

There will often be a note to the effect that the company's premises were physically verified during the audit. However, the issue of ownership will not have been considered. Whilst the bank letter may refer to the title deeds, this only confirms that the bank holds them, it does not confirm the beneficial owner.

11. Testing stock

Stock often presents problems with directional testing since it must be tested for both under and overstatement. We frequently see that stock is only tested for overstatement or where understatement is considered only half the sample is tested each way. In addition, when testing the net realisable value it is common to see a stock line checked to a single after date invoice to confirm that the selling price is higher than cost. No consideration is given to the quantities in stock and the quantities sold at that price since the year-end.

10. Representations from directors

There is often an over-reliance on representations from directors for matters such as bad debts or stock provisions without any attempt to substantiate them. However, these representations are all too often missing from the letter of representation, which is just a standard letter.

9. Cut-off testing

Cut-off testing is either not performed or is performed in a mechanical manner without any consideration of the materiality of the transactions involved. Where testing is performed, it appears to be almost standard to test the first and last five sales and purchases. There are two problems with this approach.

1. it does not consider receipts or despatches of goods and the last five sales in the year may not correspond with the last five despatches, similarly for purchases; and
2. it takes no account of the materiality of the transactions involved. As auditors we are interested in material cut-off errors, but how will testing the last five items at the end of the year achieve this if they are immaterial? Particularly when any errors that do arise are likely to be dismissed as isolated even though there are no grounds for doing so! (See 8.)

Surely it is more effective to identify higher value transactions around the year-end and test these. The period around the year-end that needs to be reviewed will depend on the specific transaction timescale for the company concerned; however, this will mean that sales and despatches and purchases and receipts can be considered together.

8. Unadjusted errors

Errors identified during testing are not always recorded on **B7** or extrapolated to consider the overall potential effect; and as noted in point 9, too many are dismissed as being one-offs when there is little or no justification for doing so. Where errors are recorded on **B7**, the requirements of BSA 450 in relation to determining which errors are trivial and requesting that the client adjusts for all non-trivial errors are not always complied with.

7. Testing completeness

The APM applies directional testing and most audits are planned on this basis. This means that debits should be tested for overstatement and credits for understatement. Testing for overstatement is more straightforward as the auditor is checking what is already recorded. As a result such tests are usually performed well (if not too well - the problem here is often over-auditing, and staff find these tests easy so they will do more of them!) Testing for understatement is not so straightforward as the auditor is looking for what is not already recorded. Problems arise in two areas: completeness of income and completeness of creditors.

It is common to see that the list of recorded creditors has been checked to supporting invoices and after date payments. These tests confirm the existence of the recorded balance; they do not confirm completeness. The best test for completeness is reconciliation of supplier statements with proper follow-up of reconciling items. If supplier statements are not available then a review of invoices processed after the year-end should be performed.

Similarly when testing sales; checking recorded sales to dispatch notes confirms the genuineness of the sale, not completeness. To test completeness the test must start outside the accounting records, for example testing from dispatch notes, job numbers or an order file to the corresponding sales invoice.

6. Existence of fixed assets

The approach to confirming the existence of assets often consists of noting those assets seen during the fieldwork or stock take. This test does not confirm the existence of recorded assets since the sample is taken from the assets themselves rather than the nominal ledger or fixed assets register. Also no consideration is given to the existence of the assets that were not checked.

5. Analytical review

BSA 520 requires the auditors to apply analytical review procedures at the planning stage to assist in understanding the entity's business, in identifying areas of potential audit risk and in planning the nature, timing and extent of other audit procedures. Most files now include a schedule entitled preliminary analytical review. However, the work on the schedule is usually of little value.

As stated above the purpose of preliminary analytical review is to identify areas of the audit that may require more detailed investigation. It is therefore important that there is some commentary on the trends, variances and ratios calculated together with a conclusion identifying any matters that require further investigation, or noting that there are none.

It is also common to see a note to the effect that preliminary analytical review is not possible as there are no figures available. Such a statement does not comply with BSA and in any event is not correct. Whilst there may not be management accounts or a trial balance available there will almost certainly be VAT records and bank statements. A review of the level of sales, how close the company is to its overdraft facility and a discussion with the directors may well identify significant changes in the level of activity or cash flow problems that need to be investigated during the audit.

Similar comments to those for preliminary analytical review apply to final analytical review. BSA 520 requires the auditor to apply analytical procedures in forming an overall conclusion as to whether the financial statements as a whole are consistent with their knowledge of the entity's business. As with preliminary analytical review it is the commentary and conclusion that are important rather than the number crunching. In this case the conclusion should be expressed in terms of the overall truth and fairness of the figures.

4. Review of design and implementation of controls

This is often done in a superficial manner without any reference to the client! Comments such as 'Adequate' or 'Confirmed by substantive testing' do not satisfy the requirement in the ISA.

1. Controls should be recorded in sufficient detail such that individual controls are identified. 'Sales system' is too superficial! Specific controls would be checking that each dispatch note has been invoiced or checking prices used on an invoice.
2. Review of design involves asking whether the control, if it were working as intended, would be effective. For example, would it ensure that all goods dispatched are invoiced or would it ensure that all invoices are priced correctly.
3. Review of implementation is checking whether the client actually follows the system that it has described to you!

Parts '1' and '2' of this process could be completed in the office in draft based on prior years' knowledge and then updated at the client.

However, '3' must be completed at the client and at the planning stage. The review of the design and implementation of controls is part of risk assessment. The purpose is to identify areas where there may be a risk of misstatement due to error or fraud because of weaknesses in the systems. This assessment will form part of the assessment of risk and hence will influence the sample sizes and audit approach. The results of substantive tests can therefore not be used as the scope and extent of those tests cannot be determined until the risk assessment process is complete!

3. Evidence of partner review

There is little or no evidence of partner involvement in the audit. Signatures on the partner completion schedules alone are unlikely to be sufficient. If a detailed audit highlights memorandum (see 2) were prepared then comments against the matters discussed would suffice. However, it will normally best to include a schedule headed partner review. If there are no review points required then the schedule could be used to compliment the staff on a good file!

2. Audit highlights memorandum

There is often no audit highlights memorandum or if a memorandum is prepared it will only list outstanding points that tend to be of an accounting nature. An audit highlights memorandum is effectively a summary of the audit. It should record the results of the audit tests in all the key areas identified at the planning stage. In addition, any problems or outstanding points should also be listed. This will help ensure compliance with BSA 330.28 which requires that:

“The auditor should document the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures. In addition, if the auditor plans to use audit evidence about the operating effectiveness of controls obtained in prior audits, the auditor should document the conclusions reached with regard to relying on such controls that were tested in a prior audit”.

Preparation of the memorandum is a good discipline for the senior manager as it helps ensure that all key areas identified at the planning stage have been addressed. If the audit highlights memorandum is properly drafted it will save partner time at the review stage as the partner will be able to review the file selectively concentrating on key and problem areas.

1. Planning memorandum

It is common for the planning section to consist only of APM forms that have been completed in a fairly superficial manner. For example, sometimes the only indication of the business of the company is the principal activity noted in the directors’ report. The permanent file (see point 15 above) and planning section are often silent on the issue. Other problems commonly seen with planning include the following.

- Insufficient justification of general risk, in particular apparent higher risk factors are ignored or dismissed without adequate explanation.
- All specific risks are assessed as low when there are quite clearly higher risks in some areas, and in some cases a conclusion to this effect on the general risk assessment!
- The example form C3 in the APM manual is included on file, and either left blank, or filled out, but with nothing of relevance to the client. In fact this form is an example of the layout of a planning memorandum, and it was not intended that the example itself should appear on file.
- The planning is signed by the RI at the completion stage.
- All programmes are completed in full when not required at all or where only specific tests on the programmes were needed.

The completion of only the APM forms will not normally be sufficient evidence of planning. A detailed planning memorandum should be prepared that pulls together the matters addressed on the planning forms and sets out the key areas for the particular audit and the detailed tests that will be performed in these areas. This will help ensure that audit work is directed to the right areas. If this memorandum is word-processed then it can evolve each year as different issues arise.

Client:	Year/Period End:	File No:	Ref: A
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A AUDIT FORMS INDEX

1. Final accounts
2. Tax computations
3. Final journals
4. Draft accounts, typing instructions
5. Letter of representation
6. Letter to management
7. Company accounts disclosure checklists
8. Management accounts/last year's accounts

- B AUDIT COMPLETION/ AUDIT ADMIN.
- C AUDIT PLANNING
- D WORK of OTHERS/ EXTENSIVE ANALYTICAL REVIEW
- E INTANGIBLE ASSETS
- F TANGIBLE FIXED ASSETS
- G INVESTMENTS IN GROUP AND ASSOCIATED UNDERTAKINGS
- H OTHER INVESTMENTS
- I STOCK AND WORK IN PROGRESS
- J DEBTORS AND PREPAYMENTS
- K BANK AND CASH BALANCES
- L CREDITORS AND ACCRUALS
- M LONG TERM LOANS AND DEFERRED INCOME
- N PROVISIONS FOR LIABILITIES AND CHARGES, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS
- O CAPITAL, RESERVES AND STATUTORY RECORDS
- P INCOME TAX
- Q INCOME AND EXPENDITURE — ANALYSIS FOR TAX PURPOSES
- R PROFIT AND LOSS
- S OPERATIONAL EFFECTIVENESS OF CONTROLS
- T POST BALANCE SHEET EVENTS
- U VALUE ADDED TAX
- V CONSOLIDATION
- W ACCOUNTS WORKING PAPERS
- X OTHER PRIMARY FINANCIAL STATEMENTS
- Y COMPUTER REPORTS AND RECORDS RECEIVED
- Z OBSOLETE WORKING PAPERS

Client:	Year/Period End:	File No:	Ref: A
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PARTNER COMPLETION

Final

	Yes/ N/A*	Initials
(1) Have all outstanding items on the initial partner completion been adequately dealt with?		
(2) Has a signed letter of representation been received stating that management:		
(a) acknowledges its responsibility for the design and implementation of internal control to prevent and detect fraud;		
(b) has disclosed to the firm the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud;		
(c) has disclosed to the firm its knowledge of fraud or suspected fraud affecting the company involving: management; employees who have significant roles in internal control; or others where the fraud could have a material effect on the financial statements;		
(d) has disclosed to the firm its knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others;		
(e) does not wish to adjust misstatements brought to their attention for the reasons set out in the letter.		
(3) Where fraud has been identified or information found that fraud may exist, has this been communicated to the appropriate level of management or those charged with governance?		
(4) Where the letter of representation is signed by one director on behalf of the Board, have we seen minutes of a meeting agreeing its contents?		
(5) Are we satisfied that the directors' representations can be relied upon?		
(6) Does the file contain adequate justification of the audit report?		
(7) Have we informed the directors in writing of any unadjusted misstatements, any material weaknesses in the accounting and internal control systems, or any other relevant matters relating to the audit as required by BSA 450.12, 265.9?		
(8) It Has the final subsequent event programme on T4 been completed? (Date latest subsequent event completed xx / xx / 20xx)	..	
(9) Does the balance sheet state the name of the director who approves the accounts on behalf of the Board, together with the date of approval?		
(10) Does the copy of the accounts, which is being filed with the Registrar, contain original signatures on the directors' report, the auditors' report and the balance sheet?		
(11) Do the working papers and the tax computation reflect final adjustments?		
(12) Have all final journals been recorded and processed to produce a closing trial balance agreeing with the accounts?		
(13) Has the final copy of the accounts been referenced to the file to ensure all lead and Q schedules reflect final adjustments?		
(14) On consideration of the file and in particular questions 1 and 2 on B3.2 are we satisfied that it is appropriate for us to seek re-appointment as auditors?		

	Yes/ N/A*	Initials
<p>I am satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor’s report to be issued.</p> <p>Signed _____ Partner Date _____</p> <p>Second Partner (if applicable)</p> <p>Signed _____ Partner Date _____</p> <p>* Delete as appropriate These questions should be signed by the partner, all other questions may be signed by the manager or senior and reviewed by the partner.</p>		

Client:	Year/Period End:	File No:	Ref: B
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B AUDIT COMPLETION

1	Partner completion	
2	Audit standards review questionnaire	
3.1 and 3.2	File completion questionnaires	
4	Critical review of accounts questionnaire	
5	<i>Audit highlights</i>	
6	Justification of audit report	
7	Summary of unadjusted errors	
8	<i>Queries for partner</i>	
9	Final analytical review	
10	Points forward to next year	
11	Commercial observations on client's business	
12	Senior/manager review	
13	Cleared audit queries	
14	Notes of meetings with client	
15		

Client:	Year/Period End:	File No:	Ref: B1
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PARTNER COMPLETION Initial

Particulars	Yes/ N/A*	Initials
1 Have we obtained sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion?		
2 Has the Auditing Standards Questionnaire been satisfactorily completed?		
3 Have the file completion questionnaires been satisfactorily completed?		
4 Has the critical review of accounts questionnaire been satisfactorily completed?		
5 Has sufficient work been undertaken to reduce audit risk to an acceptably low level that is consistent with the audit objectives?		
6 Have all threats to objectivity and independence been properly addressed in accordance with IFAC Ethical Standards?***		
7 Have any differences of opinion amongst the audit team been resolved in accordance with the firm's procedures?		
8 Has external consultation been undertaken where required by the firm's procedures and has this been properly documented on file?		
9 Has all original work been reviewed, other than that undertaken by the partner responsible for the audit?		
10 Is there sufficient evidence of partner review?		
11 Has an engagement quality control review been undertaken where required by BSAs, ethical standards or the firm's procedures?		
12 Have all partner review points been properly cleared?		
13 Have all matters been documented that are important in providing audit evidence to: <ul style="list-style-type: none"> • support the audit opinion, and • confirm that the audit was carried out in accordance with BSAs 		
14 Have we sent a letter of comment to those charged with governance addressing the matters required by BSA 260 and, in particular, included a final draft of the proposed letter of representation?		
15 List below any other work that needs to be undertaken before the audit report is signed: _____ _____		

I authorise the issue of the accounts for approval.

Signed _____ Date _____

Second Partner (if applicable)

Signed _____ Date _____

* Delete as appropriate

*** If the answer to this question is no then the firm should not report and should resign as auditors.

Client:	Prepared by:	Date:	Ref: B2
Year end:	File no:	Reviewed by:	

AUDIT STANDARDS REVIEW QUESTIONNAIRE

This questionnaire should be completed, where considered necessary, to enable the reviewer to answer question 1 on the Initial Partner Completion

BSA	Particulars	Yes/ No N/A	Comments	Initials
200.14	In conducting the audit, has the firm complied with: (a) The ICAB Code of Ethics (b) IESBA Code of Ethics, and (c) IFAC ethical standards?			
210.9	Do we have an up to date letter of engagement?			
210.15	Has the firm been asked to agree to a change to the terms of engagement where there is no reasonable justification for doing so?			
220.25(a)	Have the firm's quality procedures been properly applied to this audit client?			
220.13	Has any information come to light that would have caused the firm to decline the audit engagement if that information had been available earlier?			
220.15	Has the audit work been properly directed, supervised and reviewed?			
230	Has audit documentation been prepared that would enable an experienced auditor, having no previous connection with the audit, to understand:			
230.8	(a) the nature, timing, and extent of the audit procedures performed to comply with BSAs and applicable legal and regulatory requirements;			
230.8	(b) the results of the audit procedures and the audit evidence obtained; and			
230.8	(c) significant matters arising during the audit and the conclusions reached thereon;			
230.9(a)	(d) the identifying characteristics of the specific items or matters being tested;			
230.10	(e) the content of discussions with management and others concerning any significant matters;			
230.11	(f) how any contradictions or inconsistencies between the information received and the audit conclusions reached on significant matters have been addressed;			

BSA	Particulars	Yes/ No N/A	Comments	Initials
230.12	(g) how alternative audit procedures performed achieved the objectives of the audit where it was considered necessary to depart from a basic principle or an essential procedure;			
230.9(b)	(h) who performed the audit work and the date such work was completed; and			
230.9(c)	(i) who reviewed the audit work performed and the date and extent of such review.			
240.16	In planning and performing the audit to reduce audit risk to an acceptably low level, did we consider the risks of material misstatements in the financial statements due to fraud?			
240.34	Did analytical procedures undertaken when forming an overall conclusion as to whether the accounts as a whole are consistent with our knowledge of the business indicate a previously unrecognised risk of material misstatement due to fraud?			
240.35	Have we considered the implications for the audit where one or more of the potential adjustments listed on B7 gives an indication of fraud?			
240.47	Where we have concluded that the risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, have we documented the reasons for that conclusion?			
250.8	Has the audit been planned and performed having considered the risk of material misstatement arising from non-compliance with relevant laws and regulations?			
250.21	Have we considered the implications of any non-compliance with laws and regulations in relation to other aspects of the audit, particularly the reliability of management representations?			
250.28	Have any matters arisen during the audit that are required to be reported to an external regulator?			
450.11	Has the effect on the accounts of any unadjusted errors been considered?			
	Unadjusted errors:			
450.14	Where the client has refused to adjust for misstatements drawn to their attention (see B7): does the letter of representation include the reasons given for not adjusting?			
260.16	Have we communicated in writing all the significant findings from the audit to those charged with governance? (See B3.1 Q18)			

BSA	Particulars	Yes/ No N/A	Comments	Initials
300.10	Has the audit plan been reviewed and updated, where necessary during the course of the audit?			
315.11,12	Do our audit files contain information adequate to provide an understanding of the company and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures?			
315.32	Does the file document:			
	(a) the discussion among the engagement team regarding the susceptibility of the company's financial statements to material misstatement due to error or fraud, and the significant decisions reached;			
	(b) key elements of the understanding obtained of the company's environment, including the components of internal control, to assess the risks of material misstatement of the financial statements; the sources of information from which the understanding was obtained; and the risk assessment procedures;			
	(c) the identified and assessed risks of material misstatement at the financial statement level and at the assertion level, and			
	(d) the risks identified and related controls evaluated.			
320.12	Has materiality been reviewed during the course of the audit?			
	Preliminary materiality:			
	Final materiality:			
330.25	Have the risk assessments been reviewed to determine whether the assessments of the risks of material misstatement at the assertion level remain appropriate?			
330.28	The auditor should document:			
	(a) the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures;			
	(b) the linkage of those procedures with the assessed risks at the assertion level;			
	(c) the results of the audit procedures, and			

BSA	Particulars	Yes/ No N/A	Comments	Initials
	(d) the conclusions reached with regard to relying on internal controls that were tested in a prior audit.			
402.15	Where the client uses a service organisation, has sufficient appropriate audit evidence been obtained to determine whether the accounts are free from material misstatement?			
501.13	Where applicable have we obtained sufficient appropriate audit evidence regarding the presentation and disclosure of segment information?			
505.8(c)	Were satisfactory alternative procedures applied in instances where management had refused permission for the use of external confirmations such as circularisation requests?			
510.6	Is there sufficient, appropriate evidence that amounts derived from the previous period are free from material misstatement and are appropriately incorporated and presented in the current period's accounts?			
520.5,6	Does the file contain sufficient evidence of analytical review at the planning and overall review stages of the audit?			
520.6	Has an adequate overall review of the accounts been performed?			
530.9	Has audit sampling been applied in an appropriate manner?			
540.18	Does the file contain sufficient, appropriate evidence concerning the reasonableness of accounting estimates?			
550.25	Is there sufficient, appropriate evidence that there is adequate disclosure of related party transactions and control of the entity in the accounts?			
560.7	Has an adequate post balance sheet events review been performed?			
570.12	Has the appropriateness of the going concern basis been considered?			
580.11	Has a letter of representation been drafted covering all necessary representations?			
580.17	Have any occasions where representations received were contradicted by other evidence been fully investigated?			
600.44	When using the work of other auditors, is there sufficient appropriate evidence that the work of the other auditor is adequate for the purpose?			

BSA	Particulars	Yes/ No N/A	Comments	Initials
610.15	Where the client has internal auditors, has adequate consideration been given to the effect this should have on the audit?			
620.12	When using the work of an expert, is there sufficient, appropriate evidence that the work is adequate for the purpose?			
700.11	Is the audit opinion consistent with the audit evidence and conclusions?			
701	Does the audit report contain applicable key audit areas?			
705.6	Have any imposed limitation (insufficient audit evidence) in scope and/ or material misstatement in financial statements been dealt with adequately with modified audit opinion?			
706.8/10	Do the applicable 'Emphasis of Matter paragraph' and/ or 'other matter paragraph' have been properly stated?			
710.14	Where the prior period's financial statements were not audited does the auditor report state that the corresponding figures are unaudited?			
720.14	Has other information to be issued with the financial statements been read so as to identify material inconsistencies?			
800.8-11	Has the audit for special purpose frameworks been properly considered, performed, and reported.			
805.7-11	Has the Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement been properly considered, performed and reported?			
810.5-9	Has the Engagements to Report on Summary Financial Statements been properly considered, performed and reported?			

Client:	Prepared by:	Date:	Ref: B3.1
Year end:	File no:	Reviewed by:	

FILE COMPLETION QUESTIONNAIRE Pre-partner review

Where work is outstanding prior to review, the outstanding (O/S) column should be ticked in pencil to highlight work required. As and when work is completed, the final column should be initialed, and the tick rubbed out.

Particulars	Yes/None N/A	O/S	Comments	Initials
1 Does the file contain programmes on all relevant sections and have they been properly completed?				
2 Has each audit objective on the summary sheets been addressed and cross-referenced to the working papers?				
3 Have all the queries and problems been properly cleared or carried forward to schedule B8 (queries for partner) or B5 (audit highlights)?				
4 Has an audit highlights report (B5) been prepared that summarises the results of the testing in key audit areas?				
5 Where the client is not VAT registered, is this appropriate?				
6 Have the budget and actual time summaries been completed, along with explanations of variances?				
7 Has the Permanent audit file been updated?				
8 Have all unadjusted errors been summarised on B7 and adjusted where necessary?				
9 Where the unadjusted misstatements recorded on B7 are considered to be material and management refuses to adjust has their effect on the audit opinion been documented on B6?				
10 Have we agreed the financial statements to the underlying accounting records?				
11 Have we examined material journal entries and other adjustments made during the course of preparing the financial statements?				
12 Has the B2 Audit Standards Review Questionnaire been completed?				
13 Has the B6 Justification of Audit Report been completed?				
14 Has a review of subsequent events been completed?				
15 Have any commercial observations on the client's business been recorded on B11?				
16 Has the partner responsible for P matters been advised of any complaints or problems on the job that could give rise to a complaint.				
17 Has a draft letter of representation been prepared that addresses the following issues:				
(a) Management's responsibility for the design and implementation of internal control to prevent and detect fraud.				
(b) Disclosure to the firm the results of management's assessment of the risk that the financial statements maybe materially misstated as a result of fraud				

Particulars	Yes/None N/A	O/S	Comments	Initials
(c) Disclosure to the firm of any knowledge of fraud or suspected fraud affecting the company involving: management; employees who have significant roles in internal control; or others where the fraud could have a material effect on the financial statements.				
(d) Disclosure to the firm of knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.				
(e) Confirmation that management are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the business operates.				
(f) Confirmation that management have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.				
(g) Confirmation that, where appropriate, management have disclosed all related party transactions relevant to the business and that they are not aware of further related party matters that require disclosure other than those already disclosed in the accounts.				
(h) Confirmation from management that, having considered their expectations and intentions for the next 12 months and the availability of working capital, the business is a going concern.				
(i) The reasons that management does not wish to adjust for misstatements brought to their attention.				
18. Has a letter of comment been drafted to be sent to the client prior to their approval of the financial statements that addresses the following issues arising from the audit:				
(a) The firm's views about the qualitative aspects of the entity's accounting practices and financial reporting.				
(b) The final draft of the representation letter, that we are requesting management and those charged with governance to sign.				
(c) Uncorrected misstatements.				
(d) Material adjustments processed arising from the audit				
(e) Expected modifications to the auditor's report.				
(f) Material weaknesses in internal control identified during the audit.				
(g) Matters specifically required by other BSAs to be communicated to those charged with governance. (See Appendix to BSA 260 for guidance.)				
(h) Any other audit matters of governance interest,				
(i) Where there are no such matters a statement of that fact.				

Client:	Prepared by:	Date:	Ref: B3.2
Year end:	File no:	Reviewed by:	

FILE COMPLETION QUESTIONNAIRE Final

Where work is outstanding prior to review, the outstanding (O/S) column should be ticked in pencil to highlight work required. As and when work is completed, the final column should be initialed, and the tick rubbed out.

Particulars	Yes/None N/A	O/S	Comments	Initials
1 Have you confirmed that there have been no changes to the firm's independence during the course of the audit, which would prevent reappointment of the firm as auditors for the next financial period?				
2 Have you considered whether there is any other reason why the practice would not wish to seek reappointment, for example, recurrent under recoveries?				
3 Has consultation been undertaken in all circumstances, where it is required by the firm's procedures?				
4 Where any fraud, error or breaches in laws and regulations have been identified, have the implications for the accounts been fully considered?				
5 Have the firm's procedures on money laundering been complied with?				
6 Review CI to C8 . Where there have been adjustments to the level of materiality, risk or the extent of reliance on controls; has the impact on the level of work already undertaken been considered?				
7 Has a draft letter to management or points for comment been prepared that includes :				
(a) Material weaknesses identified in the design or implementation of internal controls intended to prevent or detect fraud?				
(b) Any other matters related to the risk of fraud that should be discussed with those charged with governance?				
8 Has the review of post balance sheet events been updated to reflect the current position?				
9 Have all necessary points forward to next year been recorded on B 10 ?				
10 Has a budget for next year been prepared?				
11 Have the following planning forms been reviewed/ completed and signed-off as part of the audit completion?				
(a) C8 - Materiality summary.				
(b) Outcome column of C6.3 - Specific risk action plan.				
(c) C6.2 - Risk response summary.				
(d) C6 - Audit risk summary.				
(e) C5 - Systems and internal control summary.				
(f) C1 - Audit planning summary.				

Client:	Year End :	File No:	Ref: B4
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CRITICAL REVIEW OF ACCOUNTS QUESTIONNAIRE

To evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.

Particulars	Results satisfactory Y/N	Comments	Initials	W/P Ref.
1 Review accounting policies to determine whether they:				
(a) comply with applicable accounting standards;				
(b) are consistent with those of the previous period;				
(c) are consistently applied to all like transactions;				
(d) are appropriate to the nature of the client's business, and				
(e) are properly disclosed in accordance with the requirements of BAS 1, BAS 8.				
2 Carry out an overall review of the information in the accounts and compare it with other available data, including final analytical review. Note significant variations and obtain explanations thereto.				B9
3 Consider whether the accounts adequately reflect:				
(a) the substance of underlying transactions and balances and not merely their form;				
(b) the information and explanations obtained and conclusions reached on particular aspects of the audit, and				
(c) the objectives contained in BFRS Framework (relevance, reliability, comparability & understandability).				
Schedule points of interest on 'audit highlights'.				B5
4 Did the substantive procedures undertaken include agreeing the financial statements to the underlying records and a review of material journal entries?				
5 Consider whether the review reveals any new factors, which may affect the presentation of information or disclosures in the accounts.				
6 Review the accounts for proper preparation in accordance with the Companies Act, SEC, BFRSs, BASs and other disclosure requirements. .State whether or not a disclosure checklist has been completed in respect of the current year. If not completed in the current year, state year in which it was last completed.				
7 Consider whether the information contained in the directors' report and any other document issued with the accounts is consistent with the accounting information in the accounts and has not been unduly influenced by the directors' desire to present matters in a favourable or unfavourable light.				

Conclusion

1 I have compared the ratios of the final accounts with those of last year*/the budget*/the preliminary */extensive* analytical review*.

- 2 (a) I have obtained, recorded and corroborated explanations for significant fluctuations for principal areas of the accounts,* or
- (b) There were no significant fluctuations requiring explanation.*
- 3 The directors' report and other published information is consistent with the accounts.

I am satisfied from this critical review that the accounts appear credible and have been properly prepared in accordance with the Companies Act 1994 and any other relevant statutory requirements.*

Prepared by _____ Date _____

Reviewed by _____ Date _____

* Delete as appropriate.

Client:	Prepared by:	Date:	Ref: B6
Year end:	File no:	Reviewed by:	

JUSTIFICATION OF AUDIT REPORT

This form should be used to schedule any problems encountered during the audit, which could have an impact on the audit report.

	Particulars	Yes/ No*	If yes give details
1	Was the audit report qualified in the previous period?		
2	Have there been any problems with books and records?		
3	Have you encountered problems obtaining from the directors all information and explanations necessary for the audit?		
4	Have the directors refused to confirm any representations in writing?		
5	Have you confirmed that, or were you unable to conclude whether, the financial statements are materially misstated as a result of fraud?		
6	Have you had problems obtaining adequate information concerning suspected non-compliance with relevant laws or regulations?		
7	Is there evidence of non-compliance with laws or regulations that have a material effect on the accounts and have not been properly reflected in the accounts?		
8	Have management refused to give permission for direct communication with the company's legal advisers?		
9	Have management refused to give permission for the use of external confirmation requests such as the circularisation of debtor or creditor balances or third party stock confirmations?		
10	Have management not amended the financial statements (adjustment or disclosure) in circumstances where it is believed that they need to be amended?		
11	Where other auditors are involved in the audit of subsidiary companies are there any instances where their work cannot be relied upon?		
12	Are there any material inconsistencies between the financial statements and the directors' report or any other information to be issued with them?		
13	Were there problems obtaining adequate returns from branches not visited?		
14	Are there any problems with going concern? (Ref T3)		
15	Is there any problem with exemption from preparing group accounts where claimed by the company?		
16	Have any other problems occurred which could have an impact on the audit report?		

Conclusion

Where there are any 'yes' answers, detail below what effect they will have on the audit report or our ability to continue the engagement:

I am satisfied that any unqualified report is appropriate.* or

In my opinion, the attached fundamental uncertainty/emphasis of matter and/or qualification is appropriate.*

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete as appropriate.

Client:	Prepared by:	Date:	Ref: B7
Year end:	File no:	Reviewed by:	

SUMMARY OF UNADJUSTED ERRORS

Final materiality _____

Narrative	Estimated (extrapolated) errors		Actual errors		Profit and loss	Balance sheet	Considered Trivial* Y/N
	DR	CR	DR	CR			
Total of potential adjustments							

Conclusion

1. The client has been asked to adjust for all misstatements noted above other than those that are marked as clearly trivial*.
2. Where the client has not adjusted for misstatements drawn to their attention the letter of representation explains the directors’ reasons for not adjusting as required by BSA 450.14.
3. None of the potential adjustments listed above are considered to be indicative of fraud.
4. The effect of the unadjusted misstatements on our audit report is...

*This is not another expression for ‘immaterial’. Matters which are ‘clearly trivial’ will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative and/or qualitative criteria. Further, whenever there is any uncertainty about whether one or more items are ‘clearly trivial’

(in accordance with this definition), the presumption should be that the matter is not ‘clearly trivial’. (BSA 450.5)

Client:	Prepared by:	Date:	Ref: B9
Year end:	File no:	Reviewed by:	

FINAL ANALYTICAL REVIEW

The auditor should apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor’s understanding of the company. (BSA 520.6)

	Y/N	Comments	Ref:
1. Consider comparison of the results for the current period with:			
(a) information for prior periods;			
(b) those anticipated in budgets or forecasts;			
(c) other companies of comparable size in the same industry, and			
(d) overall industry or sector statistics.			
2. Consider relationships between:			
(a) elements of financial information that would be expected to conform to a predictable pattern based on the company’s experience, such as gross margin percentages, and			
(b) financial information and relevant non-financial information, such as payroll costs to number of employees.			
3. Consider the reliability of the information used to perform analytical review procedures and whether this has been verified as part of the audit process.			
4. Where applicable make a final assessment of the reasonableness of the company’s accounting estimates based on understanding of the company and its environment.			
5. Consider whether the accounting estimates are consistent with other audit evidence obtained during the audit.			

Conclusion (truth and fairness of figures and consistency with understanding of the business)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Client:	Year End:	File No.	Ref: C1
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AUDIT PLANNING SUMMARY

Approval of planning

I confirm that:

1. An overall strategy has been established for the audit.
2. An audit plan has been developed in order to reduce risk to an acceptably low level.
3. In particular the risks of material misstatement in the financial statements due to fraud have been considered.
4. The overall strategy and audit plan have been properly documented in a planning memorandum.
5. The acceptance procedures set out on **C1.1** have been followed.
6. The audit planning checklist at **C2** has been properly completed.
7. The audit has been planned with an attitude of professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated!

_____ Date

Audit engagement partner

Audit team

I confirm that I have read and understood the audit plan

(Section C).

	<i>Initials</i>	<i>Date</i>
Partner	_____	_____
Manager	_____	_____
Senior	_____	_____
	_____	_____
	_____	_____

Review of planning at completion stage

I confirm that:

1. The overall strategy and audit plan were updated as necessary during the course of the audit.
2. All issues arising from the audit plan have been addressed on the file.
3. The audit plan has been cross-referenced to where the relevant work was performed.

_____ Date

Audit Engagement Partner

Client:	Year End:	File No.	Ref: C1.1
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ACCEPTANCE PROCEDURES

Companies Act 1994 requires that a Chartered Accountant should not be an auditor or continue as auditor if the firm has any interest likely to conflict with carrying out the audit properly and BSA 200.14 requires compliance with ICAB and IESBA Code of Ethics.

This questionnaire assumes a knowledge of ICAB/ IESBA Code of Ethics. It must be completed annually for all clients to ensure that the standards have been complied with.

1 Undue dependence on an audit client

		Yes	No
(a)	Do the total fees for this client/group of clients represent a large proportion of the annual fee income of the audit firm or the part of the firm by reference to which the audit engagement partner's profit share is calculated?		√
	<i>A large proportion is suggested to be more than 15% for public interest clients.</i>		
(b)	Is this client/group of clients highly prestigious?		√
(c)	Is this client/group a public interest client or group?		√

Notes

- The IESBA Code of Ethics paragraphs 290.215 to 290.217 suggest appropriate safeguards to be applied if total fees from a client/group represent a large proportion of fee income.*
- A public interest client is one that would attract national attention if a problem were publicised.*

2. Loans to or from a client; guarantees; overdue fees	Yes	No
(a) Do you or any of your staff have any loans or guarantees to or from the client?		
(b) Are there any overdue fees for any services?		
3. Goods and services: hospitality		
Have you or any of your staff accepted any material goods or services on favourable terms or received undue hospitality from the company?		
4. Litigation		
Is there any actual or threatened litigation between yourself and the client in relation to fees, audit work, or other work?		
5. Family or other personal relationships		
Do you or any of your staff have any personal or family connections with the company and its officers?		
6. Ex-partners or senior employees		
(a) Has any officer of the company been a partner or senior employee in the practice?	Yes	No
(b) Is the partner or any senior employee on the audit joining or involved in substantive negotiations with the client?		
7. Mutual business interest		
Do you or any of your partners or staff have any mutual business interests with the client or with an officer or employee of the client?		
8. Beneficial interests and trusteeships		
Do you or any of your staff have any financial involvement in the company in respect of the following:		

(a)	Any beneficial interest in shares or other investments?		
(b)	Any beneficial interest in trusts?		
(c)	Any trustee investments, nominee shareholdings or 'bare trustee' shareholdings?		
(d)	Any trusteeships in a trust that holds shares in an audit client?		
9	<i>Associated firms</i>		
	Are you or your staff associated with any other practice or organisation which has any dealings with the company?		
10	<i>Provision of other services, specialist valuations and advocacy</i>		
	<i>Note: a network firm is any entity that is:</i>		
(i)	controlled by the audit firm; or		
(ii)	under common control, ownership or management; or		
(iii)	otherwise affiliated or associated with the audit firm through the use of a common name or through the sharing of significant common professional resources.		
(a)	Are any services in relation to the management of the company performed by the firm?		
(b)	Are any accounting services performed for the company such as preparation of the statutory accounts from trial balance, bookkeeping or payroll services?		
(c)	Do the accounts include any specialist valuations carried out by the firm or a network firm?		
(d)	Are the firm or a network firm currently acting for the client as an advocate in any adversarial proceeding or situation such as a hearing before the Commissioners?		
(e)	Has the firm or a network firm been involved in the design, provision or implementation of any IT systems?		
(f)	Does the firm or a network firm provide advice on taxation matters or undertake tax compliance work for the client?		
(g)	Have any other services been provided to the client that may cause a threat to the firm's objectivity or independence?		
11	<i>Rotation of audit engagement partner</i>		
	Have you been acting as the audit engagement partner for more than seven years? (for public interest client)?		
	<i>Note:</i> <i>There are specific requirements in The IESBA Code of Ethics that apply to public interest entity and listed companies. See paragraphs 290.102 to 290.218</i>		
12	<i>Adequate resources</i>	Yes	No
(a)	Are there any indications that the engagement team is not competent or does not have the necessary time and resources?		
(b)	Are there any indications that the firm or engagement team will not be able to demonstrate compliance with ethical requirements?		
13	<i>Proper performance</i>		
(a)	Are there any aspects of the client, or other factors, that will adversely affect the firm's ability to perform the audit properly?		
(b)	Are there any issues concerning the integrity of the principal owners, key management or those charged with governance of the entity?		

Safeguards

Where any of the above questions have been answered ‘yes’, specify what safeguards are proposed to maintain integrity and independence, and to ensure the availability of resources and the ability to perform the audit properly.

Conclusion

Having regard to any safeguards identified above, I am satisfied that appropriate procedures regarding the acceptance and continuance of this client relationship and audit engagement have been followed, and that the conclusions reached in this regard are appropriate and have been properly documented. In arriving at this conclusion I confirm that I have:

- (a) obtained all relevant information from the firm (and where applicable network firms) to identify and evaluate circumstances and relationships that may create a threat to independence;
- (b) evaluated information on identified breaches, if any, of the firm’s independence policies and procedures to determine whether they create a threat to independence for this audit engagement;
- (c) taken appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards, and
- (d) documented the conclusion on independence and any relevant discussions within the firm that support this view.
- (e) informed the client of all significant facts and matters that bear upon the firm’s objectivity and independence.

Partner _____

Date _____

Consultation (to be completed where appropriate)

In my opinion the steps proposed are sufficient to maintain independence and to ensure the availability of resources and the ability to perform the audit properly.

Second Partner _____

Date _____

Client:	Prepared by:	Date:	Ref: C1.2
Year end:	Reviewed by:	Date:	
File no:			

ETHICAL ISSUES: SAFEGUARDS APPLIED

The purpose of this form is to provide a framework for assessing the extent of any threat to the firm's independence from the provision of accounting and tax compliance services. The threat posed by other services should be considered on a case by case basis. It must be emphasised that the form provides only an indication of the severity of any threats and the possible safeguards that could be applied. The specific safeguards to be applied and their sufficiency is a matter for professional judgement.

Nature of Threat

- Preparation of statutory accounts from management accounts where little or no adjustment is required and the client approves any adjustments and narrative in the accounts.
- Preparation of statutory accounts from trial balance or management accounts where significant adjustments are required but where the client approves those adjustments and narrative in the accounts.
- Preparation of statutory accounts from books of prime entry where significant adjustments are required but where the client approves those adjustments and narrative in the accounts.
- The firm maintains the payroll.
- The firm maintains the accounting records and or prepares management accounts.
- The firm completes VAT returns.
- The firm prepares the tax computations that are routine with little need for any judgement.
- The firm prepares the tax computations where there are contentious items whose treatment may be disputed by NBR.

Extent of Threat		
High	Medium	Low

Response to threat

- Any threats are insignificant, no action is required.
- The file contains evidence that the possible threats have been considered and the treatment of relevant matters have been discussed and agreed in principle with the client.
- In addition to file notes, different staff were used to carry out the non-audit work.
- In addition to file notes, a different manager/partner was responsible for the non-audit work.
- There will be a second partner review of at least the statutory accounts, planning, completion and any contentious areas where judgement was required by the auditor.
- The file will be subject to external hot review

Tick those applied

I approve the safeguards applied in relation to the threats identified and confirm that in my opinion they are sufficient to safeguard the firm's independence.

Partner _____

Date _____

Client:	Prepared by:	Date:	Ref: C2
Year end:	Reviewed by:	Date:	
File no:			

AUDIT PLANNING CHECKLIST

The auditor should plan and perform an audit with an attitude of professional skepticism recognising that circumstances may exist that cause the financial statements to be materially misstated!

Particulars	Comment	WP Ref
Preliminary Engagement Activities		
1. Acceptance procedures		
1.1 Confirm that the Acceptance Procedures questionnaire has been satisfactorily completed.		
1.2 Where appropriate, confirm that the firm has communicated with the previous auditor.		
2. Engagement terms		
2.1 Confirm that there is an engagement letter on the permanent file.		
2.2 Consider whether there is a need to revise the existing terms and issue a new letter.		
2.3 Consider whether there is a need to remind the client of the existing terms.		
2.4 Where appropriate consider whether those charged with governance have a copy of the engagement letter.		
Planning Activities		
3. Strategic considerations		
3.1 Confirm that key characteristics which determine the scope of the engagement are identified such as:		
(a) the financial reporting framework used;		
(b) any industry specific requirements;		
(c) geographical location;		
(d) group reporting requirements;		
(e) the use of service organisations.		
3.2 Confirm that the reporting requirements are understood, including third parties, in terms of the timing and format of reports and to whom they should be sent.		
3.3 Are there any other factors that may have a significant effect on the overall focus of the audit?		
4. Client background		
4.1 Confirm that there is a completed copy of the 'Know your client checklist' on the permanent file (PAF04).		
4.2 Where the checklist was completed in an earlier year review its completion with the client and update the information on the permanent file as necessary.		
4.3 Ensure that the review of significant accounting policies on the permanent file (PAF07) has been updated.		
5. Laws and regulations		
5.1 Ensure that in determining our overall audit approach that we consider the effects of non-compliance with relevant laws and regulations.		
5.2 Obtain a general understanding of:		

Particulars	Comment	WP Ref
(a) the legal and regulatory framework applicable to the entity and the industry;		
(b) how the entity is complying with that framework, and		
(c) the procedures followed by the entity to ensure compliance with that framework.		
5.3 Ensure that the register of significant laws and regulations contained on the permanent file (PAF05) is up-to-date.		
6. Internal Controls		
6.1 Complete the systems and internal controls summary (C5).		
7 Audit risk		
7.1 Complete the audit risk summary (C6).		
7.2 Ensure that in determining our overall audit approach that we consider the risks of material misstatements in the financial statements due to fraud or error.		
7.3 Make inquiries of those charged with governance, management and others as appropriate to:		
(a) obtain the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud; and		
(b) determine whether they have knowledge of any actual, suspected or alleged fraud affecting the company or its financial statements.		
7.4 Ensure that members of the audit team discuss the susceptibility of the entity's financial statements to material misstatement and in particular misstatement due to fraud.		
7.5 Ensure that that key issues arising from the above discussion are communicated to other members of the team who did not attend the meeting.		
7.6 Ensure that we have documented our evaluation of the entity's controls in all areas where the risk of misstatement due to fraud is assessed as significant.		
7.7 Ensure that where appropriate an element of unpredictability is incorporated into the testing.		
7.8 Where there is a risk of management override of controls plan audit procedures to:		
(a) Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of accounts;		
(b) Review accounting estimates for bias that could result in material misstatement due to fraud, and		
(c) Obtain an understanding of the business rationale of significant trans- actions that are outside of the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment.		
7.9 Have we planned substantive procedures for each material class of trans- actions, account balance, and disclosure irrespective of the assessed risk of material misstatement?		
8. General		
8.1 Has an acceptable materiality level been determined for the audit?		
8.2 Review points forward from last year's schedule (B10 on previous file). File on current year's working paper file.		
8.3 Review correspondence file and note relevant points arising during the year.		

Particulars	Comment	WP Ref
8.4 Where stock is material to the financial statements has attendance been planned at the physical stocktaking?		
8.5 Determine whether the use of external confirmations, in addition to those for the bank balances, is necessary to obtain sufficient appropriate audit evidence at the assertion level?		
8.6 For initial engagements or where an audit was not undertaken in the previous year complete the 'Opening balance and comparatives checklist' (C10).		
8.7 Where the previous period's audit report was qualified or there was a fundamental uncertainty, consider what impact, if any, it will have on the current period's report.		
8.8 Have sample sizes been planned so as to ensure sufficient appropriate audit evidence will be obtained?		
8.9 Have we planned to obtain sufficient appropriate audit evidence concerning the reasonableness of accounting estimates?		
8.10 Consider whether any activities undertaken by service organisations are relevant to the audit: where appropriate complete the optional programme 'Use of service organisations' (Cop11).		
8.11 Consider whether the valuation of assets at fair values will have a material impact on the audit: where appropriate complete the optional programme (Cop)'Fair value measurement and disclosure'		
8.12 Consider whether there is a risk that the non-disclosure of related party transactions will have a material impact on the audit: where appropriate complete the optional programme 'Related party transactions' (R2).		
8.13 Where it will be necessary to place reliance on the work of another auditor complete the optional programme (Cop) 'Reliance on the work of another auditor' (Cop13).		
8.14 Where the work of an expert is to be relied upon concerning: the valuation of assets; the determination of quantities; the application of specialised techniques to determine amounts; or the measurement of work completed, complete the optional program (Cop) 'Using the work of an expert' (Cop14).		
8.15 Where other information is expected to be issued with the financial statements review of this information should be planned so as to allow sufficient time for resolution of an inconsistencies.		
8.16 Consider and schedule impact of changes in legislation BFRSs on the accounts.		
8.17 Meet/discuss with client current year's accounts and timetable.		
8.18 Consider whether there are any indications that the going concern basis of accounting may not be appropriate.		
8.19 Where there may be a requirement to report to an external regulator have we considered the scope of the client's authorisation and the effectiveness of its control environment?		
8.20 If appropriate, prepare a brief file note of matters arising from the review of the correspondence file and the meetings/discussions with the client.		
8.21 Obtain print-out of the firm's WIP and prepare fee budget. Agree fee estimate with client where necessary		
8.22 Carry out analytical review based on the preliminary figures or other information available and conclude upon the impact on the audit approach.		

Particulars	Comment	WP Ref
8.23 Consider whether extensive analytical review can be used to improve the efficiency and effectiveness of the audit.		
8.24 Review/tailor the summary sheets for all relevant sections to ensure adequate tests planned for all objectives.		
8.25 Review/tailor/prepare audit programme as directed by C6.2 and C6.3.		
8.26 Prepare a formal planning memorandum documenting the overall audit strategy and the detailed audit plan.		
8.27 Where substantive procedures were performed at an interim date have we planned further substantive procedures (and tests of controls) to cover the remaining period from the interim date to the period end?		
8.28 Having regard to the risks identified and the specialist knowledge required: allocate and brief staff as appropriate.		
9. Quality control		
9.1 Consider whether there is a need under the firm's procedures or ethical requirements for an engagement quality control review.		
9.2 Agree the timing and scope of the review with the partner (or other external consultants) who will be undertaking it.		
9.3 Confirm that the time budget and completion timetable have been updated		
9.4 accordingly. Where applicable, have points raised in a cold review of the previous year been incorporated into this period's planning?		

Conclusion

I am satisfied that:

- (a) the planned audit procedures have been determined having regard to the requirements of BSAs, relevant professional bodies, legislation, regulations and, where appropriate, the terms of the audit engagement and reporting requirements;
- (b) the engagement team collectively has the appropriate capabilities, competence and time to perform the audit engagement in accordance with professional standards and regulatory and legal requirements, and to enable an auditor's report that is appropriate in the circumstances to be issued;
- (c) the staff assigned have been adequately briefed;
- (d) the audit has been planned effectively, and that it is adequate to meet the financial statement assertions: existence; rights and obligations; occurrence; completeness; valuation; measurement and presentation; of disclosure, and
- (e) the file does/does not* require second partner external* review.

Senior/Manager: _____ Date: _____

In approving the planning I acknowledge my responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements, and for the auditor's report that is issued to be appropriate in the circumstances.

Engagement Partner: _____ Date: _____

* Delete as appropriate.

Client:	Year End:	File No.	Ref: C3
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PLANNING MEMORANDUM

A planning memorandum should be used to draw together the planning work performed. The headings and content are suggestions only. These should be tailored to the requirements of the client.

Background information

For example:

A summary of the nature of the company

A summary of the industry, regulatory and other external factors affecting the company.

What locations does the company trade from?

What are the client's office hours?

Directions to client

Any other useful information

Scope of engagement

Engagement terms

Reporting requirements

Key personnel

Give the names, roles and contact details for key personnel

Timetable

Key risks and responses at financial statement level

For example:

Weak control environment

Going concern worries

Particular factors in determining composition of audit team

Key risks and responses at assertion level

For example:

Inventory cut-off

Completeness of income

Identifying all related party transactions

Outline the audit approach to these areas: how will the risk or problem be addressed?

Describe how the problems will be tackled. Specify the tests and procedures

Client:		Prepared by:	Date:	Ref: C4
Year end:	File No.	Reviewed by:	Date:	

PLANNING MEETING NOTES

If this form is not used then the appropriate information should be incorporated into the planning memorandum

Present at Meeting:

Date of meeting: _____

Susceptibility of the entity's financial statements to material misstatement

<i>Risks</i>	<i>Financial statement assertion</i>	<i>Reference to risk action plan (C6.3)</i>

Susceptibility of the entity to fraud

<i>Risks</i>	<i>Financial statement assertion</i>	<i>Reference to risk action plan (C6.3)</i>

Other matters

Client:	Prepared by:	Date:	Ref: C5.1
Year end:	Reviewed by:	Date:	
File No:			

REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS

BSA 315 requires the auditor to obtain an understanding of the client's system of internal control relevant to the audit. It is compulsory to review the design and implementation of all controls relevant to the audit for all audits irrespective of any decision to place reliance on the effective operation of those controls. Completion of this schedule does not constitute tests on the effective operation of controls.

Inquiry alone is not sufficient to evaluate the design of a control relevant to the audit and to determine whether it has been implemented. Further work such as inspecting documents or tracing transactions through the system is required.

<i>Business area</i>	<i>Outline of information system and controls</i>	<i>Comment on design and effectiveness of controls</i>	<i>Comment on implementation of controls</i>	<i>Ref to letter of comment to client</i>	<i>Further testing required? Y/N</i>	<i>Ref to ICE(S3) where tested</i>
Fixed assets						
Investments						

Client:	Prepared by:	Date:	Ref: C5
Year end:	File No.	Reviewed by:	

SYSTEMS AND INTERNAL CONTROLS SUMMARY

Objectives: To obtain an understanding of design and implementation of internal controls relevant to the audit.

Procedures undertaken	Yes/ No N/A	Comments
1. Complete the basic controls questionnaire (S4) or otherwise identify the company's system of internal control relevant to the audit.		
2. Document relevant systems and controls on C5.1 sufficient to demonstrate our understanding of the design of the system.		
3. Perform the procedures set out on C5.1 to evidence review of the implementation of controls.		
4. Ensure that all weaknesses noted in the review of the design and implementation of controls are noted in the draft management letter.		
5. Where the assessment of the design and implementation of internal controls identifies significant weaknesses, have these been taken account of in the specific risk assessment on C6.3.		
6. Where further testing of internal controls will be undertaken prepare the necessary internal control evaluation schedules (S3).		
7. Ensure that Internal Control Evaluation forms (S3) are prepared where specific testing of the operation of controls is expected to be necessary because:		
(a) substantive tests alone are not expected to provide sufficient evidence of operation, or		
(b) our risk assessment includes an expectation that controls will be operating effectively.		

Conclusion at planning stage

I am satisfied that:

- (a) the design and implementation of all controls relevant to the audit has been considered;
- (b) tests of the effectiveness of controls have been planned where necessary.

Audit engagement partner

Date

Review of reliance on internal controls at the completion stage

I confirm that:

- (a) tests of the effectiveness of controls were completed satisfactorily/and further work undertaken where necessary, and*
- (b) all weaknesses in controls identified have been recorded in a draft letter of comment for the client.

Audit engagement partner

Date

* Delete as appropriate

Client:	Prepared by:	Date:	Ref: C5.1
Year end:	Reviewed by:	Date:	
File No:			

REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS (cont.)

<i>Business area</i>	<i>Outline of information system and controls</i>	<i>Comment on design and effectiveness of controls</i>	<i>Comment on implementation of controls</i>	<i>Ref to letter of comment to client</i>	<i>Further testing required? Y/N</i>	<i>Ref to ICE (S3) where tested</i>
Stocks						
Debtors						
Bank & Cash						

Client:	Prepared by:	Date:	Ref: C5.1
Year end:	Reviewed by:	Date:	
File No:			

REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS (cont.)

<i>Business area</i>	<i>Outline of information system and controls</i>	<i>Comment on design and effectiveness of controls</i>	<i>Comment on implementation of controls</i>	<i>Ref to letter of comment to client</i>	<i>Further testing required? Y/N</i>	<i>Ref to ICE (S3) where tested</i>
Creditors						
Provisions						
Taxation						

Client:	Prepared by:	Date:	Ref: C5.1
Year end:	Reviewed by:	Date:	
	File No:		

<i>Business area</i>	<i>Outline of information system and controls</i>	<i>Comment on design and effectiveness of controls</i>	<i>Comment on implementation of controls</i>	<i>Ref to letter of comment to client</i>	<i>Further testing required? Y/N</i>	<i>Ref to ICE (S3) where tested</i>
Capital and reserves						
Directors' loan accounts and transactions						
Income						

<i>Business area</i>	<i>Outline of information system and controls</i>	<i>Comment on design and effectiveness of controls</i>	<i>Comment on implementation of controls</i>	<i>Ref to letter of comment to client</i>	<i>Further testing required? Y/N</i>	<i>Ref to ICE (S3) where tested</i>
Purchases and other expenses						
Payroll						
Nominal ledger						

Business area	Outline of information system and controls	Comment on design and effectiveness of controls	Comment on implementation of controls	Ref to letter of comment to client	Further testing required? Y/N	Ref to ICE(S3) where tested
Accounting system						
Other relevant IT systems						
Production of management accounts						
Production of forecasts and business plans						

Client:	Year End:	File No.	Ref: C6
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AUDIT RISK SUMMARY

Objectives

To assess the risk of material misstatement of the financial statements whether due to fraud or error in sufficient depth to design and perform further audit procedures.

To determine the overall responses to assessed risks at the financial statement level and to design and perform further audit procedures in response to risks at the assertion level to reduce audit risk to an acceptably low level.

Procedures undertaken	Yes/No/NA	Comments
1. The Audit risk checklist (C6.1) has been properly completed.		
2. Where appropriate the checklist and related information on the permanent file have been reviewed to ensure they remain up-to-date.		
3. All risks that may result in a material misstatement at the assertion level have been recorded on the risk action plan (C6.3) with the overall approach summarised on C6.2.		
4. Financial statement level risks (that are not addressed at the assertion level (C6.3)) are summarised below together with the response to that risk.		

Financial Statement Level Risks

The overall risk assessment at the financial statement level (see C6.4) is: **Low*** **Medium*** **High***

* Delete as appropriate

Risk at financial statement level	Response

Conclusion at planning stage

For all relevant risk factors that have been identified, procedures have been planned that should reduce those risks to an acceptably low level.

Audit engagement partner

Date

Review of Audit Risk at Completion Stage

I confirm that:

1. The overall strategy and audit plan were updated as necessary during the course of the audit.
2. All risk factors identified have been addressed on the file and the risk reduced to an acceptably low level.
3. The outcome column on C6.3 has been completed and any additional work as a result of reassessing risk has been properly documented.

Audit engagement partner

Date

Client:	Year End:	File No.	Ref: C6.1
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AUDIT RISK CHECKLIST

The purpose of this checklist is to act as an aide mémoire in considering the various matters required by BSAs and also as a guide to the completion of relevant forms within APM.

	<i>Yes/No/ NA</i>	<i>Comments</i>
1 Was a detailed risk assessment (C6.4) performed in previous years?		
2 If not then complete the detailed risk assessment (C6.4) and place a copy on the permanent file.		
3 If a checklist was completed in previous years then review the checklist with the client to ensure it remains up-to-date.		
4 Have all specific risks assessed as medium or high been recorded on the risk action plan (C6.3)?		
5 Have all other specific risks that may result in a material misstatement been recorded on the risk action plan (C6.3)?		
6 Has the design and implementation of the entity's controls, including relevant control activities, been evaluated for all risks set out on the risk action plan (C6.3)?		
7 Has the overall response to risk been summarised at the financial statement level (C6.2)?		
8 Have additional compliance tests on the operational effectiveness of controls been planned where:		
(a) the specific risk assessment included an expectation that controls were operating effectively, or		
(b) substantive procedures are not expected to provide sufficient appropriate evidence to reduce risk to an acceptably low level.		
9 Where we plan to rely on the operating effectiveness of controls to mitigate significant risks at the assertion level; have we planned to obtain evidence about the operating effectiveness of those controls from tests of controls to be performed in the current period?		
10 Where we have determined that an assessed risk of material misstatement at the assertion level is significant have we planned substantive procedures that are specifically responsive to that risk?		
11 Have we specifically considered the possibility of fraud in relation to revenue recognition and documented the approach in this area (C6.3)?		

Client:	Year end:	File no:	Ref: C6.2
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RISK RESPONSE SUMMARY

To ensure that the nature and extent of testing undertaken is responsive to the risks assessed.

<i>Audit programme reference</i>	<i>Major risk factors (See C6.3)</i>	<i>Other Risks</i>		<i>Audit approach and reference to programme</i>
		<i>Risk H, M, L</i>	<i>Justification of risks</i>	
E Intangible assets				
F Tangible fixed assets				
G Investments in group and associated undertakings				
H Other investments				
I Stock and WIP				
J Debtors and prepayments				

Client:	Year end:	File no:	Ref: C6.2
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RISK RESPONSE SUMMARY

To ensure that the nature and extent of testing undertaken is responsive to the risks assessed.

	Major risk factors (See C6.3)	Risk H, M, L	Other Risks	
			Justification of risks	Audit approach and reference to programme
K Bank and Cash				
L Creditors and accruals				
M Long-term loans and deferred income				
N Provisions and contingencies				
O Capital and reserves				
P Taxation				

Client:	Year end:	File no:	Ref: C6.2
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RISK RESPONSE SUMMARY

To ensure that the nature and extent of testing undertaken is responsive to the risks assessed.

	Major risk factors (See C6.3)	Other Risks		Audit approach and reference to programme
		Risk H, M, L	Justification of risks	
R – Profit and loss – Income				
--Expenditure				
--Wages				
--Related party transactions				
--Other				
T – Post balance sheet events				

Client:	Year end:	File no:	Ref: C6.2
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RISK RESPONSE SUMMARY

To ensure that the nature and extent of testing undertaken is responsive to the risks assessed.

	Major risk factors (See C6.3)	Other Risks		Audit approach and reference to programme
		Risk H, M, L	Justification of risks	
U Vat				
V Consolidation				
Opening balances and comparatives				
Other				

Note

Where the specific risk assessment is low for a major transaction cycle you should consider whether this includes an expectation that controls in that area will be operating effectively. Where this is the case BSA 330.8(a) requires that tests on the effectiveness of those controls be performed.

TABLE OF INHERENT RISK ASSESSMENT FACTORS
 Test of Detail Only
 Highlight level of risk (see above)

	L	M	H
L	1.2	1.4	1.6
M	1.4	1.8	2.1
H	1.6	2.1	2.5

Planning conclusion

I am satisfied that the planned audit will produce sufficient appropriate audit evidence. **Financial**

Prepared by: _____ Date: _____

Statement risk

Reviewed by: _____ Date: _____

(See C6.2)

Final conclusion

I have reconsidered specific risks and: no changes are needed*/the following changes have been implemented* (specify):

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Client:	Prepared by:	Date:	Ref: C6.3
Year end:	Reviewed by:	Date:	
File No:			

SPECIFIC RISK ACTION PLAN

<i>Specific risk affecting client</i>	<i>H, M or L</i>	<i>Management response</i>	<i>Financial reporting areas and assertions affected</i>	<i>Audit approach</i>	<i>Outcome</i>

1. A risk should only be categorised as high if it is so significant as to require special audit consideration. (BSA 3.15.28)
2. A general risk that relates to all financial areas and assertions such as the possible sale of the business should show 'All' in the financial areas and assertions column.

Client:	Prepared by:	Date:	Ref: C6.4
Year end:	File no:	Reviewed by:	

DETAILED RISK ASSESSMENT

When completing this checklist it is important that an attitude of professional skepticism be maintained throughout, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience with the entity about the honesty and integrity of management and those charged with governance.

Any risks that have an impact at the assertion level and that are assessed as 'medium' or 'high' should normally be carried forward to C6.3. Where this is not the case a full explanation should be given as to how the risk will be managed. Similarly, responses to financial statement level risks should be addressed on C6 to the extent that they are not already addressed on C6.3.

A risk should be categorised as high where it is considered so significant (significant risk) as to require special audit consideration. (BSA 315.28)

General risk area		Specific risk affecting client	Risk H, M or L or N/A	How will the audit risk be managed?
1. General				
1.1	Do we have any concerns as to the integrity of the directors / management?			
1.2	Are there any untrained or inexperienced staff in key accounting roles?			
1.3	Does the entity have a weak control environment?			
1.4	Is the appropriateness of the going concern basis an issue?			
1.5	Would you describe the relationship with the client as either 'abrasive' or 'deteriorating'?			
1.6	Is there any significant external interest in the company's financial statements?			
1.7	Are there any other risk factors that may affect the client at the financial statement level?			
2. Industry Conditions				
2.1	Is there a risk of technological obsolescence of products or services?			
2.2	Is the company in a highly competitive or volatile sector of the economy?			
2.3	Is the company's business affected by fashion, demographic trends or public opinion?			
2.4	Is the company affected by cyclical or seasonal factors?			
3. Regulatory Environment				
3.1	Is the client authorised by an external regulator?			
3.2	Does the regulator require any special reports?			

<i>General risk area</i>		<i>Specific risk affecting client</i>	<i>Risk H, M or L or N/A</i>	<i>How will the audit risk be managed?</i>
3.3	Are year-end returns or a copy of the accounts required to be filed with a trade association or regulator?			
3.4	Does the client rely on membership of an association or similar body for a substantial part of its business?			
3.5	Does the client operate in a business sector where there is likely to be additional regulations?			
3.6	Are there any issues concerning eligibility for government grants or other aid programmes?			
4. Other External Factors				
4.1	Will the accounts be sent to a third party?			
4.2	Are there any individually material third-party creditors?			
4.3	Is there any expectation that the business (or part of it) may be sold in the near future?			
4.4	Are there any external factors (e.g. a potential listing or bank financing) which could influence expected results?			
5. Business Operations				
5.1	Is the company reliant on only a few customers or suppliers?			
5.2	Is the company heavily reliant on particular products or services?			
5.3	Are there any significant related parties to the business?			
5.4	Are there a large number of business locations and/or a wide geographical spread of its activities?			
5.5	Are there any complex situations which might require the use of the work of an expert?			
5.6	Is the company involved in electronic commerce including internet sales?			
5.7	Does the company carry out any research or development activities?			
6. Investments				
6.1	Were there any acquisitions, mergers or disposals of business activities in the period or after the year-end?			
6.2	Does the company have any investments in securities or loans?			
6.3	Does the company have any investments in non-consolidated entities, including partnerships, joint ventures and special-purpose entities?			

<i>General risk area</i>		<i>Specific risk affecting client</i>	<i>Risk H, M or L or N/A</i>	<i>How will the audit risk be managed?</i>
7. Financing				
7.1	Does the company have a complex capital structure?			
7.2	Are there any issues arising from the company's debt structure, including covenants, restrictions, guarantees, or off-balance-sheet financing arrangements?			
7.3	Does the company use derivative financial instruments?			
7.4	Are there any risks of material misstatement at the assertion level related to the fair value measurements and disclosures in the financial statements?			
8. Financial Reporting				
8.1	Have generally accepted accounting principles been complied with in the past years?			
8.2	Are the accounting policies for significant matters appropriate to the circumstances of the entity? Consider: <input type="checkbox"/> Valuation of fixed assets <input type="checkbox"/> Income recognition <input type="checkbox"/> Depreciation <input type="checkbox"/> Long term contracts			
8.3	Could the treatment of any areas in the accounts be disputed by the tax authorities?			
8.4	Are there usually a large number of related party transactions?			
8.5	In terms of related party transactions: (a) Is the company a member of a group that does not prepare group accounts?			
	(b) Are any payment made to the directors/shareholders other than remuneration or dividends?			
	(c) Were there balances due to or from the directors at any time during the year?			
8.6	Is there any indication of risk of misstatement at the assertion level for classes of transactions, account balances or disclosures?			
9. Objectives, Strategies and Related Business Risks				
9.1	Have we reviewed a copy of the company's long term strategy or business plan?			
9.2	Are there any risks arising from the company attempting to achieve the objectives set out in the plan?			
9.3	Is there a risk of failure to meet stock market (or other shareholder) expectations (which management may have encouraged) whether or not the expectations were reasonable?			
9.4	Are the directors' and/ or managements' incomes highly geared to results either directly, through share options, or through other possibilities for large capital gains?			

<i>General risk area</i>		<i>Specific risk affecting client</i>	<i>Risk H, M or L or N/A</i>	<i>How will the audit risk be managed?</i>
9.5	Is there pressure to meet targets to ensure protection of the jobs of directors, management or other employees?			
9.6	Is there a desire to understate profits to reduce tax liabilities?			
9.7	Are there legal or regulatory requirements to meet specific financial thresholds or ratios?			
9.8	Is there a need to ensure compliance with loan covenants or to pacify bankers?			
9.9	Are future plans for selling the company dependant upon achieving specified results?			
9.10	Are the amounts for provisions set by management at the time of finalizing the profit and loss account rather than being determined by others as part of the routine accounting system?			
9.11	Is there a pattern whereby accounting judgements and estimates made when finalising the accounts are all biased in the direction management desires?			
9.12	Are the final figures for the company subject to significant change as a result of journal adjustments generated at head office?			
9.13	Were there any contracts or transactions undertaken, particularly where this was close to the year end, where the commercial rationale is unclear?			
9.14	Do the accounting policies applied by the company fall comfortably within GAAP or do they push the boundaries of acceptability in some areas?			
9.15	Have the directors brought forward the reporting date without good reason making it difficult to obtain the quantity and quality of audit evidence required?			
9.16	Are the results of the company out of step with industry trends with no discernable explanation available?			
9.17	Is management keen to manipulate profits (e.g. to reduce tax or increase bonuses)?			
10. Measurement and Review of the Entities Financial Performance				
10.1	Have accounting records been reliable in the past?			
10.2	Are meaningful management accounts prepared during the year?			
10.3	Has the audit report contained a qualification in either of the last two years?			
10.4	Have there been problems with making adjustments in the past?			
10.5	Is the engagement 'stable' i.e. long standing?			
11. Control environment				
11.1	Is the extent of management knowledge and experience sufficient for operating the business?			

<i>General risk area</i>		<i>Specific risk affecting client</i>	<i>Risk H, M or L or N/A</i>	<i>How will the audit risk be managed?</i>
11.2	Do management and administrative controls appear strong?			
11.3	Are good management information systems in existence and used?			
11.4	Is management in a position to override any controls in existence?			
11.5	Do management promote an operating style where competence and integrity are valued?			
12. The Entity's Risk Assessment Process				
12.1	Will the company's risk assessment process be use in identifying relevant risks and the actions taken in response to them?			
13. Information Systems				
13.1	Are the accounting records kept up to date?			
13.2	Has there been any change to the accounting system?			
13.3	Are there any particular issues arising from the use of IT that give cause for concern?			
14. Control Activities and Monitoring Controls				
14.1	Are there any indications that control activities such as performance reviews or segregation of duties have broken down or otherwise failed to operate?			
14.2	Is there an effective system of monitoring controls in place?			
14.3	Are there any indications that the monitoring controls have broken down or otherwise failed to operate?			
15. Fraud and Error				
15.1	Have there been any previous experiences or incidents which call into question the integrity or competence of management?			
15.2	Are there any unusual financial or reporting pressures within the business?			
15.3	Are there any significant weaknesses in the design or implementation of internal controls?			
15.4	Is there a history of unusual and/or complex transactions?			
15.5	Is there a history of problems in obtaining sufficient appropriate audit evidence?			
15.6	Are there inadequate controls over data in the information system?			
15.7	Is there a high degree of judgement involved in determining account balances?			
15.8	Are there a large number of assets which may be susceptible to loss or misappropriation?			

<i>General risk area</i>		<i>Specific risk affecting client</i>	<i>Risk H, M or L or N/A</i>	<i>How will the audit risk be managed?</i>
15.9	Do the results of analytical procedures undertaken to obtain an understanding of the entity and its environment show unusual or unexpected relationships that may indicate risks of material misstatement due to fraud?			
15.10	Are there usually a large number of transactions not subjected to ordinary processing?			
15.11	Are the accounting staff well trained and capable of performing the tasks allocated to them?			
15.12	Are there any attitude or morale problems in the accounting department?			
15.13	Is there a high level of turnover of accounting staff?			
15.14	Does any other information obtained indicate any risk of material misstatement due to fraud?			
15.15	Is there a business rational for any transactions that appear out of the ordinary?			

Conclusion

(Identify any major risks and mitigating factors to arrive at an overall assessment of financial statement level risk. Note, assertion level risks that will be addressed on C6.3 should not affect the assessment of risk at the financial statement level.)

The assessment of risk at the financial statement level is: Low* Medium* High*

Audit engagement partner

Date

* Delete as appropriate

Client:	Prepared by:	Date:	Ref: C7
Year end:	File no:	Reviewed by:	

PRELIMINARY ANALYTICAL REVIEW

The auditor should apply analytical procedures as risk assessment procedures to obtain an understanding of the company and its environment (BSA 315.6(b))

		Y/N	Comments	Ref:
1	Consider comparison of the draft results for the current period with:			
	(a) information for prior periods;			
	(b) those anticipated in budgets or forecasts;			
	(c) other companies of comparable size in the same industry, and			
	(d) overall industry of sector statistics.			
2	Consider relationships between:			
	(a) elements of financial information that would be expected to conform to a predictable pattern based on the company's experience, such as gross margin percentages, and			
	(b) financial information and relevant non-financial information, such as payroll costs to number of employees.			
3	Consider the reliability of the information used to perform analytical review procedures and whether this will be verified as part of the audit process.			
4	Ensure that the areas of increased risk identified are recorded on C6.3.			

Conclusion (identifying any transactions or balances meriting further enquiry or areas of increased risk)

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Client:	Year end:	File No:	Ref: C8
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MATERIALITY SUMMARY

The determination of what is material is a matter of professional judgement. The percentage benchmarks set out below are intended to provide guidance in exercising that judgement. They should not be used as a formula to 'calculate' materiality.

Materiality ranges

Range of turnover or gross assets	% of turnover or gross assets	% of Gross Profit	Materiality ranges
Tk. 0 – Tk5 Crores	3.00%	10%	Tk1 -Tk15 lacs
Tk5Crores 1 - Tk 10 Crores	2.50%	10%	Tk15 lacs 1 -Tk25 lacs
Tk10 Crores 1 – 20 Crores	2.00%	10%	Tk25 Lacs 1 – Tk40 Lacs
Tk20 Crores 1 - 56 Crores	1.50%	10%	Tk40 Lacs 1 – Tk84 Lacs
over Tk56Crores	1.00%	10%	over Tk84 Lacs

Application of materiality ranges to business

	Initial assessment			Final assessment		
	Percentage %	Anticipated results Tk	Materiality level Tk	Percentage %	Final results Tk	Materiality level Tk
Turnover						
Gross assets						
Profit/(loss) before tax						
Adjustments for unusual items						
Adjusted profit/(loss)	10%			10%		

Overall initial audit materiality set at: This year: Tk. _____ Last year (final): Tk. _____

Comments _____

conclusion

Based on the anticipated results, I am satisfied that the above figure represents an appropriate initial audit materiality.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final Audit Materiality: This year: Tk. _____

Comments _____

Conclusion

Based on the final results, I am satisfied that the above figure represents an appropriate final audit materiality.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Client:		Prepared by:	Date:	Ref: C9.2
Year end:	File no:	Reviewed by:	Date:	

SAMPLE SIZE PLANNING

		Objective No.	Extensive analytical review to be used?	Tests of effectiveness of internal controls to be used?	Internal controls sample size	Substantive procedures to be used?	Substantive procedures sample size	Comments
E	Intangible assets							
F	Tangible fixed assets							
G	Investments to group and associated undertakings							
H	Other investments							
I	Stock							
	WIP							
J	Debtors and prepayments							
K	Bank and cash							
L	Creditors and accruals							
M	Long-term loans and deferred income							
R	Profit and loss:							
	–income							
	–expenditure							
	–wages							
	–other							
	Other							

Client:	Prepared by:	Date:	Ref: C9.3
Year end:	File no:	Reviewed by:	

ASSIGNMENT PLANNING — TIMETABLE

Objective: To plan and control the timing of the assignment

	Planned dates	Actual dates
1. Availability of accounting records	_____	_____
2 Staff bookings:	_____ to _____	_____
(a) _____	_____ to _____	_____
(b) _____	_____ to _____	_____
(c) _____	_____ to _____	_____
(d) _____	_____ to _____	_____
(e) _____	_____ to _____	_____
Stocktake attendance:	_____ to _____	_____
(f) _____	_____ to _____	_____
(g) _____	_____ to _____	_____
3 Revised letter of engagement sent	_____	_____
4 Information requests:	_____	_____
(a) Bank letter	_____	_____
(b) Solicitor's letter	_____	_____
(c) Debtor's circularisation	_____	_____
(d) Creditor's circularisation	_____	_____
(e) Paid cheques	_____	_____
(f)	_____	_____
(e)	_____	_____
5 Manager review	_____	_____
6 Partner review	_____	_____
7 Discussion of accounts with client	_____	_____
8 Availability of final signed accounts	_____	_____
8 Other details	_____	_____
_____	_____	_____
_____	_____	_____

10 Comments

Client:	Prepared by:	Date:	Ref: C9.4
Year end:	File no:	Reviewed by:	

BUDGETED AND PERFORMANCE SUMMARY

<i>Staff initials or grade</i>	<i>Budget (units)</i>					<i>Actual (units)</i>				
					<i>Total</i>					<i>Total</i>
Completion										
Planning										
Extensive analytical review										
Intangible assets										
Tangible fixed assets										
Investments in group and associated undertakings										
Other investments										
Stock and work in progress										
Debtors and prepayments										
Bank balances and cash										
Creditors and accruals										
Long-term loans & deferred income										
Provisions and contingencies										
Capital										
Taxation										
Profit and loss										
Post balance sheet events										
Value added tax										
Consolidation										
Accounts working papers										
Letter of comment/meetings										
Typing/production of accounts										
Other*										
Total units										
Charge out Rate										
Cost of units										

Partner(s) _____ units at _____ units at _____
 Expenses _____ Tk _____ Tk
TOTAL COST _____ Tk _____ Tk

Budget approved (Partner) _____	Date _____
Discussed with client _____	Date _____ Fee agreed at Tk _____
Total costs last year _____ Tk _____	Fee last year Tk _____

* Analyse in more detail if required

Client:		Prepared by:		Date:		Ref: C9.5
Year end:	File no:	Reviewed by:		Date:		

JOB PROGRESS REPORT

Staff name: _____

Grade: _____

This document should be used to maintain an accurate analysis of the time charged to each client. The time charged to date, together with the 'estimate to completion', should provide the best estimate of the total to be incurred. Any significant deviation from budget should be explained in the comments column.

	Budget	b/fwd	Dates					c/fwd	Estimate to complete	TOTAL	Comments
Completion											
Planning											
Extensive analytical review											
Intangible assets											
Tangible fixed assets											
Investments in group and associated undertakings											
Other investments											
Stock and work in progress											
Debtors and prepayments											
Bank balances and cash											
Creditors and accruals											
Long-term loans & deferred income											
Provisions and contingencies											
Capital											
Taxation											
Profit and loss											
Post balance sheet events											
Value added tax											
Consolidation											
Accounts working papers											
Letter of comment/ meetings											
Typing/production of accounts											
Other*											
TOTAL											

* Analyse in more detail if required

Client:	Prepared by:	Date:	Ref A2
Year end:	Reviewed by:	Date:	
File no:			

CALLING OVER SHEET AND TYPING INSTRUCTIONS

*Calling over
(Insert initials & date)*

Draft accounts — prior to client approval

Called by:	Cast by:
Read by:	Referenced to file by:
Note totals agreed to P & L or B/S by:	Checklist completed by:

Final accounts for signature

Called by:	Cast by:
Read by:	Referenced to file by:
Note totals agreed to P & L or B/S by:	Checklist revised by:

Typing/printing instructions

<i>Copies required</i>	<i>Number of copies</i>		<i>Notes</i>
	Full accounts	Abbreviated accounts	
Client			
ROJSC			
Revenue			
Bank			
Audit File			
Other			

Client:	Prepared by:	Date:	Ref: C10
Year end:	File no:	Reviewed by:	

OPENING BALANCE AND COMPARATIVES CHECKLIST

This checklist should be used in circumstances where an audit is being undertaken for the first time. This could either be because the client has been taken over from another firm or because the previous period's accounts were unaudited.

	<i>Y/N</i>	<i>Comments</i>	<i>Ref:</i>
1 Planning			
1.1 Was there an audit in the previous period?			
1.2 Confirm that the prior period's closing balances have been correctly brought forward to the current period.			
1.3 Summarise the main balance sheet opening balances and the main accounting policies.			
1.4 Consider the risk of material misstatement in the current period's accounts due to errors in the brought forward figures.			
1.5 Detail what steps will be taken to mitigate those risks.			
1.6 Detail the steps to be taken to confirm that the comparative figures are reasonable.			
1.7 Have the current period's accounting policies been correctly applied in respect of the opening balances?			
2 Completion			
2.1 Have the accounting policies been consistently applied?			
2.2 Are the results and ratios consistent and in accordance with the audit evidence obtained?			
2.3 Were the results of the audit work undertaken on opening balances and comparatives satisfactory?			
2.4 Have management been informed where there is a misstatement of the opening balances that could materially affect the current period's figures?			
2.5 Where corresponding amounts have been adjusted as required by relevant legislation or accounting standards have the appropriate disclosures been made?			

3 Conclusion

I am / am not satisfied that the opening balances and comparatives are reasonably stated*

Where a "no" answer has been given detail below the impact this will have on the current period's audit report, and cross - reference to schedule **B6** Justification of Audit Report.*

Prepared by _____

Date _____

Prepared by _____

Date _____

*Delete as appropriate

D EXTENSIVE ANALYTICAL REVIEW

1 Lead schedule

2 Audit programme

2.1 Extensive analytical review working paper

3

4

5

Client:	Year End:	File No.	Ref: D
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SUMMARY SHEET — EXTENSIVE ANALYTICAL REVIEW

Audit objectives	Planning		Final		
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To provide additional assurances on the completeness, accuracy and validity of the information contained in the accounting records and accounts.	2, 3, 4, 5, 6		Yes/No		
2 To provide assurance on the validity of any preliminary analytical review procedures carried out at the planning stage.	4		Yes/No		
3 To assist in carrying out final analytical review procedures.	7		Yes/No		
4 To seek to reduce the extent of tests of detail, if the results of our analytical review are consistent with expectations/ explanations.	8		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the analytical review procedures carried out I confirm that *(subject to the matters highlighted on **B5** or **B8**) in my opinion such procedures provide additional appropriate audit evidence as to the completeness, accuracy and validity of information in the accounts.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Client:		Tailored by:	Date:	Ref: D2
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

AUDIT PROGRAMME — EXTENSIVE ANALYTICAL REVIEW

<i>Particulars</i>	<i>Test Required Y/N</i>	<i>Results Satisfactory Y/N</i>	<i>Schedule Ref</i>	<i>Comments</i>	<i>Initial and Date</i>
<i>General</i>					
1 Carry out extensive analytical review procedures, if					
(a) efficient in audit time;					
(b) this may, where appropriate, reduce the extent of detailed testing, or					
(c) necessary to provide additional audit evidence, where the audit trail is otherwise incomplete.					
2 Identify, using the working paper attached, for which of the business cycles (and which objectives / assertions) extensive analytical review can be utilised to reduce or eliminate additional audit tests in the area:					
sales					
purchases					
wages and salaries					
other overheads					
3 Compare current year's figures, at intervals consistent with availability of management information, against estimates derived from a sample of the following:					
(a) previous year's figures;					
(b) budgeted figures (if available);					
(c) industry and other external statistics;					
(d) Inland Revenue industry notes (if avail-able);					

<i>Particulars</i>	<i>Test Required Y/N</i>	<i>Results Satisfactory Y/N</i>	<i>Schedule Ref</i>	<i>Comments</i>	<i>Initial and Date</i>
(e) non financial information (specify), and					
(f) any other relevant information (specify).					
4 Compare results of extensive analytical review with those of preliminary analytical review.					
5 Investigate normal and abnormal fluctuations, and record explanations.					
6 Record details of the evidence obtained to					
substantiate and corroborate the explanations received.					
7 Note points on B9 where relevant to final analytical review procedures.					
8 <i>Determine whether or not the results of the extensive analytical review are such as to justify reducing the nature or extent of detailed testing, in each of the business cycles.</i>					
9 Tailor the audit programmes accordingly, and cross-refer to relevant sample selection planning schedules.					
10 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:		Tailored by:	Date:	Ref: D2.1
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

EXTENSIVE ANALYTICAL REVIEW WORKING PAPER

This form should be used to identify analytical procedures to be undertaken on the relevant business cycle, including the relevant objectives it will help to address.

FOR BUSINESS CYCLE(S):

*Delete as appropriate

Test

Sales*/Purchases*/Payroll*/Overheads*/

Other* (specify)

Planned outcome:

Financial statement assertions addressed within the business cycle(s) (tick all that apply)

The headings below relate to the financial statement assertions, which are detailed within BSA 500 Audit Evidence.

Audit areas affected

Results

Conclusion

Tests of detail which can be reduced

Test reference

S OPERATIONAL EFFECTIVENESS OF CONTROLS

1 *Lead schedule*

2 *Audit programme*

3 *Internal Control Evaluation*

4 *Internal Control Questionnaire*

5

Client:	Year End:	File No.	Ref: S1
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SUMMARY SHEET — OPERATIONAL EFFECTIVENESS OF CONTROLS

<i>Audit objectives</i>	Planning		Final		
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To test the effective operation of key controls where the risk assessment includes an expectation that they are operating effectively.	1, 2, 3		Yes/No		
2 To test the effective operation of key controls where substantive tests alone do not provide sufficient evidence of operation.	1, 2, 3		Yes/No		
3 To seek to reduce the nature or extent of substantive testing where reliance on controls is more effective.	1, 2, 3		Yes/No		
4 To ensure that reliance on the testing of controls at the interim stage or in earlier years is only relied upon where it is appropriate to do so.	4, 5, 6, 7, 8		Yes/No		
5 To identify weaknesses in internal controls that should be brought to the attention of management.	9		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From tests of controls carried out I confirm that *(subject to the matters highlighted on B5 or B8) in my opinion such procedures provide additional appropriate audit evidence as to the completeness, accuracy and validity of information in the accounts.

Prepared by: _____ Date: _____ Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

*Delete if not applicable.

Client:		Tailored by:	Date:	Ref: S2
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by:	Date:	

AUDIT PROGRAMME — OPERATIONAL EFFECTIVENESS OF CONTROLS

Particulars	Test required Y/N	Results satisfactory Y/N	Sch. Ref	Comments	Initials and date
General					
1 Testing the operational effectiveness of internal controls should be undertaken where: (a) the risk assessment includes an expectation that controls are operating effectively; (b) substantive tests alone do not provide sufficient evidence of operation, or (c) this is more effective than relying solely on substantive procedures.					
2 Where the assessed risk of material misstatement at the assertion level is a significant risk and it is intended to place reliance on the operating effectiveness of controls intended to mitigate that significant risk, confirm that the testing of the operating effectiveness of those controls is performed in the current period.					
3 Document each control to be tested on the ICE (S3) and reference each to the working papers evidencing the compliance test.					
Interim testing					
4 Where the operating effectiveness of controls was tested during an interim period has consideration been given to what additional audit evidence should be obtained for the remaining period?					
Reliance on testing in prior years					
5 Where it is planned to rely on evidence about the operating effectiveness of controls obtained in prior audits, has evidence about whether those specific controls have subsequently changed been obtained?					
6 Where it is planned to place reliance on controls that have changed since they were last tested has the operating effectiveness of those controls been tested this year?					

Particulars	Test required Y/N	Results satisfactory Y/N	Sch. Ref	Comments	Initials and date
7 Where it is planned to place reliance on controls that have not changed since they were last tested, confirm that those controls were last tested no more than two years ago.					
8 Where it is planned to place reliance on a number of controls that have not changed since they were last tested, confirm that some of those controls were tested this year.					
9 Consider whether: (a) It is appropriate to place the planned reliance on the operational effectiveness of internal controls, and (b) There are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:		Prepared by:		Date:		Ref: S3
Year end:		Reviewed by:		Date:		
	File no:					

INTERNAL CONTROL EVALUATION

<i>Business area</i>	<i>Key Control</i>	<i>Compliance test</i>	<i>Ref. To detailed work</i>	<i>Results satisfactory Y/N</i>	<i>Place reliance on control? Y/N</i>

Client:		Prepared by:	Date:	Ref: S4
Year end:	File no:	Reviewed by:	Date:	

INTERNAL CONTROL QUESTIONNAIRE

This questionnaire is intended as an aid memoire to assist in the identification of systems and controls for inclusion on the Review of Design & Implementation of Controls schedule (C5.1). Completion of this questionnaire in isolation will not provide the evidence concerning the design and implementation of controls required by BSA 315

<i>Particulars</i>	<i>Relevant to audit (Y/N)</i>	<i>Ref to C5.1</i>	<i>Ref to A6 C6.3</i>
Fixed assets			
1 Are minutes maintained of all board meetings and management meetings, authorising capital expenditure and also disposals?			
2 Does the company maintain fixed asset purchase order requisitions, which are pre-numbered, authorised and controlled?			
3 Is there evidence to show that the addition invoices have been checked for accuracy and that the posting code has been checked before the items are posted to the nominal ledger?			
4 Is the fixed asset register regularly reconciled to the nominal ledger account, and also to actual physical assets?			
5 Is there independent checking of calculations of profits and losses on disposal?			
6 Is there evidence to show that there have been regular inspections of the condition and use of assets?			
7 Other:			
Stock			
8 Is there restricted access to stock, and physical security over the stock?			
9 Is there an independent check on all despatches, including any made by persons other than those responsible for the stock?			
10 Are regular reconciliations of actual stock to stock records undertaken?			
11 Is there independent matching of goods in and out with purchase and sales documentation?			
12 Is there a system for the reporting of slow, obsolete or damaged stock to relevant levels of management?			
13 Does the client maintain pre-numbered goods received notes (GRN) and stock			
14 Is there a record of an authorization of scrapped/ damaged goods?			
15 Other:			
Sales cycle			
16 Does the business have some form of control over who they sell goods to on credit?			
17 Is there prior approval by the credit department of all sales before the goods are actually despatched?			

<i>Particulars</i>	<i>Relevant to audit (Y/N)</i>	<i>Ref to C5.1</i>	<i>Ref to A6 C6.3</i>
18 Is there prompt billing of all sales?			
19 Is effective credit control exercised over outstanding balances?			
20 Are sales ledger control account reconciliation carried out?			
21 Does the client use pre-printed and controlled sequentially numbered invoices?			
22 Are invoices only raised when the invoicing department is given a valid order or despatch note?			
23 Is there a periodic separate check of the goods that have been dispatched to ensure that they agree with the order details and the invoice details?			
24 Are despatch notes independently checked to invoices?			
25 Is invoice pricing independently checked and reviewed?			
26 Other:			
Bank			
27 Are the duties of the person writing/posting the cash book separated from the person responsible for the nominal ledger, making payments or handling receipts and checking the bank reconciliation?			
28 Is there adequate security over blank cheques and procedures to ensure that under no circumstances should pre-signed cheques be maintained?			
29 Are cash book balances regularly reconciled to the nominal ledger control account?			
30 Are cheques despatched immediately after signature and not returned to the person who has prepared them?			
31 Does a senior member of the client's staff independently check bank reconciliations?			
32 Are cash counts undertaken on a regular basis, without the person in charge of petty cash being aware that they are going to be undertaken?			
33 Other:			
Purchases cycle			
34 Are all invoices approved prior to payment?			
35 Are there controls to ensure that discounts are taken wherever possible?			
36 Are supplier statement reconciliations carried out where available?			
37 Are purchase ledger and VAT control account reconciliations carried out?			
38 Are purchase invoices checked to pre-numbered goods received notes, which in turn are checked to authorised orders?			
39 Are invoices marked when they are being paid to prevent them being entered into the system again?			
40 Other:			
Payroll			
41 Is the payroll independently approved for accuracy?			
42 Does an independent department keep proper personnel records?			
43 Does the payroll department maintain a formal record of notification of changes in rates of pay etc?			

<i>Particulars</i>	<i>Relevant to audit (Y/N)</i>	<i>Ref to C5.1</i>	<i>Ref to A6 C6.3</i>
44 Are payroll control account reconciliations carried out?			
45 Other:			
Information technology			
46 Is there reliance on systems or programs that are inaccurately processing data, processing inaccurate data, or both.			
47 Are there controls to prevent unauthorized access to data that may result in destruction of data or improper changes to data, including the recording of unauthorized or non-existent transactions, or inaccurate recording of transactions? (Note – Particular risks may arise where multiple users access a common database.)			
48 Can personnel gain access privileges to systems beyond those necessary to perform their assigned duties thereby breaking down segregation of duties?			
49 Are there controls to prevent unauthorized changes to data in master files?			
50 Are there controls to prevent unauthorized changes to systems or programs?			
51 Are all necessary changes to systems or programs made on a timely basis?			
52 Are there controls to prevent inappropriate manual intervention?			
53 Are there controls to prevent potential loss of data or inability to access data as required?			
54 Are appropriate back-up and disaster recovery systems in place?			
General			
55 Is the culture of the organisation conducive to the effective operation of internal controls?			
56 Does management use their influence in the business to promote the effective operation of internal controls?			
57 Are reliable management accounts produced at least quarterly and reviewed by management so that significant errors would be identified and corrected?			
58 Other:			

T POST BALANCE SHEET EVENTS

1	Lead schedule	<input type="text"/>
2	Audit programme — post balance sheet events	<input type="text"/>
3	Going concern — checklist	<input type="text"/>
3.1	Going concern — conclusion	<input type="text"/>
4	Final programme — post balance sheet events	<input type="text"/>
5		<input type="text"/>
6		<input type="text"/>

Client:	Year End:	File No.	Ref: T
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SUMMARY SHEET — POST BALANCE SHEET EVENTS

		Planning		Final	
<i>Audit objectives</i>	<i>Number of key tests which satisfy objective*</i>	<i>Reference to bespoke tests to be carried out</i>	<i>Are you satisfied that the objectives have been met?</i>	<i>Comments</i>	<i>Initials</i>
1 To ensure that all material adjusting and non-adjusting post balance sheet events are identified and correctly treated in the accounts.	2, 3		Yes/No		
2 To ensure that the going concern basis of accounting is appropriate.	4, 5, 6, 7		Yes/No		
3 To confirm that all necessary disclosures concerning post balance sheet events have been made and that the information is appropriately presented and described.	8, 9		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on B5 or B8)* post balance sheet events are fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:		Tailored by:	Date:	Ref: T2
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

AUDIT PROGRAMME — POST BALANCE SHEET EVENTS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Assess whether the initial materiality, risk assessment or extent of reliance on controls should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
Post balance sheet events					
2 Review the following to ensure that nothing has occurred since the year end which should be disclosed or provided for:					
(a) management accounts;					
(b) cash book, invoices and bank statements;					
(c) correspondence;					
(d) minutes of meetings, and					
(e) major contracts.					
3 Discuss with management and ensure that all material items have been identified. Consider the following:					
(a) the current status of items that were accounted for on the basis of preliminary or inconclusive data;					
(b) whether new commitments, borrowings or guarantees have been entered into;					
(c) whether sales or acquisition of assets have occurred or are planned;					
(d) whether the issue of new shares or debentures or an agreement to merge or liquidate has been made or is planned;					
(e) whether any assets have been appropriated by government or destroyed, for example, by fire or flood;					
(f) whether there have been any developments regarding risk areas and contingencies, and					
(g) whether any unusual accounting adjustments have been made or are contemplated.					
Going concern					
4 Where available obtain copies of cash flow forecasts and/or budgets and consider:					
(a) the applicability of the bases and assumptions used;					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
(b) whether they provide adequate evidence of the company's ability to continue as a going concern, and					
(c) where a period of less than 12 months has been considered, what other evidence is available to support the company's ability to continue as a going concern.					
5 Where no cash flows or budgets are available:					
(a) describe what evidence is available to support the company's ability to continue as a going concern, and					
(b) record the evidence obtained to demonstrate that the directors have considered a period of at least 12 months.					
6 Where going concern is an issue complete the checklist on T3 and consider what effect, if any, 'yes' answers will have on the company's ability to continue trading as a going concern.					
7 Seek written representations from management regarding:					
(a) its plans for future action;					
(b) its assessment that the company is a going concern, and					
(c) any relevant disclosures in the financial statements.					
Presentation and disclosure					
8 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
9 Ensure that there is evidence on the file to support all disclosures made.					
Bespoke tests					
10 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
11 Consider whether:					
(a) all events up to the date of the auditor's report that may require adjustment of, or disclosure in, the financial statements have been identified;					
(b) there are any indications that the going concern basis may not be appropriate;					
(c) matters have been properly presented and disclosed in the accounts, and					
(d) there are any points which need to be included in a letter of representation or letter of comment and record this on A5 or A6 as appropriate.					

Client:		Prepared by:	Date:	Ref: T3
Year end:	File no:	Reviewed by:	Date:	

GOING CONCERN — CHECKLIST

Particulars		YES/NO*
1 Financial		
1.1	Does the company have net liabilities or net current liabilities?	YES/NO*
1.2	Has the company failed to negotiate finance to cover its borrowing requirements? (eg is it trading over its overdraft facility or is it having difficulty negotiating a time extension on its overdraft?)	YES/NO*
1.3	Has the company defaulted on any loan agreement or breached any covenant?	YES/NO*
1.4	Does the company have serious liquidity or cash flow problems?	YES/NO*
1.5	Has the company sustained major losses or experienced cash flow problems since the period end which could threaten the company's continued existence?	YES/NO*
1.6	Has the company sold a substantial number of fixed assets which it is not intending to replace?	YES/NO*
1.7	Is the company seeking a major restructuring of its debt?	YES/NO*
1.8	Has the company experienced problems in obtaining and/or retaining normal terms of trade credit by suppliers?	YES/NO*
1.9	Does the company have major debt repayments which are due or are about to fall due where refinancing is necessary to meet the obligation?	YES/NO*
1.10	Is the company experiencing problems paying debts as they fall due?	YES/NO*
2 Operational		
2.1	Have there been any fundamental changes in the market or technology to which the entity is unable to adapt adequately?	YES/NO*
2.2	Have there been any externally forced reductions in operations (for example, as a result of legislation or regulatory action)?	YES/NO*
2.3	Has the company lost any key management or staff?	YES/NO*
2.4	Is the company experiencing any labour difficulties?	YES/NO*
2.5	Is the company relying on a few product lines and operating in a depressed market?	YES/NO*
2.6	Has the company lost any key suppliers or customers or have there been technical developments which could render a key product obsolete?	YES/NO*
3 Other		
3.1	Is the company involved in any major litigation in which an adverse judgement could imperil the entity's continued existence?	YES/NO*
3.2	Are there any issues which involve a range of possible outcomes so wide that an unfavourable result could affect the appropriateness of the going concern basis?	YES/NO*
3.3	Are there any other factors which could adversely affect the appropriateness of the going concern basis? If Yes, specify:	YES/NO*
4 Conclusion		
4.1	Complete the conclusion schedule on T3.1.	YES/NO*
* Delete as appropriate.		

Client:		Prepared by:	Date:	Ref: T3.1
Year end:	File no:	Reviewed by:	Date:	

GOING CONCERN — CONCLUSION

	Particulars	YES/NO*
1	Where going concern has been reviewed by the directors for a period of less than 12 months has this been disclosed in the accounts or in the audit report?	
2	Where you have been unable to obtain all the information and evidence necessary to adequately assess the company's ability to continue as a going concern, has a suitably worded qualified audit report been drafted?	
3	Where the accounts have not been drawn up on a going concern basis, either:	
	(a) are you happy that the basis of preparation of the accounts is reasonable and that there is adequate disclosure in the accounts;* or	
	(b) has a suitably worded qualified audit report being drafted?*	
4	Where there is a significant level of concern about the company's ability to continue as a going concern:	
	(a) have adequate disclosures been made in the accounts:	
	<input type="checkbox"/> a statement that the accounts have been prepared on the going concern basis;	
	<input type="checkbox"/> a statement of the pertinent facts;	
	<input type="checkbox"/> the nature of the concern;	
	<input type="checkbox"/> a statement of the assumptions adopted by the directors, which should be clearly distinguishable from the pertinent facts;	
	<input type="checkbox"/> (where appropriate and practicable) a statement regarding the directors' plans for resolving the matters giving rise to the concern, and	
	<input type="checkbox"/> details of any relevant actions by the directors.	
	(b) has a suitably worded qualified audit report been drafted?	

Prepared by _____ Date: _____

Reviewed by _____ Date: _____

*Delete if not applicable.

Client:		Tailored by:	Date:	Ref: T4
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by:	Date:	

FINAL PROGRAMME — POST BALANCE SHEET EVENTS

Particulars	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Establish whether the management have effective procedures to ensure that subsequent events are identified.					
2 Read the minutes of management meetings held since the end of the audit and enquire about matters discussed at meetings for which minutes are not yet available.					
3 Review any available accounting records and identify whether anything needs to be reflected in the accounts.					
4 Enquire with management whether any subsequent events have occurred which might affect the accounts. Cover specifically:					
the current status of items involving subjective judgement or which were accounted for on the basis of preliminary data: ecify: _____					
a) whether new commitments, borrowings or guarantees have been entered into;					
b) whether sales of assets have occurred or are planned;					
c) whether the issue of new shares or debentures, or an agreement to merge or to liquidate, has been made or is planned;					
d) whether any assets have been destroyed;					
e) whether there have been any developments regarding risk areas and contingencies;					
g) whether any unusual accounting adjustments have been made or are contemplated, and					
h) whether any events have occurred or are likely to occur which might bring into question the appropriateness of the accounting policies.					
5 Consider, where appropriate, the validity of the going concern basis of accounting.					
6 Confirm that the directors' review of the future of the business still extends to a period of at least 12 months.					

<i>F</i>	<i>TANGIBLE FIXED ASSETS</i>	
1	Lead schedule	
2	Audit programme	
3	Additions and disposals	
4	Depreciation basis/calculation	
5	Grants received/receivable	
6		
7		

Client:	Year End:	File No.	Ref: F
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SUMMARY SHEET — TANGIBLE FIXED ASSETS

Audit objectives		Planning		Final		
		Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1	To establish that tangible fixed assets exist.	8, 9		Yes/No		
2	To establish that tangible fixed assets are beneficially owned.	10		Yes/No		
3	To verify that all tangible fixed assets are recorded and disclosed at cost or valuation and that the basis is acceptable.	11, 12, 13, 14, 15		Yes/No		
4	To confirm that depreciation is adequately provided over the estimated useful lives of the assets.	16		Yes/No		
5	To confirm that all necessary disclosures concerning fixed assets have been made and that the information is appropriately presented and described.	17, 18, 19		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by:

Date:

Reviewed by:

Date:

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts; and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* tangible fixed assets are fairly stated.

Prepared by:

Date:

Reviewed by:

Date:

* Delete if not applicable.

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by:

Date:

Reviewed by:

Date:

Client:	Tailored by:	Date:	Ref: F2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — TANGIBLE FIXED ASSETS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as:					
(a) comparison of the current figures with those of prior periods;					
(b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Existence					
8 Carry out physical inspection of fixed assets including both current year additions and assets purchased in previous years.					
9 Where physical verification has not been undertaken, detail below the steps carried out to establish that all assets exist.					
Ownership					
10 (a) Confirm title to all freehold properties by means of a land registry search.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
<i>NB Physical deeds are no longer evidence of title. A land registry search must be undertaken either over the internet or by post.</i>					
(b) Inspect property leases or obtain direct confirmation from bank or other custodian.					
Valuation and disclosure					
11 Vouch additions to purchase invoices. Ensure that:					
(a) the cost is correctly determined and recorded;					
(b) they have been properly authorised;					
(c) they are correctly classified;					
(d) they are of a capital, not revenue, nature;					
(e) the value has been correctly computed where they represent the capitalisation of items made internally, and					
(f) assets acquired were delivered prior to the balance sheet date.					
(g) assets acquired under finance leases are treated correctly.					
12 Vouch disposals to available evidence. Ensure that:					
(a) sales proceeds have been correctly accounted for;					
(b) profit /loss on disposal has been correctly calculated;					
(c) they have been properly authorised, and					
(d) they have been removed from the fixed asset register/listing.					
13 Consider whether there are any indicators of impairment, which might adversely affect the value of the assets, and ensure that these have been dealt with in accordance with applicable accounting standards.					
14 Where there is a policy of revaluation for a class of assets is that policy applied consistently to all assets in that class?					
15 Where the business has investment properties consider whether additions or revaluations have been accounted for correctly under applicable accounting standards.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Depreciation					
16 (a) compare bases and rates of depreciation with accounting policy note;					
(b) Review the methods applied and consider whether they are appropriate to the pattern of consumption of the assets.					
(c) confirm that all assets are being depreciated in accordance with the company's accounting policy;					
(d) check calculations, and					
(e) ensure that no assets have been depreciated by more than cost.					
Presentation and disclosure					
17 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
18 Ensure that there is evidence on the file to support the disclosures made such as property valuations or the book value of leased assets.					
19 Ensure that where assets have been revalued during the year:					
(a) the revaluation is accounted for correctly through the STRGL or profit and loss accounts as appropriate, and					
(b) the necessary historical cost information is available for disclosure purposes.					
Bespoke tests					
20 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
21 Consider whether there are any items which need to be included in a letter of representation or letter of comment and record on A5 or A6 as applicable.					

H INVESTMENTS

1	Lead schedule	<input type="text"/>
2	Audit programme	<input type="text"/>
3	Valuation and verification	<input type="text"/>
4		<input type="text"/>
5		<input type="text"/>

Client:	Year End:	File No.	Ref: H
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SUMMARY SHEET — INVESTMENTS

	<i>Audit objectives</i>	Planning		Final		
		<i>Number of key tests which satisfy objective*</i>	<i>Reference to bespoke tests to be carried out</i>	<i>Are you satisfied that the objectives have been met?</i>	<i>Comments</i>	<i>Initials</i>
1	To ensure that the company has good title to all investments.	8, 9		Yes/No		
2	To ensure that investments are valued correctly, with provision being made for any permanent diminution in value.	10, 11, 12, 13, 14		Yes/No		
3	To ensure that investments are properly classified as either fixed or current assets and treatment is consistent.	16		Yes/No		
4	To ensure that all income from investments has been accounted for.	15		Yes/No		
5	To confirm that all necessary disclosures concerning investments have been made and that the information is appropriately presented and described.	17, 18		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

- From the audit work carried out I confirm that:
- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts; and
- in my opinion (subject to matters highlighted on B5 or B8)* investments are fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: H2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — INVESTMENTS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as:					
(a) comparison of the current figures with those of prior periods;					
(b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Ownership					
8 Inspect documents of title. Ensure that:					
(a) details are correctly recorded (company name, number of shares, etc);					
(b) the investment is in the company name;					
(c) where employees of the company hold nominee shares, the company has a signed declaration from the said person stating that he/she does not beneficially own the shares and a blank signed share transfer form (these should be maintained in a secure place), and					
(d) all documents of title are held in a secure place.					
9 Consider obtaining written confirmation where documents of title are held by a third party.					

<i>Particulars</i>	<i>Test required</i> Y/N	<i>Results satisfactory</i> Y/N	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Cost/valuation					
10 Vouch additions to supporting documentation. Ensure that the:					
(a) cost;					
(b) company name, and					
(c) number of shares, have been correctly accounted for.					
11 Vouch disposals to supporting documentation: Ensure that :					
(a) sales proceeds have been correctly accounted for;					
(b) profit/loss on disposal has been correctly computed, and					
(c) transactions have been properly authorised.					
12 Check the middle market value of listed investments. Consider whether any provision is necessary.					
13 For unlisted investments obtain a copy of the latest accounts and consider the value of the investment in their light.					
14 Check that we have sufficient evidence regarding the valuation of any long term investments.					
Income					
15 Refer to the available evidence (eg, dividend slips) and check that income and approved income have been correctly accounted for (<i>NB dates of disposal and acquisition</i>).					
Presentation and disclosure					
16 Consider the nature of the assets held and discuss with management; decide whether they have been correctly classified and whether their treatment is consistent.					
17 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
18 Check that we have sufficient evidence regarding the disclosure of any long term investments.					
Bespoke tests					
19 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
20 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

I STOCK AND WORK IN PROGRESS

- | | | |
|---|--|----------------------|
| 1 | Lead schedule | <input type="text"/> |
| 2 | Audit programme — stock and work in progress | <input type="text"/> |
| 3 | Stock held by third parties | <input type="text"/> |
| 4 | Audit programme — stocktake attendance and attendance report | <input type="text"/> |
| 5 | Sample selection planning — balance sheet | <input type="text"/> |
| 6 | Long-term work in progress — accounting entries | <input type="text"/> |
| 7 | Long-term work in progress — accounting treatment flowchart | <input type="text"/> |

Client:	Year End:	File No.	Ref: I
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SUMMARY SHEET — STOCK AND WORK IN PROGRESS

			Planning		Final		
	Number of key tests which satisfy objective*		Reference to bespoke tests to be carried out		Have the objectives been met?	Comments	Initials
	Stock	Work in progress	Stock	Work in progress			
Audit objectives	8, 9, 10	8, 9			Yes/No		
1 To ensure that the company has good title to stock and work in progress.	11, 12, 13	13			Yes/No		
2 To ensure that all stock and work in progress exists.	14, 15	16, 17			Yes/No		
3 To ensure that stock and work in progress have been valued correctly, consistently and in accordance with applicable accounting standards.	18, 19, 20, 21	18, 20, 21			Yes/No		
4 To ensure that full provision has been made for all damaged, obsolete or slow moving stock and work in progress.	22	22			Yes/No		
5 To ensure that cut-off has been strictly applied.	23, 24, 25	23, 24, 25			Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Conclusion

- From the audit work carried out I confirm that:
- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts; and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* stock and work in progress are fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: I2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — STOCK AND WORK IN PROGRESS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as:					
(a) comparison of the current figures with those of prior periods;					
(b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8 . Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Ownership					
8 Enquire if any of the stock is held on behalf of third parties and ensure that such items are excluded from stock. Where material, obtain confirmation from the third party.					
9 Where stock is held by third parties on behalf of the company, obtain certificates where amounts are material.					
10 Consider whether any consignment stock has been accounted for.					
Existence					
11 Complete the stocktake attendance programme, I4 . Trace all items selected at the stocktake to the final stock sheets, and, where appropriate, internal stock records. Obtain explanations for any differences.					
12 Select a sample of items from the final stock sheets and trace to the copies of the rough stock sheets taken during the stocktake.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
13 Where there is material stock or work in progress that has not been physically verified at the year-end stocktake attendance, (a) take or observe some physical counts on an alternative date and, where necessary, perform audit procedures on intervening transactions, and (b) specify below any other audit work required to verify existence:					
Valuation					
14 Test the additions and extensions of the final stock sheet.					
15 Ascertain the method used for valuing stock and consider whether: a) it has been correctly applied; b) it is an acceptable basis of valuation under applicable accounting standards; c) it is consistent with previous years and with the company's accounting policy.					
16 Review work in progress and manufactured finished goods and ensure that: (a) the material costs have been correctly recorded; (b) the allocation of labour costs has been applied correctly, consistently and is reasonable, and (c) the allocation of overheads has been applied correctly, consistently and is reasonable.					
17 Review long-term work in progress and: (a) ensure that costs have been recorded accurately; (b) review any profit taken in the light of work carried out (ie, stage of completion), costs to date, expected costs to complete and total contract value; (c) ensure that adequate provision has been made for any anticipated losses, and (d) ensure that the accounting treatment and is closure of each project is in accordance with applicable accounting standards.					
Provisions					
18 Obtain details of the basis for making provisions and determine if it is both adequate and consistent. Where the client determines the provision on the basis of a formula consider whether: <input type="checkbox"/> it is appropriate for the nature of business; <input type="checkbox"/> it is consistent; <input type="checkbox"/> it has been accurately applied, and <input type="checkbox"/> where the formula relies on the age of the stock or work in progress, check to ensure that the ageing is accurate.					
19 Review the stock sheets and ensure that any items identified as damaged, slow moving or obsolete have been correctly written down.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
20 Review all items of stock and work in progress and consider whether any further provision is necessary. (a) review WIP and ensure that provision has been made against any 'old' jobs, and (b) when assessing the need for any further provision consider the following: <input type="checkbox"/> whether production levels are falling; <input type="checkbox"/> whether stock levels are high in comparison to orders received and anticipated demand; <input type="checkbox"/> any fluctuations in cost or selling price, and <input type="checkbox"/> any likely change in technology or market demands.					
21 Select a sample of stock and work in progress items and compare costs to the selling price less expenditure necessary for realisation. (a) lines need to be examined individually. Losses on one line cannot be set off against profits on another, and (b) where a provision is made on a finished product consider whether any provision should be made against WIP and materials used in the process. <i>NB Expenditure necessary for realising stock and work in progress should include a proportion of marketing, selling and distribution expenses as well as an allowance for scrap and reworking costs.</i>					
Cut-off					
22 Review the results of the tests on cut-off carried out on debtors and creditors and ensure they provide adequate assurance as to the accuracy of the year end cut-off.					
Presentation and disclosure					
23 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
24 Ensure that there is evidence on the file to support the disclosures made such as replacement value, work in progress or payments on account.					
25 Ensure that payments on account are properly presented in accordance with applicable accounting standards.					
Bespoke tests					
26 Draft any necessary additional tests such as those required by C6.3 and cross-reference with the objectives on the summary sheet.					
Conclusion					
27 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:		Tailored by:	Date:	Ref: I4
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

AUDIT PROGRAMME — STOCKTAKE ATTENDANCE

<i>Particulars</i>	<i>Test required</i> Y/N	<i>Results satisfactory</i> Y/N	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Nature of text:					
General					
1 Record the following details for each location visited: (a) location(s) being counted; (b) date(s) of count and attendance; (c) types of stock held at location; (d) approximate value of stock by category at location; (e) details of any stocks at locations not covered by the count and any alternative method used to verify their existence; (f) brief description of the procedures adopted; (g) names of client staff counting, and (h) names of audit staff taking part.					
2 Ascertain and note whether: (a) the stocktake teams were properly briefed prior to commencing the count; (b) the teams only include people who are not responsible for the storing and recording of stock and work in progress; (c) stock was counted by teams of two (one counting and one checking and recording); (d) the teams were asked to identify damaged, slow moving or obsolete stock, and (e) the teams were made aware of any stocks held on behalf of third parties and these were excluded from the count.					
Stock counting					
3 Determine whether: (a) the teams were counting and recording accurately; (b) the teams were counting and recording accurately; the counts were being controlled to ensure that all stock was counted and only once, and (c) there was adequate control over stock sheets to ensure that they are all accounted for (eg, pre-numbered).					
4 Where serially-numbered sheets are used, record the numbers of all sheets used at the end of the count.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
5 Select a sample of items from completed stock sheets and check to ensure that the number has been recorded properly. (These should be followed through to final stock sheets at the final audit — see I2, test 8).					
6 Count a sample of stock items and ensure that they have been recorded properly on the final stock sheets.					
7 Where possible, copy or extract details of a sample of rough stock sheets for checking at the final audit.					
8 Where stocks are valued at selling price less mark-up, record the shelf price of a number of stock items.					
9 Ascertain whether any stock is held on behalf of a third party. Where applicable ensure that it has been separately identified and excluded from the count.					
10 Ascertain whether any consignment stock is held. Ensure, where appropriate, a full record is made.					
11 Note any old or damaged stock during the count. Ensure that it is marked as such on the final stock sheets.					
Cut-off					
12 Ensure that no movements in or out took place during the stocktake.					
13 Record details of the last goods despatch number and the last goods received note number to follow up at the final audit.					
Other work					
14 Note any instances of the client's procedures not being satisfactorily carried out or any other weaknesses that should be brought to the attention of management.					
15 Perform any other procedures that would normally be carried out at the stocktake attendance; (a) select a sample of assets for verification from the fixed asset register; (b) undertake a cash count, and (c) other (specify): <input type="checkbox"/> <input type="checkbox"/>					
Conclusion					
16 Write a report on the stock take concluding on its accuracy and our ability to rely on					

J DEBTORS AND PREPAYMENT

1	Lead schedule	<input type="text"/>
2	Audit programme	<input type="text"/>
3	List of debtor balances	<input type="text"/>
4	Bad and doubtful debts	<input type="text"/>
5	Prepayments	<input type="text"/>
6	Sample selection planning — balance sheet	<input type="text"/>
7	Summary of debtors' circularisation results	<input type="text"/>
8	Certificate/confirmation replies	<input type="text"/>
9	Debtors' circularisation sheet	<input type="text"/>
10		<input type="text"/>

Client:	Year End:	File No.	Ref: J
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SUMMARY SHEET — DEBTORS AND PREPAYMENTS

Audit objectives	Number of key tests which satisfy objective*	Planning	Final		
		Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To ensure that trade debtors are due at the value recorded.	8, 9, 10, 11		Yes/No		
2 To ensure that adequate provision has been made for all bad and doubtful trade debts	13, 14		Yes/No		
3 To ensure that proper cut-offs have been made.	15, 16, 17		Yes/No		
4 To ensure that all trade debts are properly disclosed.	12, 21		Yes/No		
5 To ensure that prepayments and loan debtors (including staff and directors) are properly valued, classified, and verified.	18, 19, 20, 21		Yes/No		
6 To confirm that all necessary disclosures concerning debtors have been made and that the information is appropriately presented and described.	22, 23, 24, 25		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on B5 or B8)* debtors and prepayments are fairly stated.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: J2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

AUDIT PROGRAMME — DEBTORS AND PREPAYMENTS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Com- ments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators; (c) comparison of the top ten customers this year with last.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work under taken to date.					
7 Review for large and/or unusual items and verify.					
Cost/existence					
8 Obtain or prepare an aged list of balances and test the casts.					
9 Agree the aged list of balances to the control account. Obtain explanations for all material adjustments to the control account.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Comments</i>	<i>Initials and date</i>
<p>10 Perform a debtors circularisation.</p> <p>(a) select a sample of accounts for confirmation from a complete list of balances (include nil and credit balances where applicable). Record the details on the standard working paper;</p> <p>(b) confirm with client the debtors you wish to circularise;</p> <p>(c) obtain explanations where the client does not want you to circularise particular balances and consider alternative procedures that can be applied;</p> <p>(d) consider whether the refusal to allow circularisation of particular balances will impose a limitation of scope on the audit?</p> <p>(e) send the confirmation requests. Enclose a prepaid envelope for return to the firm. Ensure the reply part of the letter is properly referenced;</p> <p>(f) record replies on the control sheet;</p> <p>(g) where replies are not received within a reasonable period send a follow-up letter;</p> <p>(h) follow the alternative procedures for any unfavourable responses or where no response obtained, and</p> <p>(i) summarise the results and consider whether adequate audit comfort has been obtained for trade debtors.</p>					
<p>11 Where circularisation has not been carried out select a sample of trade debtors or where unsatisfactory results are obtained carry out alternative procedures.</p> <p>(a) examine the ledger for cash after date;</p> <p>(b) for unpaid items inspect proof of delivery or despatch. If no such documentation is available, inspect the sales invoice supporting them, and</p> <p>(c) review correspondence files for items in to determine whether any disputes exist.</p> <p>(d) Consider requesting a transaction history from key customers.</p>					
<p>12 List all credit balances over Tk _____ and obtain explanations</p>					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Com- ments</i>	<i>Initials and date</i>
Valuation					
13 Review ledger accounts and obtain a list of any debts with balances: (a) not paid within months of the period end; (b) in excess of their credit limit; (c) in the hands of liquidators or receivers, or (d) in the hands of solicitors for collection.					
14 Compare the client's provision with the list completed under nine above and consider its adequacy. Obtain explanations for and justify any material accounts omitted from the client's list.					
Cut-off					
15 Review credit notes after the year end and consider whether these have been accounted for in the correct period.					
16 If the company has despatch records, examine sales and despatch records before and after the year end and ensure that: (a) all goods despatched before the year end are excluded from stock and included in sales and debtors where appropriate; (b) all goods despatched after the year end are included in stock and excluded from sales and debtors where appropriate.(Refer to stock attendance notes.)					
17 If the company does not have despatch records, specify below the audit work to ensure that cut-off has been correctly applied: <input type="checkbox"/> <input type="checkbox"/>					
Prepayments					
18 Obtain or prepare a list of items included as prepayments. Review for reasonableness and verify significant/unusual items, comparing with last year and expectations.					
Other debtors					
19 Obtain or prepare a list of other debtors: (a) vouch material items to supporting documentation, and (b) compare with previous year and enquire into major differences.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Loans					
20 Ensure that no loans have been made to directors unless within the provisions of the Companies Act 1994/ Banking Co. Act, 1991. <i>(NB where loans exist, either debit or credit, calculate the balance at the end of each month. The highest amount due to the company should be disclosed in the accounts.)</i>					
Long-term debts/retentions					
21 Where a debt, or portion thereof is recoverable after more than one year, consider: (a) whether any provision is necessary, and (b) whether adequate disclosure has been made.					
Presentation and disclosure					
22 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
23 Ensure that there is evidence on the file to support the disclosures made such as long term debtors.					
24 Review transactions and balances with directors and ensure they are properly presented as related party transactions and transactions in which a director has a material interest.					
25 Ensure that any factored debts have been accounted for in accordance with the substance of the agreement.					
Bespoke tests					
26 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
27 Consider whether there are any items which need to be included in a letter of representation or letter of comment and record on A5 or A6, as appropriate.					

Client:	Year end:	File no:	Ref: J6
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SAMPLE SELECTION PLANNING – BALANCE SHEET

Objective: To record the sources from which audit assurance has been obtained, and to assist in calculating sample sizes for tests of detail.

<i>Audit area: Debtors</i>			
Approximate number of transactions in year _____			
Sampling risk factor			
Test of detail only = Inherent risk factor (table figure) _____			
OR			
Test of detail and (analytical review*† or compliance*†) = Inherent risk factor (table figure) × 2/3 _____			
OR			
Test of detail and analytical review† and compliance† = Inherent risk factor (table figure) × 1/2 _____			
Tolerable error = $\frac{\text{Materiality}}{\text{Inherent risk factor (table figure)}}$ = _____ = _____			
Monetary value of population	(100 %)		T_k
Value of items above the tolerable error	(%)		T_k
Value of scheduled other 'key' items	(%)		T_k
Value of residual population	(%)		T_k
Residual population		$\frac{\text{xxxxxxx}}{T_k, 000}$	=
Sample size = _____		× Sampling risk factor	$T_k, 000$
Materiality(See maximum below)			
Plus: Number of items above the tolerable error = _____			
Number of other 'key' items _____			
Actual sample size = _____			
Conclusion			
I am satisfied that the actual sample size will fairly test the population.			
Prepared by _____ Date _____			
Reviewed by _____ Date _____			

* Delete as appropriate.

† Refer to working papers in D section and C7-1.

Tables of maximum sample sizes

	<i>Specific risk</i>			
	L	M	H	
<i>General Risk</i>	L	10	13	15
	M	13	15	18
	H	15	18	20

Table1–for tests of detail only

	<i>Specific risk</i>			
	L	M	H	
<i>Risk</i>	L	20	25	30
	M	25	30	35
	H	30	35	40

Table2–for tests of detail and (analytical review * and tests of control*)

	<i>Specific risk</i>			
	L	M	H	
<i>General Risk</i>	L	13	17	20
	M	17	20	23
	H	20	23	26

Table3–for test of detail and analytical review and tests of control.

Client:		Prepared by:	Date:	Ref: J7
Year end:	File no:	Reviewed by:	Date:	

SUMMARY OF DEBTORS' CIRCULARISATION RESULTS

As at _____	_____	_____	_____
	No.	Value	% Value
Total debtor balances	_____	_____	_____
Total balances circularised (A)	_____	_____	_____

Results of test:

Balances confirmed by circularisation (B)			
Balances confirmed by cash after date (D)			
Balances confirmed by alternative procedures (F)			
Total (G)			

Unconfirmed balances ie. audit error (A minus G) _____

Conclusion

Client:	Prepared by:	Date:	Ref: J9
Year end:	Reviewed by:	Date:	
	File No:		

Debtors' circularisation sheet

Customer	A Balance	B Balance accepted	C Disputed balance (A-B)	D Balance confirmed by cash after date	E Remaining unaudited balance (C-D)	Alternative procedures taken on column E items eg sample check on proof of sale	F Balances confirmed by alternative procedures	Unconfirmed balances

K BANK AND CASH BALANCE

1	Lead schedule	<input type="text"/>
2	Audit programme	<input type="text"/>
3	Bank reconciliations	<input type="text"/>
4	Bank certificates	<input type="text"/>
5	Cash counts	<input type="text"/>
6		<input type="text"/>
7		<input type="text"/>

Client:	Year End:	File No.	Ref: K
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SUMMARY SHEET — BANK AND CASH BALANCES

Audit objectives	Planning		Final		
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To establish that all bank balances and over-drafts have been included at the correct amount.	8, 9		Yes/No		
2 To ensure that bank balances and over-drafts are correctly disclosed..	10, 11, 12		Yes/No		
3 To ensure that cash balances are genuine and have been included at the correct amount	13, 14, 15		Yes/No		
4 To confirm that all necessary disclosures concerning bank and cash balances have been made and that the information is appropriately pre-sented and described.	16, 17, 18		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Final conclusion

- From the audit work carried out I confirm that:
- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* bank balances and cash are fairly stated.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: K2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

AUDIT PROGRAMME — BANK AND CASH BALANCES

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Valuation and existence					
8 Obtain bank letter for all bank accounts open at any time during the year.					
9 Obtain or prepare bank reconciliations for all accounts and verify. (a) check bank balances to bank statement and bank letter; (b) check cash book balance to nominal ledger; (c) check casting of the reconciliations; (d) check a sample of uncleared items through to the new period (noting dates). Obtain reason where any item has taken longer than expected to clear, and (e) obtain explanations and substantiate all adjustments on the bank reconciliations					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
10 Ensure that all matters dealt with in the bank letters have been referenced to the relevant schedule/sections.					
11 Ensure that bank balances and overdrafts are only netted off where a formal right of set-off exists.					
12 Ensure that the company has not exceeded any restrictions on borrowing powers imposed in the Articles of Association or any loan agreement.					
Cash					
13 For businesses receiving cash income, ensure unbanked takings before and after the year-end have been accounted for in the correct period.					
14 For businesses receiving cash income, ensure that all unbanked takings at the year end have been promptly banked in the new period.					
15 Obtain certificates for all cash balances not counted.					
Presentation and disclosure					
16 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
17 Ensure that there is evidence on the file to support all disclosures made.					
18 Review the bank letter and ensure that all necessary disclosures have been made.					
Bespoke tests					
19 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
20 Consider whether there are any items which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

L CREDITORS AND ACCRUALS

1	Lead schedule	<input type="text"/>
2	Audit programme	<input type="text"/>
3	List of creditor balances	<input type="text"/>
4	Accruals and provisions	<input type="text"/>
5	Directors' accounts: summary	<input type="text"/>
6	Hire purchase/finance leases	<input type="text"/>
7	Summary of creditors circularisation results	<input type="text"/>
8	Certificates/confirmation replies	<input type="text"/>
9	Creditors circularization sheet	<input type="text"/>
10		<input type="text"/>
11		<input type="text"/>

Client:	Year End:	File No.	Ref: L
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SUMMARY SHEET — CREDITORS AND ACCRUALS

Audit objectives	Planning	Final			
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To ensure that liabilities exist and are supported by satisfactory independent evidence.	8, 9		Yes/No		
2 To ensure that trade creditors have been fully and accurately recorded.	10, 11, 12, 13		Yes/No		
3 To ensure that proper cut-off has been applied.	14, 15		Yes/No		
4 To ensure that all hire purchase and finance leases have been accounted for in accordance with applicable accumulating standards.	16, 17, 18		Yes/No		
5 To ensure that all material accruals, loans and other creditors have been accounted for.	19, 20, 21, 22, 23		Yes/No		
6 To confirm that all necessary disclosures concerning creditors have been made and that the information is appropriately presented and described.	24, 25		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on B5 or B8)* creditors and accruals are fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

*Delete if not applicable

Client:	Tailored by:	Date:	Ref: L2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

AUDIT PROGRAMME — CREDITORS AND ACCRUALS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators; (c) comparison of the top ten suppliers this year with last.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Existence					
8 Obtain or prepare a list of trade creditor balances. Agree the list to the control account. Obtain explanations for all material adjustments to the control account.					
9 Test the casts of the list.					
Completeness					
10 List all debit balances over Tk. _____ and obtain explanations. Ensure they are correctly treated in the accounts.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
<p>11 Perform a creditors circularisation:</p> <ul style="list-style-type: none"> (a) select a sample of accounts from a complete list of balances for example an activity report (include nil and debit balances where applicable). Record the details on the standard working paper; (b) confirm with client the creditors you wish to circularise; (c) obtain explanations where the client does want you to circularise particular balances and consider alternative procedures that can be applied; (d) consider whether the refusal to allow circularisation of particular balances will impose a limitation of scope on the audit? (e) send the confirmation requests. Enclose a prepaid envelope for return to the firm. Ensure the reply part of the letter is properly referenced; (f) record replies on the control sheet; (g) where replies are not received within a reasonable period send a follow-up letter; (h) follow the alternative procedures for any unfavourable responses or where no response is obtained, and (i) summarise the results and consider whether adequate audit comfort has been obtained for trade creditors. 					
<p>12 Where a circularisation is not carried out, or the results are unsatisfactory, test creditors for completeness as follows:</p> <ul style="list-style-type: none"> (a) obtain the year end creditors listing; (b) compare to prior year to identify obvious omissions; (c) review purchase day book during the year and payments after the end to identify main suppliers; (d) review purchase YTD information where available to identify major suppliers; (e) enquire to major suppliers not on the list. Ensure the list is in fact complete; (f) enquire into low balances with major suppliers to ensure they are complete; (g) obtain the file for year end supplier statements. Check a sample and agree/reconcile to the list of balances; (h) for major suppliers (regardless of recorded balance outstanding) and for all material recorded balances, identify the related statement and agree/reconcile to the creditors' listing; 					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
(i) where a statement is not available for any major supplier(s) consider faxing a request for a copy statement; (j) review after-date payments. Ensure those paying off pre-year end items are included in creditors, and (k) extend the scope of (j) above if statements are not retained for all suppliers.					
13 Review invoices in the new period to ensure all material amounts have been provided for.					
Cut-off					
14 If the company retains goods received records, examine the goods received/purchased records immediately before and after the year end and ensure that: (a) all goods delivered prior to the year end are included in stock, purchases and creditors where appropriate, and (b) all goods delivered after the year end are excluded from stock, purchases and creditors where appropriate.					
15 If the company does not have goods received records, specify below the audit work to ensure that cut-off has been correctly applied:					
Hire purchase & leasing					
16 Obtain details of all hire purchase and finance leases: (a) examine new agreements and ensure that the treatment in the accounts is correct; (b) ensure that only capital balances are carried forward, and (c) ensure that amounts carried forward are correctly classified as due within and with-out one year.					
17 Confirm that any operating lease incentives have been accounted for correctly.					
18 Have any sale and lease back transactions in the period been identified and properly accounted for as an operating or finance lease as appropriate?					
Accruals					
19 Review accruals for completeness comparing to: a) last year's list, and (b) expectations.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Taxes					
20 Agree tax and VAT liabilities to the appropriate sections on the file.					
21 Prepare or obtain a control account for any deductions and ensure correct provision has been made.					
Provisions					
22 Review provisions: (a) ensure basis of calculation is acceptable and consistent; (b) check the calculation of material items.					
Other creditors					
23 Vouch any material other creditors to supporting documentation.					
Presentation and disclosure					
24 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
25 Ensure that there is evidence on the file to support all disclosures made.					
Bespoke tests					
26 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
27 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:		Prepared by:	Date:	Ref: L7
Year end:	File no:	Reviewed by:	Date:	

SUMMARY OF CREDITORS' CIRCULARISATION RESULTS

As at _____

	No.	Value	% Value
Total creditors' balances	_____	_____	_____
Total balances circularised (A)	_____	_____	_____

Results of test:

Balances confirmed by circularisation (B)			
Balances confirmed by supplier statement reconciliation			
Balances confirmed by alternative procedures (F)			
Total (G)			

Unconfirmed balances i. e. audit error (A–G) =====

Conclusion

Client:	Prepared by:	Date:	Ref: L 9
Year end:	Reviewed by:	Date:	
File No:			

Creditors' circularisation sheet

Supplier	A Balance Tk.	B Balance accepted Tk.	C Disputed balance (A-B) Tk	D Balance confirmed by supplier statement reconciliation Tk	E Remaining unaudited balance (C-D) Tk	Alternative procedures undertaken on column E items	F Balances confirmed by alternative procedures Tk	Unconfirmed balances Tk

M LONG-TERM LOANS AND DEFERRED INCOME

1 Lead schedule

2 Audit programme

3 Confirmation certificates

4

5

6

Client:	Year End:	File No.	Ref: M
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SUMMARY SHEET — LONG-TERM LOANS AND DEFERRED INCOME

Audit objectives	Planning		Final		
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To ensure that all material loans have been correctly accounted for.	8, 9, 10		Yes/No		
2 To ensure that deferred income has been correctly accounted for and is complete.	11		Yes/No		
3 To confirm that all necessary disclosures concerning long term loans and deferred income have been made and that the information is appropriately presented and described.	12, 13		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by : _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* long term loans and deferred income are fairly stated.

Prepared by: _____ Date: _____

Reviewed by : _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: M2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

AUDIT PROGRAMME — LONG-TERM LOANS AND DEFERRED INCOME

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Loans					
8 Obtain third party verification for all material loans.					
9 Review loan agreements and consider the implications of any breach of covenants					
10 Calculate the apportionment between long and short- term loans.					
Deferred income					
11 Review the basis for deferring income and ensure that it is valid, complete and has been correctly and consistently applied.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch Ref</i>	<i>Comments</i>	<i>Initials and date</i>
<i>Presentation and disclosure</i>					
12 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
13 Ensure that there is evidence on the file to support all disclosures made.					
<i>Bespoke tests</i>					
14 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
<i>Conclusion</i>					
15 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

N PROVISIONS FOR LIABILITIES AND CHARGES, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

1	Lead schedule	<input type="text"/>
2	Audit programme	<input type="text"/>
3	Details of contingent liabilities	<input type="text"/>
4	Capital expenditure authorised/contracts placed	<input type="text"/>
5	Operating lease commitments	<input type="text"/>
6		<input type="text"/>
7		<input type="text"/>
8		<input type="text"/>

Client:	Year End:	File No.	Ref: N
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SUMMARY SHEET — PROVISIONS FOR LIABILITIES AND CHARGES, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

Audit objectives	Planning		Final		
	Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To ensure that full provision has been made for all liabilities or losses which are likely to be incurred, or certain to be incurred, but uncertain as to the amount or date on which they will rise	8, 9, 10		Yes/No		
2 To ensure that all contingent liabilities have been identified and adequate provision made.	11, 12, 13, 14, 15, 16		Yes/No		
3 To ensure that capital and other commitments have been properly accounted for.	17, 18		Yes/No		
4 To confirm that all necessary disclosures concerning provisions, contingent liabilities and commitments have been made and that the information is appropriately presented and described.	19, 20, 21		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* provisions for liabilities and charges, contingent liabilities and financial commitments are fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: N2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — PROVISIONS FOR LIABILITIES AND CHARGES, CONTINGENT LIABILITIES AND FINANCIAL COMMITMENTS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Liabilities and charges					
8 (a) Review obligations under pension and similar post-retirement schemes and ensure that adequate provision has been made.					
(b) Where the scheme is dealt with by the practice consider whether an audit is required.					
(c) Where the company operates a pension scheme discuss the Pensions Act administration, reporting and whistle-blowing obligations with the directors/ trustees to ensure its affairs are being properly administered.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
9 Obtain or prepare a list of other obligations of uncertain timing and amount existing at the balance sheet date. Ensure its completeness by reviewing: (a) the previous year's provisions and contingent liabilities; (b) items recorded on the bank certificate; (c) minutes of meetings; (d) major contracts; (e) correspondence, and (f) other (specify)					
10 Discuss the list with the client and ensure that it is complete and that adequate provision has been made for likely losses.					
Contingent liabilities					
11 Review the list in 4 above for contingent liabilities.					
12 Discuss the list with the client and ensure that it is complete and that adequate disclosure has been made for all contingent liabilities. Law and regulations					
13 (a) Enquire of the directors whether they are on notice of any possible instances of non-compliance with such law or regulations.					
(b) Update the permanent audit file for any changes identified since the planning stage.					
(c) Review correspondence files of any relevant licensing or regulatory authorities for any indications of breaches of laws and regulations.					
(d) Confirm compliance with those laws and regulations that could have a material impact on the accounts by completing the tests set out in the audit approach column of the register of laws and regulations (PAF05).					
(e) Draft specific representations for inclusion in the letter of representation.					
Litigation and claims					
14 To identify any possible claims or litigation against the company:					
(a) make appropriate inquiries of management including obtaining representations;					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
(b) review minutes of those charged with governance and correspondence with the company's legal advisers, and (c) examine legal expense accounts.					
15 Where actual or potential litigation or claims against the company have been identified consider whether direct communication with the entity's legal advisers is required.					
16 If permission is refused by management to contact the company's legal advisers directly: consider the impact on the audit opinion (B6).					
Capital and other commitments					
17 Review the management minutes and after date invoices and ensure that all material capital commitments have been identified.					
18 Obtain details of future commitments under operating leases and ensure they are correctly disclosed.					
Presentation and disclosure					
19 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
20 Ensure that there is evidence on the file to support all disclosures made.					
21 Where disclosures about provisions or contingent liabilities include management's opinion on an issue ensure that these opinions are confirmed in the letter of representation.					
Bespoke tests					
22 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
23 Consider whether there are any items (in addition to laws and regulations) which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

O CAPITAL, RESERVES AND STATUTORY RECORDS

- | | | |
|---|-----------------------------------|----------------------|
| 1 | Lead schedule | <input type="text"/> |
| 2 | Audit programme | <input type="text"/> |
| 3 | Extracts of registers and returns | <input type="text"/> |
| 4 | Extracts of current year minutes | <input type="text"/> |
| 5 | Prior period adjustments | <input type="text"/> |
| 6 | | <input type="text"/> |
| 7 | | <input type="text"/> |
| 8 | | <input type="text"/> |

Client:	Year End:	File No.	Ref: O
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SUMMARY SHEET — CAPITAL, RESERVES AND STATUTORY RECORDS

<i>Audit objectives</i>	<i>Number of key tests which satisfy objective*</i>	<i>Reference to bespoke tests to be carried out</i>	<i>Are you satisfied that the objectives have been met?</i>	<i>Comments</i>	<i>Initials</i>
a. To ensure that the statutory records have been properly maintained and are up to date.	8, 9, 10	Yes/No			
b. To ensure that any changes in share capital are supported by appropriate resolutions and are properly reflected in the accounts.	11, 12, 15	Yes/No			
c. To ensure that capital instruments and the related interest or dividends are properly presented in accordance with the substance of the contractual arrangements.	13, 14, 16				
d. To confirm that all necessary disclosures concerning reserves and other statutory information have been made and that they are appropriately presented and described.	17, 18	Yes/No			

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* capital and reserves are fairly stated.

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____

Date: _____

Reviewed by: _____

Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: O2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

AUDIT PROGRAMME — CAPITAL, RESERVES AND STATUTORY RECORDS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8 . Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Statutory records					
8 Obtain copies of statutory records for this period. (This might entail carrying out a company search.)					
9 Ensure that all changes in directors and secretaries and their interests in shares or debentures have been entered into the relevant register.					
10 Agree details in the share register to: (a) the accounts; (b) the annual return, and (c) the directors' report.					
Dividends					
11 Where a dividend is proposed or has been paid in the period, consider whether the distribution is legal.					
12 Where a dividend is illegal consider whether:					
(a) this is adequately disclosed in the accounts, and					
(b) a debtor or contingent asset should be shown.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
13 Have interest, dividends, losses or gains relating to a financial instrument or a component that is a financial liability been recognised as income or an expense in the profit or loss?					
14 Have distributions to holders of equity instruments been debited directly to equity?					
Share capital					
15 Record details of any changes in share capital in this period and ensure that these have been properly reflected in the accounts.					
16 For shares issued in the period: have these (or their components) been classified on initial recognition as a financial liability or an equity instrument in accordance with the substance of the contractual arrangements?					
Reserves					
17 Schedule all movements in reserves:					
(a) Ensure that transfers between reserves are correctly treated and authorised, and					
(b) Ensure that the treatment in the accounts is correct.					
Control					
18 Ascertain details of the ultimate controlling party and ensure that correct disclosure is made in the accounts.					
Bespoke tests					
19 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
20 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Q INCOME

- 1 Turnover
- 2 Dividend and interest received/receivable
- 3 Rent received/receivable
- 4 Management charges
- 5
- 6

EXPENDITURE

- 7 Directors' emoluments
- 8 Interest payable
- 9 Subscriptions and donations
- 10 Insurance (cover and premiums)
- 11 Repairs and renewals
- 12 Legal, professional and audit
- 13 Entertaining
- 14 Sundry
- 15
- 16

R PROFIT AND LOSS

- 1 Lead schedule
- 2 Audit programme — profit and loss
- 3 Audit work summary
- 4 Sample selection planning
- 5 Audit programme — related party transactions

Client:	Year End:	File No.	Ref: R
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SUMMARY SHEET — PROFIT AND LOSS ACCOUNT

	Audit objectives	Planning		Final		
		Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1	To ensure that income is not understated and incorrectly classified.	7, 8, 9, 10, 11, 12		Yes/No		
2	To ensure that expenditure is not over stated, is authorised and correctly classified.	13, 14, 15		Yes/No		
3	To ensure that wages and salaries are correctly accounted for.	16, 17, 18, 19		Yes/No		
4	To ensure that items requiring specific disclosure are correctly reported.	20, 21		Yes/No		
5	To ensure the nominal ledger is correctly maintained.	21, 22		Yes/No		
6	To confirm that all necessary disclosures concerning the profit and loss account have been made and that the information is appropriately presented and described.	23, 24		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* the profit and loss account is fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: R2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — PROFIT AND LOSS ACCOUNT

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
2 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
3 Carry out analytical procedures such as:					
(a) comparison of the current figures with those of prior periods;					
(b) review of key ratios or other performance indicators.					
4 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
5 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
6 Review for large and/or unusual items and verify.					
Income					
7 Identify all material sources of income and specify how each source has been audited.					
8 Where available, select a sample of goods despatched notes, including a number of items around the year end (where required) and vouch to supporting documentation:					
(a) ensure details are correctly reflected on the invoice;					
(b) agree invoices through to the sales ledger and nominal ledger, and					
(c) ensure item accounted for in the correct period.					
9 Where goods despatched notes are not used/retained, specify below the audit work to ensure that all sales made are invoiced: <input type="checkbox"/> <input type="checkbox"/>					
Cash sales					
10 Select a sample of till rolls or sales docketts, and vouch to supporting documentation:					
(a) check the additions;					
(b) check the numerical sequence and investigate any missing items;					
(c) check the pricing;					
(d) for till rolls, ensure that the level of 'no sales' is acceptable, and					
(e) check total cash sales to the cash book.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
Sales returns					
11 Review sales returns and, where material, select a sample: (a) check the quantity and description on the credit note to a goods returned note or other documentary proof of receipt of goods, and (b) ensure the details agree to the original invoice.					
Other income					
12 Check that, prima facie, all grants to which the client is entitled have been claimed.					
Expenditure					
13 Compare expenditure recorded to last year, budgets and expectations. Corroborate explanations received for variances.					
14 Select a sample from the nominal ledger (or purchase day book, or cash book if there is no nominal ledger) and vouch to supporting documentation: (a) ensure the invoice is properly authorised; (b) ensure the invoice is correctly classified; (c) ensure the invoice is properly addressed, and (d) consider whether there is adequate control over the issue of cheques.					
15 Consider the following procedures where estimates are used by management in determining the value of stocks, accruals or provisions. (a) where not already done, obtain audit evidence about the general reliability of the company's estimating procedures and methods, including relevant control activities; (b) consider whether adjustments to any estimating formulae may be required and (c) consider whether differences between actual results and previous estimates have been quantified and that, where necessary, appropriate adjustments or disclosures made.					
Wages and salaries					
16 Reconcile a list of employees and their gross pay to the staff costs charge in the accounts. Explain and verify any material differences.					
17 Where considered necessary in view of the results of the above test perform detailed checks of the gross to net pay calculations and postings to the nominal ledger.					
18 Obtain details of directors' emoluments paid and payable, including benefits-in-kind.					
Related party transactions					
19 (a) Establish whether there are any individuals (in addition to the directors) or any other entities which should be treated as related parties. Record details in the permanent file.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
(b) Enquire of the directors whether the company has entered into any transactions in which one or more of those related parties have an interest.					
(c) Review any details provided for complete-ness by reviewing minutes, accounting records, correspondence and any other items of interest.					
(d) Obtain written confirmation in the letter of representation that the information provided regarding related party and control disclosures is complete.					
(e) Consider whether any such transactions have been disclosed properly in the accounts.					
Other					
20 Analyse for tax and/or disclosure purposes the following: <ul style="list-style-type: none"> • repairs; • rents, leases, hire purchase, and • other (specify): 					
21 Review nominal ledger for unusual adjustments and verify.					
Presentation and disclosure					
22 Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
23 Ensure that there is evidence on the file to support all disclosures made.					
Bespoke tests					
24 Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet.					
Conclusion					
25 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:	Year end:	File no:	Ref: R 4
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SAMPLE SELECTION PLANNING – P & L

Objective: To record the sources from which audit assurance has been obtained, and to assist in calculating sample sizes for tests of detail.

<i>P & L Account</i>			
Approximate number of transactions in year _____			
Sampling risk factor			
Test of detail only = Inherent risk factor (table figure) x ½			_____
OR = _____			
Test of detail and (analytical review*† or compliance*†) = Inherent risk factor (table figure) x 1/3			_____
OR			
Test of detail and analytical review† and compliance† = Inherent risk factor (table figure) x ¼			_____
Tolerable error = $\frac{\text{Materiality}}{\text{Inherent risk factor (table figure)}}$ = _____ = _____			
Monetary value of population	(100 %)		$T\bar{k}_c$
Value of items above the tolerable error	(%)		$T\bar{k}_c$
Value of scheduled other 'key' items	(%)		$T\bar{k}_c$
Value of residual population	(%)		$T\bar{k}_c$
Residual population			$\frac{\text{XXXXXXXX}}{T\bar{k}_c 000} =$
Sample size = _____ x Sampling risk factor			
Materiality (See maximum below)			
Plus: Number of items above the tolerable error			=
Number of other 'key' items			_____
Actual sample size			=
Conclusion			
I am satisfied that the actual sample size will fairly test the population.			
Prepared by _____		Date _____	
Reviewed by _____		Date _____	

* Delete as appropriate.

† Refer to working papers in D section and C7-1.

Tables of maximum sample sizes

		<i>Specific risk</i>			
		L	M	H	
<i>Risk</i>	L	10	13	15	<i>General Risk</i>
	M	13	15	18	
	H	15	18	20	

Table1—for tests of detail only

		<i>Specific risk</i>			
		L	M	H	
<i>Risk</i>	L	20	25	30	<i>General Risk</i>
	M	25	30	35	
	H	30	35	40	

Table2—for tests of detail and (analytical review* or tests of control*)

		<i>Specific risk</i>			
		L	M	H	
<i>Risk</i>	L	13	17	20	<i>General Risk</i>
	M	17	20	23	
	H	20	23	26	

Table3—for test of detail and analytical review and tests of control.

Client:		Tailored by:	Date:	Ref:R5
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

AUDIT PROGRAMME—RELATED PARTY TRANSACTIONS

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
General					
1 Review information provided by those charged with governance and management identifying the names of all known related parties and perform the following procedures in respect of the completeness of this information: (a) review prior year working papers for names of known related parties; (b) review the company's procedures for identification of related parties; (c) enquire as to the affiliation of those charged with governance and officers with other companies; (d) review shareholder records to determine the names of principal shareholders or, if appropriate, obtain a listing of principal shareholders from the share register; (e) review minutes of the meetings of shareholders and those charged with governance and other relevant statutory records such as the register of directors' interests; (f) enquire of other auditors currently involved in the audit, or predecessor auditors, as to their knowledge of additional related parties; (g) review the company's tax returns and other information supplied to the tax authorities; (h) review invoices and correspondence from lawyers for indications of the existence of related parties or related party transactions; (i) enquire of the names of all pension and other trusts established for the benefit of employees and the names of their management.					
2 Consider the adequacy of control activities over the authorisation and recording of related party transactions.					
Directors					
3 Prepare a schedule of movements on the loan account for each director and other connected person.					
4 Review all month-end sales and purchase ledger balances to identify any accounts in the names of related parties.					
5 Enquire as to the interest of the directors in other companies.					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
Transactions					
6 Review the accounting records for large or unusual transactions or balances, in particular transactions recognized at or near the end of the period For example: (a) transactions with abnormal terms; (b) transactions that appear to lack a logical business reason for their occurrence; (c) transactions in which substance differs from form; (d) transactions processed or approved in a non-routine manner; (e) high volume or significant transactions with certain customers or suppliers as compared with others; (f) unrecorded transactions such as the receipt or provision of management services at no charge.					
7 Discuss the nature and purpose of any unusual transactions with the management or directors.					
8 Consider obtaining third party confirmation of transactions and balances.					
Disclosure					
9 Obtain sufficient appropriate audit evidence as to whether identified related party transactions have been properly recorded and disclosed.					
10 The auditor should obtain sufficient appropriate audit evidence that disclosures in the financial statements relating to control of the company are properly stated.					
Management representations					
11 Obtain a written representation from management concerning: (a) the completeness of information provided regarding the identification of related parties, and (b) the adequacy of related party disclosures in the financial statements.					
Conclusion					
12 Whether sufficient appropriate audit evidence concerning all related parties and transactions with such parties and the adequacy of their disclosure in the financial statements has been obtained.					

Client:	Year end:	File No.	Ref: P
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SUMMARY SHEET — INCOME TAX

Audit objectives	Number of key tests which satisfy objective*	Planning		Final	
		Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1 To ensure that the taxation provision is adequate.	8, 9, 10, 11, 12, 13		Yes/No		
2 To ensure that deferred taxation has been correctly accounted for.	14		Yes/No		
3 To confirm that all necessary disclosures concerning current and deferred tax have been made and that the information is appropriately presented and described.	15, 16		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, and
- in my opinion (subject to matters highlighted on **B5** or **B8**)* taxation is fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:	Tailored by:	Date:	Ref: P2
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by:	Date:	

AUDIT PROGRAMME — INCOME TAX

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
General					
1 Agree the opening balances to last year's accounts.					
2 Obtain and check, or prepare, a lead schedule for the current year's figures and reconcile this to the nominal ledger.					
3 Examine any material journal entries or other adjustments made during the course of preparing the financial statements.					
4 Carry out analytical procedures such as: (a) comparison of the current figures with those of prior periods; (b) review of key ratios or other performance indicators.					
5 Review the planned extent of reliance on internal controls in this area and consider whether this remains appropriate.					
6 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8 . Consider the impact on the remainder of the audit work and on any work undertaken to date.					
7 Review for large and/or unusual items and verify.					
Corporation tax					
8 Obtain and check, or prepare the following: (a) draft tax computations; (b) an analysis of the corporation tax account, and (c) a proof of tax/tax reconciliation.					
9 Ensure profit before tax used in the computation agrees to draft profit and loss account.					
10 Agree closing CT liabilities to latest computations and Tax Return.					
11 Verify movements on CT account to Tax Returns.					
12 Complete the corporation tax computation checklist on P3.					
Advance Income Tax					
13. Recalculate the amount paid as advance income tax;					
14. Obtain schedule of Tax Deduction at Source (TDS) and check its accounting in the books;					
15. Observe Treasury Challan for advance income tax;					
16. Observe certificate for TDS;					

<i>Particulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and Date</i>
17. Check compliance of advance payments of tax with the income tax law;					
18. Prepare report (if any) considering the materiality.					
19. Advance Income Tax for each quarter should have been paid to Bangladesh Bank within 15 days of September, December, March, June u/s 66 of ITO.					
20. Deposit of Tax collected at source to Bangladesh Bank within 7 days from the date of deduction or collection.					
ACT					
21. Where Advance Current Tax paid or payable is being carried forward as a debtor, consider its ultimate recoverability and ensure that the treatment in the accounts correctly reflects this.					
Provision for Taxation					
22. Recalculate the provision for taxation and compare it with the records of the company;					
Deferred Tax					
23. Identify the temporary differences for deferred tax calculation;					
24. Recalculate deferred tax income/(Expense), Assets/(Liability) and compare in with the company's calculation and records;					
Reporting to NBR					
25. Review filing of relevant return to NBR for Income Tax;					
26. Review filing of relevant return to NBR for I/Tax and VAT;					
Presentation and disclosure					
27. Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.					
28. Ensure that there is evidence on the file to support all disclosures made.					
Bespoke tests					
29. Draft any necessary additional tests such as those required by C6.3 and cross ref. with the objectives on the summary sheet.					
Conclusion					
30. Consider whether there are any items which need to be included in a letter of representation or letter of comment and record this on A5 or A6 as appropriate.					

Client:	Tailored by:	Date:	Ref: P3
Year end:	Tailoring reviewed by:	Date:	
File no:	Completion reviewed by	Date:	

CORPORATION TAX COMPUTATION CHECKLIST

Objective: To ensure that any corporation tax liabilities or available losses are correctly reflected in the accounts.

This checklist sets out the common points to be considered when preparing corporation tax computations — it is not exhaustive.

	<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
1	Self-assessment		
	(a) Confirm that the company is not liable for any penalties for latefiling of its corporation tax return.		
	(b) Confirm that the company is not liable for interest on the late payment of corporation tax.		
	(c) Submission of Annual Return to Deputy Commissioner of Taxes in respect of Salary and Dividend within 1 st September each year u/s 108, 110.		
	(d) Submission of Company Income Tax Return to Deputy Commissioner of Taxes within 15 th of July each year as per section 75.		
	(e) Submission of Individual's Income Tax Return to Deputy Commissioner of Taxes within 15 th of September each year as per section 75.		
	(f) Submission of First appeal to AJCT within 60 days from the date of DCT order as per section 153 of ITO.		
	(g) Submission of second appeal to Appellate Tribunal within 60 days from the date of AJCT order as per section 158 of ITO.		
2	Treatment and Computation of different items in Tax Return		
2.1	<i>Advertising</i>		
	(a) Confirm that all business gifts or hospitality included in advertising are correctly treated as entertaining.		
	(b) Confirm advertising excludes all capital items (eg signs).		
2.2	<i>Entertaining</i>		
	Confirm that entertainment expense is within the limit set under rule 65 of Income Tax: On first Tk 1 million of income, profit, gain @ 4%, on the balance @ 2%.		
2.3	Foreign Travels: Rule 65A, for foreign travel, holidaying, recreation expenses of an employee (including full time directors) and his dependants in excess of three months basic salary or three –fourths of the actual expenditure, whichever is less, once in every two years is admissible.		
2.4	<i>Repairs and renewals</i>		
	(a) Confirm that the analysis excludes all capital items.		
2.5	<i>Leasing</i>		
	Confirm that the capital element of finance lease payments are allowed in the computation, by not adding back the depreciation and that the depreciation is properly calculated on a commercial basis over the term of the lease (SP3/91).		
2.6	<i>Legal and professional charges</i>		

<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
Confirm that the analysis excludes all capital items.		
2.7 <i>Bad and doubtful debts</i>		
(a) Confirm that the file includes debtors' names and addresses for bad debts written off and provisions for individual doubtful debts.		
(b) Confirm that any general provisions are accounted for separately from specific provisions.		
(c) Confirm that movements on the general provision are correctly adjusted in the computation.		
(d) Confirm that any loans to connected parties that are written off are adjusted in the computation, and not taxed.		
2.8 <i>Subscriptions and donations</i>		
(a) Confirm that all disallowable items are adjusted in the computation.(b) Confirm that covenants are deducted as gross charges in the computation.		
2.9 <i>Sundry expenses</i>		
(a) Confirm that the analysis highlights disallowable items (if not otherwise covered by this checklist).		
(b) Confirm that all disallowable items are adjusted in the computation.		
2.10 <i>Formation expenses</i>		
Confirm that these have been disallowed in the computation.		
2.11 <i>Penalties and surcharges</i>		
Confirm that all disallowable penalties and surcharges (eg VAT default surcharges) are identified and adjusted in the computation.		
2.12 <i>Directors' remuneration</i>		
(a) Confirm that the computations include an analysis of the directors' remuneration and benefits.		
2.13 <i>Pension contributions</i>		
(a) confirm that the computation is adjusted for accruals.		
(b) Confirm that the computation is adjusted for spreading of special contributions.		
2.14 <i>Rent</i>		
(a) Confirm the rents paid to persons resident outside Bangladesh are disclosed separately in the computation.		
(b) Confirm that the basic rate tax has been deducted from rents paid to non-residents.		
(c) Confirm that rents received (other than in respect of letting parts of the business premises) are excluded from the computation but are included as Section 24,25 income in calculating the tax liability for the corporation.		
(d) Confirm that Section 24, 25 income is computed by treating rental income as a notional trade on the accruals basis;		
2.15 <i>Interest paid</i>		
(a) Confirm that interest paid is calculated on the accruals basis.		
(b) Confirm that income tax deducted from interest paid has been accounted for and paid to Treasury on time		
2.16 <i>Research and development</i>		

	<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
	Confirm that the company has qualifying cost to be deducted as research and development.		
2.17	<i>Interest received</i>		
	(a) Confirm that the schedule identifies whether amounts received are gross or net of tax.		
	(b) Confirm that all amounts, are excluded from the computation, but are included as section 22 income.		
	(c) Confirm that income tax deducted at source from income is deducted from income tax paid on tax return,		
	(d) Confirm that interest received is calculated on the accruals basis.		
2.18	<i>Dividends received</i>		
	(a) Confirm that they are excluded from the computation.		
	(b) Confirm that they are shown net of tax credits but gross of withholding tax where applicable.		
2.19	<i>Fixed assets</i>		
	(a) Confirm that total additions per accounts reconcile with additions per capital allowances computation.		
	(b) Confirm that first year allowances have been claimed for whole year and no depreciation has been claimed in the year the asset is sold or discarded.		
	(c) Confirm that reinvestment relief claims have been prepared where appropriate.		
3	<i>Chargeable gains</i>		
3.1	<i>Confirm computations have been prepared for disposals of:</i>		
	(a) Freehold/leasehold property. (b) Investments.		
3.2	<i>Confirm computation shows:</i>		
	(a) Date of acquisition. (b) Cost of acquisition. (c) Cost of enhancements/improvements. (d) Amount of sale proceeds and expenses.		
4	<i>Treatment of losses</i>		
4.1	<i>Confirm that losses have been set off in the most effective way by consideration of the following possibilities:</i>		
	(a) Set off against other current year profits (including chargeable gains). (b) Confirm that losses carried forward are allowed for, as appropriate, in deferred tax calculations.		
5	<i>Groups</i>		
5.1	<i>Inter-group dividends</i>		
	Confirm that any dividends paid by one member of the group to another have been identified.		
5.2	<i>Inter-group charges on income and interest</i>		
	Confirm that all relevant charges on income and interest have been paid gross.		
5.3	<i>Inter-group transfer of assets</i>		

<i>Particulars</i>		<i>Yes/No or N/A</i>	<i>Comments</i>
(a)	Confirm schedule prepared showing details of assets transferred and name of company to which transferred.		
(b)	Confirm schedule shows details of when each asset was first acquired by the group.		
(c)	Confirm schedule shows details of original cost to the group of each asset.		
Conclusions			
1	I consider that assistance from a taxation specialist is/is not* required.		
2	The computations do/do not* deal correctly with all material matters relating to corporation tax.		
3	The accounts do/do not* include all material corporation tax liabilities.		
4	Any corporation tax aspects which require bringing to the client's attention have been recorded on B5 and A6.		

Senior/Manager

Date: _____

Reviewed by

Date: _____

*Delete if not applicable.

Client:	Year end:	File No.	Ref: U
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SUMMARY SHEET — VALUE ADDED TAX

<i>Audit objectives</i>	Planning		Final		
	<i>Number of key tests which satisfy objective*</i>	<i>Reference to bespoke tests to be carried out</i>	<i>Are you satisfied that the objectives have been met?</i>	<i>Comments</i>	<i>Initials</i>
1 To ensure that VAT has been correctly accounted for.	4, 5		Yes/No		
2 To ensure any potential liabilities have been identified.	6, 7, 8, 9		Yes/No		
3 To confirm that any necessary disclosures concerning VAT have been made and that the information is appropriately presented and described.	10		Yes/No		

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme;
- the work performed and the results obtained have been adequately documented;
- all necessary information has been collected for the preparation of the statutory accounts, &
- in my opinion (subject to matters highlighted on B5 or B8)* VAT is fairly stated.

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

* Delete if not applicable.

Client:		Tailored by:	Date:	Ref: U2
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

AUDIT PROGRAMME — VALUE ADDED TAX

<i>Perticulars</i>	<i>Test required Y/N</i>	<i>Results satisfactory Y/N</i>	<i>Sch. Ref</i>	<i>Comments</i>	<i>Initials and date</i>
General					
1 (a) Agree opening balances to last year's accounts.					
(b) Obtain and check, or prepare, a lead schedule for the current year's figures.					
(c) Enquire into and make notes of reasons for any major variations from expectations.					
2 Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.					
3 Review for large and/or unusual items and verify.					
4 Obtain and check, or prepare, a VAT control account. Agree the VAT creditor or repayment due to the relevant VAT return.					
5 Vouch the entries on the VAT control account to the VAT returns.					
6 Reconcile the turnover per the accounts to the outputs recorded on the VAT returns.					
7 Reconcile the potential VAT on the turnover per the accounts to the outputs on the VAT control account.					
8 Review the client's VAT affairs, including any correspondence, and ensure that adequate provision is made for any possible penalties and interest on under-declarations.					
9 Where considered necessary complete the VAT checklist on U3.					
Presentation and disclosure					
10 Consider whether balances relating to VAT are appropriately presented in the accounts and whether any additional disclosures are required.					
Conclusion					
11 Consider whether there are any points which need to be included in a letter of representation or letter of comment and record on A5 or A6 as appropriate.					

Client:		Prepared by:	Date:	Ref: U3
Year end:	File no:	Reviewed by:	Date:	

VAT COMPLIANCE CHECKLIST

Objective: To ensure that all VAT liabilities are correctly included in the accounts.

The checklist sets out the common points to be considered when reviewing VAT — it is not exhaustive.

<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
1 Registration		
1.1 Unregistered company Confirm that taxable turnover does not exceed registration limits (currently and historically), Taka 2 million.		
1.2 Company registered as intending trader Does the intention to make taxable supplies continue?		
1.3 Exemption from registration Is trader still eligible for exemption?		
1.4 Group registration (a) Are all members of the legal group either in the VAT group or separately registered? (b) Are all members of the VAT group eligible for membership? (c) Are the latest and current details of group members received from Customs & Excise correct? (d) Does a system exist to notify Customs & Excise of group or company structure changes?		
1.5 Compulsory registration Are the details on the latest Certificate of Registration correct?		
2 Sales		
2.1 Standard-rated sales (a) Confirm VAT treatment is in accordance with the VAT act and any directions from VAT administration.		
2.2 Exports Is adequate evidence of exports and deemed exports are kept?		
3 Purchases		
3.1 'Routine' (a) Is input tax only claimed when evidence is received? (b) Are all invoices retained and accessible? (c) Does client check that all invoices are correctly addressed to him as the registered trader? (d) Are there systems to identify non-deductible inputs (including non-business input VAT)?		
4 Accounting records (a) Are records properly filed, referenced and retained for four years for VAT inspections? (b) Do VAT records agree with the management and financial accounts available for inspection including a reconciliation of turnover?		

<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
5 <i>Groups of companies</i>		
(a) Do all companies invoicing each other within a VAT group correctly omit VAT?		
(b) Do supplies between members of the legal group (e.g. management charges) who are not in the VAT group carry VAT as appropriate?		
(c) Is non-deductible input tax identified and not claimed?		
6 <i>General Compliances</i>		
(a) Whether the organization's imports are exempt from registration and that exemption has been taken (All educational institution and government offices. Embassies UN and UN bodies, and other privileged institutions).		
(b) Challan copy should be retained for 4 years in case of centrally registered organizations transferring goods from central godown or from one sale center to another.		
(c) If the organization is an exempt from VAT registration is it properly enlisted with the superintendent and paid 4% as turnover tax in advance.		
(d) Confirm that turnover tax enlisted Co. maintains accounts of daily buy-sale transaction in form "Mushak-17 A" and shall also preserve number wise sale cash memo including enlistment number. Further declaration of turnover challan of treasury deposit, return etc. shall have to be preserved for at least 4 years.		
(e) Confirm turnover tax at 4% within 30 days of annual declaration of turnover and within 15 days of monthly declaration of turnover to be deposited to the treasury and the return together with the main copy of treasury challan is submitted to the concerned circle in form "Mushak-4".		
(f) Confirm that the turnover tax is paid in advance before the commenced of tax period.		
(g) Confirm VAT return was duly filed within 10 th days of the following month in form "Mushak-19".		
(h) Producers of taxable goods has submitted appropriate bonafide price declaration relating to their products in form "Mushak-1".		
(i) Confirm that the Co. has claimed duty drawback within 6 months of issue of shipping bill, bill of exports for identifiable real exports and deemed exports.		
(j) Confirm that excess payment of VAT, turnover tax where applicable has been claimed for refund within 6 months of such payment in form TR31.		
(k) Confirm input tax paid by a registered person on the inputs imported on purchased by him are adjusted under certain sections of the VAT Act or Rules against output tax liability, which is called input tax rebate.		
(l) Confirm that VAT deduction at source from certain specified service providers at the specified rate has been done and deposited to treasury within the specified time.		
6 <i>Penalties and assessments</i>		
(a) Have all VAT assessments been reflected in the accounts (including penalties and interest)?		
(b) Are all outstanding default surcharges reflected in the accounts?		

	<i>Particulars</i>	<i>Yes/No or N/A</i>	<i>Comments</i>
Conclusions			
1	I consider that assistance from a VAT specialist is/is not* required.		
2	The client has/has not* dealt with all material matters relating to VAT.		
3	The accounts do/do not* dealt with all material VAT Liabilities		
4	4 Our review of VAT has/has not* met our obligations under the letter of engagement		
5	Any VAT aspects which require bringing to the client's attention have been recorded on B5 or B8.		

Senior/Manager _____ Date: _____

Reviewed by _____ Date: _____

* Delete if not applicable

Client:		Tailored by:	Date:	Ref: V2
Year end:	File no:	Tailoring reviewed by:	Date:	
		Completion reviewed by	Date:	

STATUTORY RULES AND REGULATIONS COMPLIANCE CHECKLIST

Objective: To ensure that the organization has complied with all the relevant laws and regulations, e.g., companies act 1994, SEC Act 1993. The organization is not at risk of or in violation or defaulter in complying with the applicable laws and regulations.

This checklist sets out the common points to be considered when preparing corporation tax computations — it is not exhaustive.

	Yes/No or N/A	Comments
1. Confirm that the statutory and statistical registers as required (see the attached appendix B4) as per companies act 1994 were being maintained properly throughout the year.		
2. Confirm that the statutory and statistical filing as required (see the attached appendix B5) under Companies Act 1994, SEC Act 1993, DSE Regulation, Article of Association has been properly and timely filed and the company was not in default and penalized in any of the filling.		
3. Submission of annual accounts to respective parties to be within the time limit.		
4. The provision for appointment of directors in public limited companies as set out under sections 90 to 93, 101, 115 of the CA 1994 should be complied with.		
5. The company has maintained adequate accounting records as set out under section 181 of the Companies act 1994.		
6. The Balance sheet and Income statement of the company should be authenticated under joint signatures of the company secretary or manager or managing agent and two directors. Incase of Banking company, by the managing agent and three directors. This authentication should have been before the Audit report date and should be properly disclosed in the accounts.		
7. Director's report should contain all the information as required under section 184 of the Companies Act 1994 as well as requirements under the SEC regulations and notification No.		
8. Confirm that the company has properly disclosed the information as detailed in the attached disclosure check list		
Conclusions		
1 I consider that assistance from a taxation specialist is/is not* required.		
2 The computations do/do not* deal correctly with all material matters relating to corporation tax.		
3 The accounts do/do not* include all material corporation tax liabilities.		
4 Any corporation tax aspects which require bringing to the client's attention have been recorded on B5 and A6.		

Senior/Manager _____

Date: _____

Reviewed by _____

Date: _____

* Delete if not applicable.

W ACCOUNTS WORKING PAPERS CHECKLIST

- 1 Bank account
- 2 Analysis of receipts
- 3 Unrecorded receipts
- 4 Analysis of payments
- 5 Unrecorded payments
- 6 Cash account
- 7 Analysis of receipts
- 8 Analysis of payments
- 9 Petty cash account
- 10 Summary receipts/payments
- 11 Wages summary
- 12 Creditors control account
- 13 Debtors control account
- 14
- 15

X OTHER PRIMARY FINANCIAL STATEMENTS

- 1 Cash flow statements
- 2 BFRS statements
- 3
- 4

Y COMPUTER REPORTS AND RECORDS RECEIVED

- 1 Year end trial balance
- 2 Journals
- 3 Nominal ledger printouts
- 4 Posting summary/data entry
- 5 Opening trial balance
- 6 Summary of records received

Z OBSOLETE WORKING PAPERS

- 1

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Client:		Prepared by:	Date:	Ref:
Year end:	File no:	Reviewed by:	Date:	

PERMANENT AUDIT FILE INDEX

1 General information

1.1 Background information	(PAF02)	
1.2 Details of bankers and professional advisors	(PAF03)	
1.3 Know Your Client Checklist	(PAF04)	
1.4 Register of laws and regulations	(PAF05)	
1.5 Significant accounting policies	(PAF06)	
1.6 Copy of current detailed risk assessment	(PAF07)	

2 Engagement details

2.1 Letter of engagement		
2.2 Authorisations		
2.3 Special instructions from client		
2.4 Special instructions from group auditors		
2.5 Copy of resolution re: appointment		
2.6 New client checklist	(PAF08)	
2.7 Register of non-audit services	(PAF09)	

3 Accounting systems

3.1 Organisation chart		
3.2 Review of design and implementation of controls		
3.3 Internal Control Questionnaire		
3.4 Systems notes		
3.5 Letters of comment (copies)		
3.6		

4 Statutory information

4.1 List of shareholders		
4.2 Details of mortgages/charges		
4.3 Directors' interests in shares and debentures		
4.4 Copy annual return		
4.5 Copy elective resolutions		
4.6 Memorandum and Articles of Association		
4.7		

5 Taxation (If no separate tax permanent file)

5.1 Tax elections and certificates		
5.2 Copy of Tax Return		
5.3 Advance Corporation Tax details		
5.4		
5.5		
5.5		
5.7		

Client:		Prepared by:	Date:	Ref:
Year end:	File no:	Reviewed by:	Date:	

PERMANENT AUDIT FILE INDEX (cont.)

6 Assets

- 6.1 Details of freehold/leasehold properties
- 6.2 Details of location of title deeds
- 6.3 Details of plant etc. (where no fixed asset register exists)
- 6.4 Details of intangible assets
- 6.5 Investments in subsidiaries and associated undertakings
- 6.6 Details of professional valuations
- 6.7 Details of insurance values and cover
- 6.8

7 Contracts and agreements

- 7.1 Details of contracts and agreements with index
- 7.2 Details of share options
- 7.3 Bank overdraft or loan facilities, security and covenants
- 7.4 Details of other loans

8 Correspondence and information of continuing interest

- 8.1 Index

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9 Accounts

- 9.1 Signed copies of full accounts
- 9.2 Signed copies of abbreviated accounts
- 9.3 Company accounts disclosure checklist

10 Review

Year	File updated by	Reviewed by

Client:		Prepared by:	Date:	Ref:
Year end:		Reviewed by:	Date:	
File no:	Date:	Updated by	Date:	

BACKGROUND INFORMATION

Exact name of company _____

Trading name (if different) _____

Registered office _____ Main place of business (if different) _____

Tel No. _____ Tel No. _____

Fax No. _____ Fax No. _____

Number of business locations _____

Registered number _____

Place of registration _____

Date of incorporation _____

VAT registration number _____ Return periods _____

Year end date _____

Associated companies Yes / No Specify _____

Names of directors/secretary	Date of birth	Specific responsibilities

Other Key personal	

Client:	Prepared by:	Date:	Ref:
Year end:	Reviewed by:	Date:	
File no:	Updated by:	Date:	

DETAILS OF BANKERS PROFESSIONAL ADVISORS

Account signatories

Name Specimen
signature

Bankers

Name _____

Address _____

Telephone _____

Name _____

Address _____

Telephone _____

Lawyer

Name _____

Address _____

Telephone _____

Fax _____

Other (specify)

Name _____

Address _____

Telephone _____

Client:		Prepared by:	Date:	Ref:
Year end:	File no:	Reviewed by:	Date:	

KNOW YOUR CLIENT CHECKLIST

This checklist is intended as an aide mémoire for issues that should be addressed on the permanent file. Where a matter is relevant it should be addressed in sufficient detail on the file as to provide a basis for further review as part of the risk assessment or evaluation of systems. The checklist should not be regarded as exhaustive.

<i>Particulars</i>	<i>Y/N N/A</i>	<i>PAF Ref</i>
1. The sector in which the client operates		
1.1 The market and competition, including demand, capacity, and price competition.		
1.2 Cyclical or seasonal activity.		
1.3 Product technology relating to the client's products.		
1.4 Energy supply and cost.		
2. The regulatory environment in which the client operates		
2.1 Accounting principles and industry specific practices.		
2.2 Regulatory framework for a regulated industry.		
2.3 Legislation and regulation that significantly affect the client's operations. <input type="checkbox"/> regulatory requirements, and <input type="checkbox"/> direct supervisory activities.		
2.4 Taxation (corporate and other).		
2.5 Government policies currently affecting the conduct of the client's business: <input type="checkbox"/> monetary, including foreign exchange controls; <input type="checkbox"/> fiscal; <input type="checkbox"/> financial incentives (for example, government aid programs), and <input type="checkbox"/> tariffs, trade restrictions.		
2.6 Environmental requirements affecting the industry and the client's business.		
3. Other external factors currently affecting the client's business		
3.1 General level of economic activity (for example, recession, growth).		
3.2 Interest rates and availability of financing.		
3.3 Inflation, currency revaluation.		
4. Nature of the client's operations <i>Business Operations</i>		
4.1 Nature of revenue sources (for example, manufacturer, wholesaler, banking, insurance or other financial services, import/export trading, utility, transportation, and technology products and services).		
4.2 Products or services and markets (for example, major customers and contracts, terms of payment, profit margins, market share, competitors, exports, pricing policies, reputation of products, warranties, order book, trends, marketing strategy and objectives, manufacturing processes).		
4.3 Conduct of operations (for example, stages and methods of production, business segments, delivery or products and services, details of declining or expanding operations).		
4.4 Alliances, joint ventures, and outsourcing activities.		

<i>Particulars</i>	<i>Y/N N/A</i>	<i>PAF Ref</i>
4.5 Involvement in electronic commerce, including Internet sales and marketing activities.		
4.6 Geographic dispersion and industry segmentation.		
4.7 Location of production facilities, warehouses, and offices.		
4.8 Key customers.		
4.9 Important suppliers of goods and services (for example, long-term contracts, stability of supply, terms of payment, imports, methods of delivery such as 'just-in-time').		
4.10 Employment (for example, by location, supply, wage levels, union contracts, pension and other post employment benefits, stock option or incentive bonus arrangements, and government regulation related to employment matters).		
4.11 Research and development activities and expenditures.		
4.12 Transactions with related parties.		
<i>Investments</i>		
4.13 Acquisitions, mergers or disposals of business activities (planned or recently executed).		
4.14 Investments and dispositions of securities and loans.		
4.15 Capital investment activities, including investments in plant and equipment and technology, and any recent or planned changes.		
4.16 Investments in non-consolidated entities, including partnerships, joint ventures and special-purpose entities.		
<i>Financing</i>		
4.17 Group structure — major subsidiaries and associated entities, including consolidated and non-consolidated structures.		
4.18 Debt structure, including covenants, restrictions, guarantees, and off-balance-sheet financing arrangements.		
4.19 Leasing of property, plant or equipment for use in the business.		
4.20 Beneficial owners (local, foreign, business reputation and experience).		
4.21 Related parties.		
4.22 Use of derivative financial instruments.		
<i>Financial Reporting</i>		
4.23 Accounting policies and industry specific practices.		
4.24 Revenue recognition practices.		
4.25 Accounting for fair values.		
4.26 Stocks/inventories (for example, locations, quantities).		
4.27 Foreign currency assets, liabilities and transactions.		
4.28 Industry-specific significant categories (for example, loans and investments for banks, accounts receivable and inventory for manufacturers, research and development for pharmaceuticals).		
4.29 Accounting for unusual or complex transactions including those in controversial or emerging areas (for example, accounting for share-based payments).		
4.30 Financial statement presentation and disclosure.		

<i>Particulars</i>	<i>Y/N N/A</i>	<i>PAF Ref</i>
5 Objectives, strategies and related business risks <i>How does the client addresses industry, regulatory and other risk factors relating to, for example:</i>		
5.1 Industry developments (a potential related business risk might be, for example, that the client does not have the personnel or expertise to deal with the changes in the industry).		
5.2 New products and services (a potential related business risk might be, for example, that there is increased product liability).		
5.3 Expansion of the business (a potential related business risk might be, for example, that the demand has not been accurately estimated).		
5.4 New accounting requirements (a potential related business risk might be, for example, incomplete or improper implementation, or increased costs).		
5.5 Regulatory requirements (a potential related business risk might be, for example, that there is increased legal exposure).		
5.6 Current and prospective financing requirements (a potential related business risk might be, for example, the loss of financing due to the client's inability to meet requirements).		
5.7 Use of IT (a potential related business risk might be, for example, that systems and processes are incompatible).		
5.8 Effects of implementing a strategy, particularly any effects that will lead to new accounting requirements (a potential related business risk might be, for example, incomplete or improper implementation).		
6. Measurement and review of the client's financial performance		
6.1 Key ratios and operating statistics.		
6.2 Key performance indicators.		
6.3 Employee performance measures and incentive compensation policies.		
6.4 Trends.		
6.5 Use of forecasts, budgets and variance analysis.		
6.6 Analyst reports and credit rating reports.		
6.7 Competitor analysis.		
6.8 Period-on-period financial performance (revenue growth, profitability, leverage).		
7. Accounting Systems		
<i>The client's systems should be documented to include the following areas:</i>		
7.1 The classes of transactions in the client's operations that are significant to the financial statements.		
7.2 The procedures, within both IT and manual systems, by which those transactions are initiated, recorded, processed and reported in the financial statements.		
7.3 The related accounting records, whether electronic or manual, supporting information, and specific accounts in the financial statements, in respect of initiating, recording, processing and reporting transactions.		
7.4 How the information system captures events and conditions, other than classes of transactions, that are significant to the financial statements.		
7.5 The financial reporting process used to prepare the client's financial statements, including significant accounting estimates and disclosures.		
7.6 Roles and responsibilities in relation to financial reporting.		

<i>Particulars</i>	<i>Y/N N/A</i>	<i>PAF Ref</i>
8. Control environment?		
<i>Do we have notes on the attitude of the company to the following matters.</i>		
8.1 Communication and enforcement of integrity and ethical values.		
8.2 Commitment to competence.		
8.3 Participation by those charged with governance.		
8.4 Management's philosophy and operating style.		
8.5 Assignment of authority and responsibility.		
8.6 Human resource policies and practices.		
9 Risk of Fraud		
<i>Do we have notes on the following matters.</i>		
9.1 Management's assessment of the risk that the financial statements may be materially misstated due to fraud.		
9.2 Management's process for identifying and responding to the risks of fraud, including any specific risks of fraud that management has identified or account balances, classes of transactions or disclosures for which a risk of fraud is likely to exist.		
9.3 Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud in the entity.		
9.4 Management's communication, if any, to employees regarding its views on business practices and ethical behaviour.		
9.5 How those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks.		
10. Control activities		
10.1 For areas where there is a risk of material misstatement do we have notes on relevant control activities?		
<i>Control activities include:</i>		
<input type="checkbox"/> <i>Authorisation/Performance reviews;</i>		
<input type="checkbox"/> <i>Information processing;</i>		
<input type="checkbox"/> <i>Physical controls, and</i>		
<input type="checkbox"/> <i>Segregation of duties</i>		
10.2 Are there any particular issues arising from the use of IT that require documenting?		
11. Monitoring controls		
11.1 For areas where there is a risk of material misstatement do we have notes on how the client monitors the operation of controls and control activities in those areas?		
<i>For example monitoring by management or a separate internal audit function.</i>		

Client:	Prepared by:	Date:	Ref:
Year end:	Reviewed by:	Date:	
File no:	Updated by:	Date:	

REGISTER OF LAWS AND REGULATIONS

	<i>Summary of the legal and regulatory framework</i>	<i>What procedures ensure compliance?</i>	<i>Audit approach</i>
1	<i>Law and regulation governing accounts (e.g. Companies Act, SEC Act 1993, Banking Co Act 1991, NGO Affairs Bureau's Act)</i>		
2	<i>General business laws and regulations (e. g. health and safety, HR, employment, hygiene, planning)</i>		
3	<i>Other laws and regulations specific to the client</i>		

Reference should be made to specific requirements not a bland statement about say employment legislation.

Sufficient detail should be recorded to enable consideration of the impact of the laws and regulations on the client's activities, the relevant assertions and the disclosures to be made.

Client:	Prepared by:	Date:	Ref:
Year end:	Reviewed by:	Date:	
File no:	Updated by:	Date:	

DETAILS OF RELATED PARTIES

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Nature of transactions</i>

Client:	Prepared by:	Date:	Ref:
Year end:	Reviewed by:	Date:	
File no:	Updated by	Date:	

SIGNIFICANT ACCOUNTING POLICIES

<i>Area of accounts</i>	<i>Accounting policy</i>	<i>Assessment of policy including compliance with BASs</i>

Client:		Prepared by:	Date:	Ref:
Year end:	File no:	Reviewed by:	Date:	

NEW CLIENT CHECKLIST

<i>Particulars</i>	<i>Yes/ No N/A</i>	<i>Initials</i>
Pre-interview		
1 Are we satisfied that we are independent and are likely to have adequate resources and knowledge to complete the audit?		
2 Are we satisfied that the acceptance of the appointment would not have an adverse effect on the reputation of the practice?		
3 Are we satisfied that acceptance of the engagement will not create any conflict of interest with existing clients?		
4 Are we satisfied that there are no other reasons why we would not wish to act for the client (for example financial difficulties or litigation)?		
Money laundering considerations		
1 Are we satisfied that the company is a bona fide business?		
2 Are there any concerns regarding the integrity of the directors, management or shareholders of the company?		
3 Have we established the ultimate control of the company?		
4 If the client has been introduced by a principal or staff member of the firm, or a long-standing client, do we have written confirmation from the introducer of the client's identity?		
5 Have we written for references from other sources? Specify:		
6 Have we obtained and copied for file specific proof of identity (eg passport or photo driving license) for all directors and shareholders (or the controlling shareholders if many)? Specify:		
7 Have we obtained and copied for file specific proof of the client's address? (eg a current utility bill). Specify:		
Points for interview		
1 Have we identified which marketing source gave rise to the new client? Specify: _____		
2 Name of previous accountant obtained? Specify: _____		
3 Full personal details of directors and share-holders obtained?		
4 Have we completed section 1 of the permanent file?		
5 Have we requested details/copies of the items below?		
<input type="checkbox"/> certificate of incorporation;		
<input type="checkbox"/> memorandum and Articles of Association;		
<input type="checkbox"/> last annual return;		
<input type="checkbox"/> books and records;		
<input type="checkbox"/> organisation chart;		
<input type="checkbox"/> last set of accounts;		
<input type="checkbox"/> fixed asset register;		
<input type="checkbox"/> last set of TDS, and		

	<i>Particulars</i>	<i>Yes/ No N/A</i>	<i>Initials</i>
<input type="checkbox"/>	last Tax Return		
6	Have we obtained all the documentation required for the consideration of money laundering, as noted above?		
7	Has the client signed or agreed to sign the necessary authorisations?		
<input type="checkbox"/>	bank authority;		
<input type="checkbox"/>	building society authority, and		
<input type="checkbox"/>	other (specify).		
8	Has the client been quoted a fee for the audit? If yes, give details below: _____		
Office Procedures			
1.	We written to the previous auditors for all necessary information?		
2.	Have all statutory matters concerning the resignation of the previous auditor and our appointment been dealt with?		
3.	Have we carried out a company search?		
4.	Have we written for information from other sources? Specify: _____		
5.	Have we sent an engagement letter covering all the services that we will provide to the client?		
6.	Have the necessary files been opened?		
7.	Have the client's details been entered onto the time records?		
8.	Have we carried out an initial assessment to determine whether the client will require a second partner review under the IFAC ethics and/ or firm's quality control procedures?		

Where 'no' answer has been given to any of the questions and the appointment has been accepted detail below the action taken and reasons, where necessary.

Prepared by : _____	_____	Date
Principal : _____	_____	Date
Action agreed		

Client:	Year Period end:	File no:	Ref:
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Register of non-audit services for audit clients

<i>Type of service</i>	<i>Fee</i>	<i>Which threats apply to this service (tick all that apply)?</i>					<i>Safeguards required</i>
		SI	SR	A	F	I	
Accounting services							
Tax services							
Internal audit services							
Information technology services							
Valuation / actuarial valuation services							
Litigation support services							
Legal services							
Recruitment services							
Remuneration services							
Corporate finance services							
Transaction related services							
Total fee							

In my opinion the safeguards identified above ensure that any non-audit services provided to the audit client do not jeopardize the firm's objectivity and independence.

Principal

Date _____

Second principal
(where required)

Date _____

¹ SI = self interest; SR = self review; A = advocacy; F = familiarity; I = intimidation

APM CASE STUDY

BRIGHT-A-LIGHT LIMITED

APPENDIXES

APM CASE STUDY BRIGHT-A-LIGHT LIMITED

The case study has been designed to provide you with an extract of an audit file for a typical client; in this case a private company. It contains detailed schedules on planning and completion, as well as extracts of a section of the audit file to provide you with a better idea of layout and content.

Bright-a-Light is a company which wholesales and retails coal and bottled gas, together with a small amount of associated products such as barbecues. The company is controlled by directors, but also employs other staff. The systems are fairly straightforward and are centered around a proprietary accounts package that includes modules for payroll and the sales, purchase and stock ledgers.

The profit and loss account and balance sheet, along with extracts from the notes to the accounts have been provided for information. The company does not take advantage of the disclosure exemptions available to a medium-sized company.

Final

PARTNER COMPLETION

Client: Bright-a-Light	Year end: 31 March 2017	File no: B9999	Ref: A
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Initials

No.	Question	Answer	Initials
1.	Have all outstanding items on the initial partner completion been adequately dealt with?	<i>Yes/N/A*</i>	<i>DGW</i>
2.	Has a signed letter of representation been received from management that addresses at least the specific issues required by the BSAs (see B3.1)?	<i>Yes</i>	<i>DGW</i>
3.	Where fraud has been identified or information found that fraud may exist, has this been communicated to the appropriate level of management or those charged with governance?	<i>Yes/N/A*</i>	<i>DGW</i>
4.	Where the letter of representation is signed by one director on behalf of the Board, have we seen minutes of a meeting agreeing its contents?	<i>Yes/N/A*</i>	<i>DGW</i>
5.	Are we satisfied that the directors' representations can be relied upon?	<i>Yes</i>	<i>DGW</i>
6.	Does the file contain adequate justification of the audit report?	<i>Yes</i>	<i>DGW</i>
7.	Have we informed the directors in writing of any unadjusted misstatements, any material weaknesses in the accounting and internal control systems, or any other relevant matters relating to the audit as required by BSA 260.11.12?	<i>Yes</i>	<i>DGW</i>
8.	Has the final post balance sheet events (PBSE) programme on T4 been completed? (Date latest PBSE completed 18.7.17)	<i>Yes</i>	<i>DGW</i>
9.	Does the balance sheet state the name of the director who approves the accounts on behalf of the Board, together with the date of approval?	<i>Yes</i>	<i>DGW</i>
10.	Does the copy of the accounts, which is being filed with the Registrar, contain original signatures on the directors' report, the auditors' report and the balance sheet?	<i>Yes</i>	<i>DGW</i>

11.	Does the audit file contain sufficient evidence (where applicable) to support our opinion on the following areas: (a) preparing accounts as per CA 1994; (b) preparing accounts under the BFRS/ BAS.	<i>Yes/N/A*</i>	<i>DGW</i>
		<i>Yes/N/A*</i>	<i>DGW</i>
12.	Do the working papers and the tax computation reflect final adjustments?	<i>Yes</i>	<i>DGW</i>
13.	Have all final journals been recorded and processed to produce a closing trial balance agreeing with the accounts?	<i>Yes</i>	<i>DGW</i>
14.	Has the final copy of the accounts been referenced to the file to ensure all lead and Q schedules reflect final adjustments?	<i>Yes</i>	<i>DGW</i>
15.	Will the assembly of the file be completed within 60 days of the date of the audit report as required by BSA 230.26?	<i>Yes</i>	<i>DGW</i>
16.	On consideration of the file and in particular questions 1 and 2 on B3.2 are we satisfied that it is appropriate for us to seek re-appointment as auditors?	<i>Yes</i>	<i>DGW</i>

I am satisfied that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued.

Signed _____ *DG Watson* _____ Partner Date 18.7.17

Second Partner (if applicable)

Signed _____ *M Jones* _____ Partner Date 18.7.17

* Delete as appropriate

* NCN = Not considered necessary

These questions should be signed by the partner, all other questions may be signed by the manager or senior and reviewed by the partner.

Notes 2017-2016

	Note	2017	2016	
		CU	CU	CU
Turnover	1		7,858,901	6,675,324
Cost of sales			6,191,119	5,338,830
Gross profit			1,667,782	1,336,494
Distribution costs		536,560		409,585
Administrative expenses		805,658		700,282
			1,342,218	1,109,867
Net Profit			325,564	226,627
Other operating income			20,530	13,134
Operating profit			346,094	239,761
Interest payable and similar charges			(28,774)	(29,418)
Profit on ordinary activities before taxation			317,320	210,343
Tax on profit on ordinary activities	4		(64,729)	(42,732)
Profit for financial year			252,591	167,611
Retained profit brought forward			515,981	348,370
Retained profit carried forward			768,572	515,981

Bright-a-Light Limited
 Balance sheet at 31 March 2017

	Note	2017 CU	2016 CU
Fixed assets			
Tangible assets	5	479,288	590,290
Current assets			
Stocks		326,003	222,860
Debtors	6	927,542	685,172
Cash in hand		20,180	7,695
		<u>1,273,725</u>	<u>915,727</u>
Creditors: amounts falling due within one year		<u>(760,394)</u>	<u>(756,512)</u>
Net current Assets		<u>513,331</u>	<u>159,215</u>
Total assets less current liabilities		<u>992,619</u>	<u>749,505</u>
Creditors: amounts falling due after more than one year			
	8	<u>(214,047)</u>	<u>(223,524)</u>
		<u>778,572</u>	<u>525,981</u>
Capital and reserves			
Called up share capital	10	10,000	10,000
Profit and loss account		768,572	515,981
		<u>778,572</u>	<u>525,981</u>

The accounts were approved by the Board of Directors on, and are signed on its behalf by:

K Strike

Notes to the Accounts (extracts) for the year ended 31 March 2017

1. Accounting policies

(a) Accounting basis and standards

The financial statements have been prepared under the historical cost convention of accounting and in accordance with applicable accounting standards.

(b) Turnover

Turnover represents the amounts receivable, excluding VAT and trade discounts, by the company for goods supplied and services provided during the year. All transactions arose in the United Kingdom.

(c) Depreciation

Depreciation is calculated to write off the cost of the assets over their expected useful lives using the following rates;

Freehold land	Nil
Freehold buildings	12.5% on a straight line over nine years less estimated residual value.
Plant and equipment	20% on the net book value
Motor vehicles	25% on the net book value
Fixtures and fittings	15% on the net book value

(d) Stock

Stock is valued at the lower cost and net realizable value. Cost is calculated using the first in, first out (FIFO) method of valuation.

2 Profit on ordinary activities before taxation

	2017	2016
	CU	CU
After charging or including:		
Depreciation for year	115,991	105,436
Auditor's remuneration	9,800	8,600
	<u> </u>	<u> </u>

3 Directors' emoluments

	2017	2016
Aggregate emoluments	95,431	94,002
	<u> </u>	<u> </u>

4 Taxation

	2017	2016
Corporation tax charge on income for the period	64,729	42,732
	<u> </u>	<u> </u>

Bright-a-Light Limited

**Notes to the Accounts (extracts) for the year ended
31 March 2017**

5 Tangible assets

	<i>Land & buildings CU</i>	<i>Plant & machinery CU</i>	<i>Total CU</i>
Cost or valuation			
At 1 April 2016	543,902	223,228	767,130
Additions	–	16,671	16,671
Disposals	–	(25,000)	(25,000)
At 31 March 2017	543,902	214,899	758,801
Depreciation			
At 1 April 2016	97,902	78,308	176,210
Charge for year	48,000	67,691	115,691
Disposals	–	(12,388)	(12,388)
At 31 March 2017	145,902	133,611	279,513
Net book value			
As at 31 March 2017	398,000	81,288	479,288
As at 1 April 2016	446,000	144,920	590,920

6 Debtors

	2017 CU	2016 CU
Trade debtors	842,428	600,299
Other debtors	75,000	75,000
Prepayments	10,114	9,873
	927,542	685,172

Bright-a-Light Limited
Letter of representation

Dear Sirs

During the course of the audit of your accounts for the period ending 31 March 2017, the following representations were made to us by the management and directors. Please read these representations carefully and if you agree with our understanding, please sign and return a copy of this letter to ourselves as confirmation of this.

Representation

- 1 You acknowledged as directors your responsibilities under the Companies Act 1994 for preparing financial statements that give a true and fair view and for making accurate representations to ourselves as auditor.
- 2 You confirmed that all accounting records had been made available to ourselves for the purpose of our audit and that all the transactions undertaken by the company had been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and shareholders' meetings, had been made available to ourselves.
- 3 You confirmed that the company had no liabilities or contingent liabilities other than those disclosed in the accounts.
- 4 You confirmed that there had been no events since the balance sheet date which required disclosing or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts.
- 5 You confirmed that the company has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for directors, nor to guarantee or provide security for such matters, except as already disclosed in the accounts.
- 6 You confirmed that you have disclosed to us all related party transactions relevant to the company and that you are not aware of any further related party matters that require disclosure.
- 7 You confirmed that the company has not contracted for any capital expenditure other than as disclosed in the accounts.
- 8 You confirmed you are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the entity conducts its business and which are central to the entity's ability to conduct its business, namely XXX Regulations concerning the handling of bottled gases, except as explained to ourselves and as disclosed in the accounts.
- 9 You acknowledged your responsibility for the design and implementation of internal controls to prevent and detect fraud. You confirm that you have disclosed to us the results of your own assessment of the risk of fraud in the business.
- 10 You confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. You also confirm that you are not aware of any allegations of fraud by former employees, regulators or others.
- 11 You confirmed that, in your opinion, the company is a going concern.
- 12 You confirmed that J Austin Distributors, a company run by your brother-in-law, has arranged further finance and that the debt of CU5,923 is accordingly considered to be fully recoverable.
- 13 You confirm that stock valuation errors amounting to CU14,888 have not been adjusted as they do not affect the view given by the accounts.

Yours faithfully

XWZ & Co.

We confirm that the above representations are made on the basis of enquires of management and staff with relevant knowledge and experience (and, where appropriate of supporting documentation) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

We confirm that we have read and understood the contents of this letter and agree that it accurately reflects the representations made to you by the directors during the course of your audit.

K. Strike
Director
Signed on behalf of the board.

Date: 17.07.17

Bright-a-Light Limited
Draft letter of comment

The Directors
Bright-a-Light Limited 2 July 2017

Dear Sirs

In accordance with our normal practice and further to our meeting last week we are writing to draw your attention to various matters which arose during the course of our audit of the company's accounts for the year ended 31 March 2017.

(a) Qualitative aspects of the entity's accounting practices and financial reporting

We have no comments to make concerning the qualitative aspects of the entity's accounting practices and financial reporting.

(b) Letter of representation

A draft of our proposed letter of representation is attached. We draw your attention to the paragraphs concerning ...: in other respects the letter is routine.

(c) Adjusted and unadjusted misstatements

A schedule is attached of all the unadjusted misstatements determined during the course of our audit, except for those we consider to be clearly trivial. Please advise us of your reasons for not adjusting the financial statements in respect of these misstatements.

For your information we also attach a schedule of adjustments that you agreed should be processed when finalizing the accounts.

(d) Expected modifications to the auditors' report

There are no expected modifications to the auditors' report.

(e) Material weaknesses in the accounting and internal control systems

As you are aware from our letter of engagement, our audit procedures were directed towards testing the accounting systems in operation upon which we have based our assessment of the accounts. An appendix to this letter contains details of actual and potential weaknesses identified during the course of our audit and our recommendations for improvements. It is not meant to be a full and accurate reflection of all weaknesses that may be present in your system.

In making our recommendations, we have considered the size of your company and the number of staff you employ.

We shall be glad if you will let us know what steps have been taken in connection with the above.

(f) *Other matters required by Auditing Standards to be communicated*

There are no other matters required by auditing standards that we are required by auditing standards to communicate to you.

(g) *Other relevant matters of governance interest*

We have discussed with you the fact that we provide accounting and taxation services to the company in addition to acting as auditors and also the fact that DG Watson has acted as engagement partner for more than 10 years. We wish to confirm to you that in our opinion the provision of such services and the continued involvement of DG Watson as engagement partner do not affect our independence as:

- (i) the additional services provided are of a routine compliance nature and the Board takes any decisions where judgement is required; and
- (ii) the firm's quality control procedures provide adequate safeguards in respect of the involvement of DG Watson.

We would like to take this opportunity of expressing our thanks to your staff for their assistance during the course of our audit.

Please note that this report has been prepared for the sole use of Bright-a-Light Limited. It must not be disclosed to third parties, quoted or referred to, without our prior written consent. No responsibility is assumed by us to any other person.

If we can be of any further assistance, please contact David Watson.

Yours faithfully
XYZ & Co.

Bright-a-Light Limited
Appendix of weaknesses

	Current Procedure	Possible Consequences	Suggested Improvement	Benefit of Control
1	<i>Data from the Sage Accounting package is backed-up to tape every week and after every month-end and stored off-site. However, the back-ups have never been tested to confirm it is possible to restore the data.</i>	<i>In the event of a problem with the system that requires a back-up to be restored there will be no certainty that this will work. This could result in a permanent loss of some data and require a considerable amount of re-inputting.</i>	<i>Back-ups should be tested regularly to ensure that they work and that it is known how to restore them.</i>	<i>This will ensure that the company's data can be quickly restored in the event of a problem.</i>
2				
3				
4				

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>B9999</i>	Ref: B
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PARTNER COMPLETION

1	Have we obtained sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion?	<i>Yes</i>	<i>DGW</i>
2	Has the Auditing Standards Questionnaire been satisfactorily completed?	<i>Yes</i>	<i>DGW</i>
3	Have the file completion questionnaires been satisfactorily completed?	<i>Yes</i>	<i>DGW</i>
4	Has the critical review of accounts questionnaire been satisfactorily completed?	<i>Yes</i>	<i>DGW</i>
5	Has sufficient work been undertaken to reduce audit risk to an acceptably low level that is consistent with the audit objectives?	<i>Yes</i>	<i>DGW</i>
6	Have all threats to objectivity and independence been properly addressed in accordance with IAASB Ethical Standards?***	<i>Yes</i>	<i>DGW</i>
7	Have any differences of opinion amongst the audit team been resolved in accordance with the firm's procedures?	<i>Yes/N/A*</i>	
8	Has external consultation been undertaken where required by the firm's procedures and has this been properly documented on file?	<i>Yes</i>	<i>DGW</i>
9	Has all original work been reviewed, other than that undertaken by the partner responsible for the audit?	<i>Yes</i>	<i>DGW</i>
10	Is there sufficient evidence of partner review?	<i>Yes</i>	<i>DGW</i>
11	Has an engagement quality control review been undertaken where required by BSAs, ethical standards or the firm's procedures?	<i>Yes</i>	<i>DGW</i>
12	Have all partner review points been properly cleared?	<i>Yes</i>	<i>DGW</i>
13	Have all matters been documented that are important in providing audit evidence to support the audit opinion; and confirm that the audit was carried out in accordance with BSAs ?	<i>Yes</i>	<i>DGW</i>
14	Have we sent a letter of comment to those charged with governance addressing the matters required by BSA 260 and, in particular, including a final draft of the proposed letter of representation?	<i>Yes</i>	<i>DGW</i>
15	List below any other work that needs to be undertaken before the audit report is signed: _____ _____ _____	<i>Yes/N/A*</i>	<i>DGW</i>

I authorize the issue of the accounts for approval.

Signed *DG Watson*

Date: *02.07.17*

Second Partner (if applicable)

Signed *M Jones / Signed*

Date: *18.07.17*

* Delete as appropriate

***If the answer to this question is no then the firm should not report and should resign as auditors.

Client: Bright-a-Light	Prepared by: <i>DGW</i>	Date: 2.7.17	Ref: B1
Year end: 31 March 2017	Reviewed by:	Date:	
Subject: Partner review	File no: <i>B9999</i>		

1. We should review the client's justification for not providing for the bad debt on J5 *Now agreed that a provision is not required* J5
2. The tax note refers to unprovided deferred tax. This is no longer the correct treatment: please confirm that full provision has been made. *Amended*
3. Surely the finance lease creditor is secured on the finance Lease asset. A note to this effect is required. *Amended*
4. Ensure that the client agrees all adjustments and that these are processed by the client prior to finalisation of the tax provision. *Done* Y2
5. Confirm the timing of the hot file review with MJ and arrange to pass the files to him. *Done*
6. A number of issues that we have discussed when finalising the file have not been recorded. Please update the audit highlights report to include these matters. *Done* B5

EAA 3.7.17

*All cleared
DGW 18.7.17*

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 2.7.17	Ref: B2
Year end: <i>31 March 2017</i>	File No: <i>B9999</i>	Reviewed by: <i>DQU</i>	Date: 2.7.17

AUDIT STANDARDS REVIEW QUESTIONNAIRE

This questionnaire should be completed, where considered necessary, to enable the reviewer to answer question 1 on the Initial Partner Completion.

BSA	In conducting the audit, has the firm complied with:	Yes/ No N/A	Comments	Initials
200.14	(a) The ICAB Code of Ethics (b) IESBA Code of Ethics, and (c) IFAC ethical standards?	<i>Y</i>		<i>EAA</i>
210.9	Do we have an up to date letter of engagement?	<i>Y</i>	<i>May 2017</i>	<i>EAA</i>
210.15	Has the firm been asked to agree to a change to the terms of engagement where there is no reasonable justification for doing so?	<i>N/A</i>		<i>EAA</i>
220.25(a)	Have the firm's quality procedures been properly applied to this audit client?			
220.13 220.15	Has any information come to light that would have caused the firm to decline the audit engagement if that information had been available earlier? Has the audit work been properly directed, supervised and reviewed?	<i>Y</i>	<i>2nd Partner review in due course</i>	<i>EAA</i>
230.8	Has audit documentation been prepared that would enable an experienced auditor, having no previous connection with the audit, to understand:			<i>EAA</i>
230.8	(a) the nature, timing, and extent of the audit procedures performed to comply with BSAs and applicable legal and regulatory requirements;	<i>Y</i>		<i>EAA</i>
230.8 230.8	(b) the results of the audit procedures and the audit evidence obtained; and (c) significant matters arising during the audit and the conclusions reached thereon;	<i>Y</i>		<i>EAA</i>
230.9(a)	(d) the identifying characteristics of the specific items or matters being tested;	<i>Y</i>		<i>EAA</i>
230.10	(e) the content of discussions with management and others concerning any significant matters;	<i>Y</i>		<i>EAA</i>
230.11	(f) how any contradictions or inconsistencies between the information received and the audit conclusions reached on significant matters have been addressed;	<i>Y</i>		<i>EAA</i>
230.12	(g) how alternative audit procedures performed achieved the objectives of the audit where it was considered necessary to depart from a basic principle or an essential procedure;	<i>Y</i>		<i>EAA</i>
230.9(b)	(h) who performed the audit work and the date such work was completed; and	<i>Y</i>		<i>EAA</i>

BSA	In conducting the audit, has the firm complied with:	Yes/ No N/A	Comments	Initials
230.9(c)	(i) who reviewed the audit work performed and the date and extent of such review.	Y		EAA
240.16	In planning and performing the audit to reduce audit risk to an acceptably low level, did we consider the risks of material misstatements in the financial statements due to fraud?	Y		EAA
240.34	Did analytical procedures undertaken when forming an overall conclusion as to whether the accounts as a whole are consistent with our knowledge of the business indicate a previously unrecognised risk of material misstatement due to fraud?	Y		EAA
240.35	Have we considered the implications for the audit where one or more of the potential adjustments listed on B7 gives an indication of fraud?	N/A	<i>None give any indication of fraud</i>	EAA
240.47	Where we have concluded that the risk of material misstatement due to fraud related to revenue recognition is not applicable in the circumstances of the engagement, have we documented the reasons for that conclusion?	Y		EAA
250.8	Has the audit been planned and performed having considered the risk of material misstatement arising from non-compliance with relevant laws and regulations?	Y		EAA
250.21	Have we considered the implications of any non-compliance with laws and regulations in relation to other aspects of the audit, particularly the reliability of management representations?	Y		EAA
250.28	Have any matters arisen during the audit that are required to be reported to an external regulator?	N/A		EAA
450.11	Has the effect on the accounts of any unadjusted errors been considered?	Y		EAA
	Unadjusted errors:	CU 14,866		
450.14	Where the client has refused to adjust for misstatements drawn to their attention (see B7): does the letter of representation include the reasons given for not adjusting?	Y	<i>Not adjusted as not material we agree. see A5</i>	EAA
260.16	Have we communicated in writing all the significant findings from the audit to those charged with governance? (See B3.1 Q18)	Y	<i>See A6</i>	EAA
300.10	Has the audit plan been reviewed and updated, where necessary during the course of the audit?	Y		EAA
315.11,12	Do our audit files contain information adequate to provide an understanding of the company and its environment, including its internal control, sufficient to identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, and sufficient to design and perform further audit procedures?	Y		EAA
315.32	Does the file document:			

BSA	In conducting the audit, has the firm complied with:	Yes/ No N/A	Comments	Initials
	(a) the discussion among the engagement team regarding the susceptibility of the company's financial statements to material misstatement due to error or fraud, and the significant decisions reached;	Y		EAA
	(b) key elements of the understanding obtained of the company's environment, including the components of internal control, to assess the risks of material misstatement of the financial statements; the sources of information from which the understanding was obtained; and the risk assessment procedures;	Y		EAA
	(c) the identified and assessed risks of material misstatement at the financial statement level and at the assertion level, and	Y		EAA
	(d) the risks identified and related controls evaluated.	Y		EAA
320.12	Has materiality been reviewed during the course of the audit?			EAA
	Preliminary materiality:	Y	Tk. 75,000	
	Final materiality:		Tk. 75,000	
330.25	Have the risk assessments been reviewed to determine whether the assessments of the risks of material misstatement at the assertion level remain appropriate?	Y		EAA
330.28	The auditor should document:			EAA
	(a) the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures;			EAA
	(b) the linkage of those procedures with the assessed risks at the assertion level;	Y	See C6	EAA
	(c) the results of the audit procedures, and			EAA
	(d) the conclusions reached with regard to relying on internal controls that were tested in a prior audit.			EAA
402.15	Where the client uses a service organisation, has sufficient appropriate audit evidence been obtained to determine whether the accounts are free from material misstatement?	N/A		EAA
501.13	Where applicable have we obtained sufficient appropriate audit evidence regarding the presentation and disclosure of segment information?	N/A		EAA
505.8(c)	Were satisfactory alternative procedures applied in instances where management had refused permission for the use of external confirmations such as circularisation requests?	N/A		EAA
510.6	Is there sufficient, appropriate evidence that amounts derived from the previous period are free from material misstatement and are appropriately incorporated and presented in the current period's accounts?	Y		EAA
520.5,6	Does the file contain sufficient evidence of analytical review at the planning and overall review stages of the audit?	Y		EAA
520.6	Has an adequate overall review of the accounts been performed?	Y		EAA

BSA	In conducting the audit, has the firm complied with:	Yes/ No N/A	Comments	Initials
530.9	Has audit sampling been applied in an appropriate manner?	Y		EAA
540.18	Does the file contain sufficient, appropriate evidence concerning the reasonableness of accounting estimates?	Y		EAA
550.25	Is there sufficient, appropriate evidence that there is adequate disclosure of related party transactions and control of the entity in the accounts?	Y		EAA
560.7	Has an adequate post balance sheet events review been performed?	Y		EAA
570.12	Has the appropriateness of the going concern basis been considered?	Y		EAA
580.11	Has a letter of representation been drafted covering all necessary representations?	Y	See A5	EAA
580.17	Have any occasions where representations received were contradicted by other evidence been fully investigated?	N/A		EAA
600.44	When using the work of other auditors, is there sufficient appropriate evidence that the work of the other auditor is adequate for the purpose?	N/A		EAA
610.15	Where the client has internal auditors, has adequate consideration been given to the effect this should have on the audit?	N/A		EAA
620.12	When using the work of an expert, is there sufficient, appropriate evidence that the work is adequate for the purpose?			
700.11	Is the audit opinion consistent with the audit evidence and conclusions?	Y		EAA
701.9	Does the audit report contain applicable key audit areas?	N/A		EAA
705.6	Have any imposed limitation (insufficient audit evidence) in scope and/ or material misstatement in financial statements been dealt with adequately with modified audit opinion?	N/A		EAA
706.8/10	Do the applicable 'Emphasis of Matter paragraph' and/ or 'other matter paragraph' have been properly stated?	N/A		EAA
710.14	Where the prior period's financial statements were not audited does the auditor report state that the corresponding figures are unaudited?	N/A		EAA
720.14	Has other information to be issued with the financial statements been read so as to identify material inconsistencies?	Y	Director's report only	
800.8-11	Has the audit for special purpose frameworks been properly considered, performed, and reported.	N/A		EAA
805.7-11	Has the Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement been properly considered, performed and reported?	N/A		EAA
810.5-9	Has the Engagements to Report on Summary Financial Statements been properly considered, performed and reported?	N/A		EAA

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 22.6.17	Ref: B3.1
Year end: 31 March 2017	File No: <i>B9999</i>	Reviewed by: <i>DGW</i>	Date: 2.7.17

FILE COMPLETION QUESTIONNAIRE

Where work is outstanding prior to review, the outstanding (O/S) column should be ticked in pencil to highlight work required. As and when work is completed, the final column should be initialed, and the tick rubbed out.

Pre-partner review

		Yes/None N/A	O/S	Comments	Initials
1	Does the file contain programmes on all relevant sections and have they been properly completed?	<i>Yes</i>			<i>EAA</i>
2	Has each audit objective on the summary sheets been addressed and cross-referenced to the working papers?	<i>Yes</i>			<i>EAA</i>
3	Have all the queries and problems been properly cleared or carried forward to schedule B8 (queries for partner) or B5 (audit highlights)?	<i>Yes</i>		<i>See B5</i>	<i>EAA</i>
4	Has an audit highlights report (B5) been prepared that summarises the results of the testing in key audit areas?	<i>Yes</i>			<i>EAA</i>
5	Where the client is not VAT registered, is this appropriate?	<i>N/A</i>			<i>EAA</i>
6	Have the budget and actual time summaries been completed, along with explanations of variances?	<i>Yes</i>			<i>EAA</i>
7	Has the Permanent audit file been updated?	<i>Yes</i>			<i>EAA</i>
8	Have all unadjusted errors been summarised on B7 and adjusted where necessary?	<i>Yes</i>			<i>EAA</i>
9	Where the unadjusted misstatements recorded on B7 are considered to be material and management refuses to adjust has their effect on the audit opinion been documented on B6 ?	<i>N/A</i>		Not Material	<i>EAA</i>
10	Have we agreed the financial statements to the underlying accounting records?	<i>Yes</i>			<i>EAA</i>
11	Have we examined material journal entries and other adjustments made during the course of preparing the financial statements?	<i>Yes</i>			<i>EAA</i>
12	Has the B2 Audit Standards Review Questionnaire been completed?	<i>Yes</i>			<i>EAA</i>
13	Has the B6 Justification of Audit Report been completed?	<i>Yes</i>			<i>EAA</i>
14	Has a review of post balance sheet events been completed?	<i>Yes</i>			<i>EAA</i>
15	Have any commercial observations on the client's business been recorded on B11 ?	<i>Yes</i>			<i>EAA</i>
16	Has the partner responsible for PI matters been advised of any complaints or problems on the job that could give rise to a complaint?	<i>N/A</i>		None	<i>EAA</i>

17	<p>Has a draft letter of representation been prepared that addresses the following issues:</p> <p>(a) Management’s responsibility for the design and implementation of internal control to prevent and detect fraud.</p> <p>(b) Disclosure to the firm the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud.</p> <p>(c) Disclosure to the firm of any knowledge of fraud or suspected fraud affecting the company involving: management; employees who have significant roles in internal control, or others where the fraud could have a material effect on the financial statements.</p> <p>(d) Disclosure to the firm of knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.</p> <p>(e) Confirmation that management are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the business operates.</p> <p>(f) Confirmation that, where appropriate, management have no plans or intentions that may materially alter the carrying value and where relevant the fair value measurements or classification of assets and liabilities reflected in the financial statements.</p> <p>(g) Confirmation that management have disclosed all related party transactions relevant to the business and that they are not aware of further related party matters that require disclosure other than those already disclosed in the accounts.</p> <p>(h) Confirmation from management that, having considered their expectations and intentions for the next 12 months and the availability of working capital, the business is a going concern.</p> <p>(i) The reasons that management does not wish to adjust for misstatements brought to their attention.</p>	<i>Yes</i>	<i>yes</i>	<i>yes</i>	<i>N/A</i>	<i>Yes</i>	<i>yes</i>	<i>yes</i>	<i>Yes</i>	<i>yes</i>	See A5	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>
18	<p>Has a letter of comment been drafted to be sent to the client prior to their approval of the financial statements that addresses the following issues arising from the audit:</p> <p>(a) The firm’s views about the qualitative aspects of the entity’s accounting practices and financial reporting.</p> <p>(b) The final draft of the representation letter, that we are requesting management and those charged with governance to sign.</p> <p>(c) Uncorrected misstatements.</p> <p>(d) Material adjustments processed arising from the audit.</p> <p>(e) Expected modifications to the auditor’s report.</p> <p>(f) Material weaknesses in internal control identified during the audit.</p> <p>(g) Matters specifically required by other BSAs to be communicated to those charged with governance. (See Appendix to BSA 260 for guidance)</p> <p>(h) Any other audit matters of governance interest.</p> <p>(i) Where there are no such matters a statement of that fact.</p>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	<i>Yes</i>	See A6	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>	<i>EAA</i>		

Client: <i>Bright-a-Light</i>		Prepared by: <i>EAA</i>	Date: 22.6.17	Ref: B3.2
Year end: 31 March 2017	File No: <i>B9999</i>	Reviewed by: <i>DGN</i>	Date: 2.7.17	

FILE COMPLETION QUESTIONNAIRE

Where work is outstanding prior to review, the outstanding (O/S) column should be ticked in pencil to highlight work required. As and when work is completed, the final column should be initialled, and the tick rubbed out.

Final

		Yes/None N/A	O/S	Comments	Initials
1	Have you confirmed that there have been no changes to the firm's independence during the course of the audit, which would prevent reappointment of the firm as auditors for the next financial period?	<i>Yes</i>		none	<i>EAA</i>
2	Have you considered whether there is any other reason why the practice would not wish to seek reappointment, for example, recurrent under recoveries?	<i>Yes</i>		none	<i>EAA</i>
3	Has consultation been undertaken in all circumstances, where it is required by the firm's procedures?	<i>Yes</i>			<i>EAA</i>
4	Where any fraud, error or breaches in laws and regulations have been identified, have the implications for the accounts been fully considered?	<i>N/A</i>			<i>EAA</i>
5	Have the firm's procedures on money laundering been complied with?	<i>Yes</i>			<i>EAA</i>
6	Review C1 to C8 . Where there have been adjustments to the level of materiality, risk or the extent of reliance on controls; has the impact on the level of work already undertaken been considered?	<i>Yes</i>			<i>EAA</i>
7	Has a draft letter to management or points for comment been prepared that includes: (a) Material weaknesses identified in the design or implementation of internal controls intended to prevent or detect fraud? (b) any other matters related to the risk of fraud that should be discussed with those charged with governance?	<i>Yes</i>		<i>See A6</i>	<i>EAA</i>
8	Has the review of post balance sheet events been updated to reflect the current position?	<i>N/A</i>			<i>EAA</i>
9	Have all necessary points forward to next year been recorded on B10 ?	<i>Yes</i>			<i>EAA</i>
10	Has a budget for next year been prepared?	<i>Yes</i>			<i>EAA</i>
11	Have the following planning forms been reviewed/ completed and signed-off as part of the audit completion? (a) C8 – Materiality summary. (b) Outcome column of C6.3 – Specific risk action plan. (c) C6.2 – Risk response summary. (d) C6 – Audit risk summary. (e) C5 – Systems and internal control summary. (f) C1 – Audit planning summary.	<i>Yes</i>			<i>EAA</i>

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>B9999</i>	Ref: B4
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CRITICAL REVIEW OF ACCOUNTS QUESTIONNAIRE

To evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework

<i>Final</i>	Yes/No N/A	Comments	Initials	WP Ref.
1 Review accounting policies to determine whether they: (a) comply with applicable accounting standards; (b) are consistent with those of the previous period; (c) are consistently applied to all like transactions; (d) are appropriate to the nature of the client's business; (e) are properly disclosed in accordance with the requirements of BAS 8.	<i>Yes</i> <i>Yes</i> <i>Yes</i> <i>Yes</i> <i>Yes</i>		<i>EAA</i>	
2 Carry out an overall review of the information in the accounts and compare it with other available data, including final analytical review. Note significant variations and obtain explanations thereto.	<i>Yes</i>		<i>EAA</i>	<i>B9</i>
3 Consider whether the accounts adequately reflect: (a) the substance of underlying transactions and balances and not merely their form; (b) the information and explanations obtained and conclusions reached on particular aspects of the audit; (c) the objectives contained in IASB Framework (relevance, reliability, comparability & understandability). Schedule points of interest on 'audit highlights'.	<i>Yes</i> <i>Yes</i> <i>Yes</i>		<i>EAA</i>	<i>B5</i>
4 Did the substantive procedures undertaken include agreeing the financial statements to the underlying records and a review of material journal entries?	<i>Yes</i>		<i>EAA</i>	
5 Consider whether the review reveals any new factors, which may affect the presentation of information or disclosures in the accounts.	<i>Yes</i>		<i>EAA</i>	
6 Review the accounts for proper preparation in accordance with the Companies Act, BFRSs, BAS and other disclosure requirements. State whether or not a disclosure checklist has been completed in respect of the current year. If not completed in the current year, state year in which it was last completed.	<i>Yes</i>	ICADC Completed	<i>EAA</i>	
7 Consider whether the information contained in the directors' report and any other document issued with the accounts is consistent with the accounting information in the accounts and has not been unduly influenced by the directors' desire to present matters in a favourable or unfavourable light, with the applicable financial reporting framework	<i>Yes</i>		<i>EAA</i>	

Conclusion

- I have compared the ratios of the final accounts with those of last year*/the budget*/the preliminary*/extensive* analytical review*.
- (a) I have obtained, recorded and corroborated explanations for significant fluctuations for principal areas of the accounts.* Or
(b) There were no significant fluctuations requiring explanation.*
- The directors' report and other published information is consistent with the accounts.

I am satisfied from this critical review that the accounts appear credible and have been properly prepared in accordance With BFRS, BAS, the Companies Act 1994 and any other relevant statutory requirements.*

Prepared by E A Arbuthnott

Date 22.06.17

Reviewed by D G Watson

Date 02.07.17

* Delete as appropriate.

Bright-a-Light Limited
31 March 2017

Audit Highlights Report

Fixed assets

The main change to fixed assets in the year was the purchase of two lorries and a new Peugeot 406, the latter being financed by a finance lease. Two vehicles from the pool purchased during the management buyout were sold. No problems were found during the audit.

Stock

The client is holding more stock than last year due to the supermarket contract. The increase is in solid fuels with fewer leisure products as some lines have been discontinued. There were some valuation errors in testing; however, these are not material and the client does not wish to adjust for them. No other problems were found during the course of the audit work.

Debtors

The level of trade debtors has jumped significantly during the year, due to the increased turnover from the new supermarket contract. The client is also having some collection problems and bad debts have been reviewed carefully. The supermarket are just slow in paying so there is no bad debt issue; however, there are implications for going concern through overtrading. These were considered on C6.3 and the results satisfactory.

An additional bad debt provision is considered necessary in relation to J Austins, Distributors. This business is run by Mr Strike's brother-in-law who is in severe financial difficulties, and I think it unlikely that the company will ultimately collect the debt (see **J5** for further details).

*This has now been discussed further with the MD. Austins has refinanced and the debt is considered recoverable. This point has been added to the letter of representation
EEA2/07/17*

No other problems were encountered.

Bank and cash

All bank accounts and loans were reconciled satisfactorily to the bank confirmation letter and bank statements. A new loan account was opened in the year.

Creditors

Creditors due within one year have increased significantly due mainly to bank loans (see above), trade creditors and corporation tax. Trade creditors have risen significantly due to the increased volume of trade. The major balances were reconciled to suppliers' statements (**L4.1**) and no problems were encountered. The corporation tax payable for 2017 was calculated by us. The client has not yet paid the corporation tax due for last year nor made any accrual for interest payable. The client has also not made any provision for deferred tax. However, the amounts involved are immaterial (see **P5**) and creditors are fairly stated.

Capital and reserves

The shareholdings have not changed during the year and all relevant documents have been filed with the Registrar of Companies.

Profit and loss account

The planned work was completed and no problems were encountered during the course of the audit.

VAT turnover reconciliation

VAT outputs were satisfactorily reconciled to the turnover in the accounts.

Contingent liabilities and post-balance sheet events

I have reviewed the cash book, invoices, bank statements and minute books after the year end, and no items requiring disclosure were found. In addition, the solicitors have confirmed that they are not aware of any such matters. The going concern programme has been completed and the going concern basis is appropriate.

Conclusion

I am satisfied that adequate audit evidence has been obtained and that the accounts show a true and fair view.

Agreed
D G Watson
2.7.17

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>B9999</i>	Ref: B6
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JUSTIFICATION OF AUDIT REPORT

This form should be used to schedule any problems encountered during the audit, which could have an impact on the audit report.

		Yes/No N/A*	If yes give details
1	Was the audit report qualified in the previous period?	<i>No</i>	
2	Have there been any problems with books and records?	<i>No</i>	
3	Have you encountered problems obtaining from the directors all information and explanations necessary for the audit?	<i>No</i>	
4	Have the directors refused to confirm any representations in writing?	<i>No</i>	
5	Have you confirmed that, or were you unable to conclude whether, the financial statements are materially misstated as a result of fraud?	<i>No</i>	
6	Have you had problems obtaining adequate information concerning suspected non-compliance with relevant laws or regulations?	<i>No</i>	
7	Is there evidence of non-compliance with laws or regulations that has a material effect on the accounts and has not been properly reflected in the accounts?	<i>No</i>	
8	Have management refused to give permission for direct communication with the company's legal advisers?	<i>No</i>	
9	Have management refused to give permission for the use of external confirmation requests such as the circularisation of debtor or creditor balances or third party stock confirmations?	<i>No</i>	
10	Have management not amended the financial statements (adjustment or disclosure) in circumstances where it is believed that they need to be amended?	<i>No</i>	
11	Where other auditors are involved in the audit of subsidiary companies are there any instances where their work cannot be relied upon?	<i>N/A</i>	
12	Are there any material inconsistencies between the financial statements and other information to be issued with them?	<i>No</i>	
13	Have you had problems obtaining adequate returns from branches not visited?	<i>N/A</i>	
14	Are there any problems with going concern? (Ref T3) No	<i>No</i>	
15	Is there any problem with exemption from preparing group accounts where claimed by the company?	<i>N/A</i>	
16	Have any other problems occurred which could have an impact on the audit report?	<i>No</i>	

JUSTIFICATION OF AUDIT REPORT

Conclusion

Where there are any 'yes' answers, detail below what effect they will have on the audit report or our ability to continue the engagement:

I am satisfied that any unqualified report is appropriate.* **Or**

In my opinion, the attached fundamental uncertainty and/or qualification is appropriate.*

Prepared by: **E A Arbuthnott**

Date: 22.6.17

Reviewed by: **D G Watson**

Date: 02.07.17

* Delete as appropriate.

SUMMARY OF UNADJUSTED ERRORS

Final materiality TK 75,000

Narrative	Extrapolated errors		Actual errors		Profit and loss	Balance sheet	Considered trivial*
	DR	CR	DR	CR			
Bad debt expense	5953		<i>Agreed that Provision is no longer require- see U5</i>				
Bad debt Provision		5953					
U 3.1 Error on use of fuel scale charge							
Motor Expanse			22		(22)		Y
Creditors				22		(22)	Y
J5 Stock valuation errors							
Cost of sales			14,888		14,888		
Balance sheet stock				14,888		14,888	
Total of potential adjustments							

Conclusion

1. The client has been asked to adjust for all misstatements noted above other than those that are marked as clearly trivial*.
2. Where the client has not adjusted for misstatements drawn to their attention the letter of representation explains the directors' reasons for not adjusting as required by BSA 260.11.19.
3. None of the potential adjustments listed above are considered to be indicative of fraud.
4. The effect of the unadjusted misstatements on our audit report is ...

The unadjusted errors are not material so there is no impact on the audit report. The client does not wish to adjust the stock on the grounds of materiality and this has been included in the draft LOR on A.5

**This is not another expression for 'immaterial'. Matters which are 'clearly trivial' will be of a wholly different (smaller) order of magnitude than the materiality thresholds used in the audit, and will be matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative and/or qualitative criteria. Further, whenever there is any uncertainty about whether one or more items are 'clearly trivial' (in accordance with this definition), the presumption should be that the matter is not 'clearly trivial'. (BSA 260.11.16, note 6)*

Client: <i>Bright-a-Light</i>		Prepared by: <i>EAA</i>	Date: 18.6.17	Ref: B9
Year end: 31 March 2017	File No. <i>B9999</i>	Reviewed by: <i>DQU</i>	Date: 2.7.17	

FINAL ANALYTICAL REVIEW

The auditor should apply analytical procedures at or near the end of the audit when forming an overall conclusion as to whether the financial statements as a whole are consistent with the auditor's understanding of the company. (BSA 520.13)

		Y/N	Comment	Ref.
1.	Consider comparison of the results for the current period with:		<i>Not prepared formally</i>	<i>B9.1</i>
	(a) information for prior periods;	<i>Y</i>	<i>None available</i>	
	(b) those anticipated in budgets or forecasts;	<i>N</i>		
	(c) other companies of comparable size in the same industry;	<i>N</i>		
	(d) overall industry of sector statistics.	<i>N</i>		
2.	Consider relationships between:			
	(a) elements of financial information that would be expected to conform to a predictable pattern based on the company's experience, such as gross margin percentages;	<i>Y</i>		<i>B9.1</i>
	(b) financial information and relevant nonfinancial information, such as payroll costs to number of employees.	<i>Y</i>		<i>B9.1</i>
3.	Consider the reliability of the information used to perform analytical review procedures and whether this has been verified as part of the audit process.	<i>Y</i>	<i>Major balances transaction cycles tested as part of audit</i>	
4.	Where applicable make a final assessment of the reasonableness of the company's accounting estimates based on understanding of the company and its environment.	<i>Y</i>	<i>Provision for bad debts and slow moving stocks appear reasonable</i>	
5.	Consider whether the accounting estimates are consistent with other audit evidence obtained during the audit.	<i>Y</i>	<i>and are consistent with the results of our testing</i>	<i>See J5 & J6</i>

Conclusion (truth and fairness of figures and consistency with understanding of the business)

The final accounts appear reasonable and are consistent with our understanding of the business. There are no remaining variances that have not been explained.

Prepared by: *E A Arbuthnott*

Date: 22.06.17

Reviewed by: *D G Watson*

Date: 02.07.17

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: <i>22.6.17</i>	Ref: B9.1
Year end: <i>31 March 2017</i>	Reviewed by: <i>DGW</i>	Date: <i>2.7.17</i>	
Subject: <i>Final analytical review</i>	File No: <i>B9999</i>		

		2017	2016	
Turnover		7,858,901	6,675,324	<i>Sales are up as expected due to the major new customer</i>
Cost of sales		6,191,119	5,338,830	
Gross profit		1,667,782	1,336,494	
Distribution costs	536,560		409,585	<i>Increase in margin from 20%-21% reasonable in view of withdrawal of less profitable lines</i>
Administrative expenses	805,658		700,282	
		1,342,218	1,109,867	
Net Profit		325,564	226,627	
Other operating income		20,530	13,134	
Operating profit		346,094	239,761	
Interest payable and similar charges		(28,774)	(29,418)	<i>Drop in Fixed assets due to depreciation and low additions</i>
Profit on ordinary activities before taxation		317,320	210,343	
Tax on profit on ordinary activities		(64,729)	(42,732)	<i>The stock turn over ratio has dropped from 30-24. This reflects the clearance of old lines and regular sales to the supermarket chain</i>
Profit for financial year		252,591	167,611	
Retained profit brought forward		515,981	348,370	
Retained profit carried forward		768,572	515,981	
Fixed assets				
Tangible assets		479,288	590,290	
Current assets				
Stocks	326,003		222,860	
Debtors	927,542		685,172	
Cash in hand	20,180		7,695	
		1,273,725	915,727	
Creditors: amounts falling due within one year	(760,394)		(756,512)	
Net current liabilities		513,331	159,215	
Total assets less current liabilities		992,619	749,505	
Creditors: amounts falling due after more than one year		(214,047)	(223,524)	<i>The large increase in debtors days from 33-40 is due to the new supermarket chain. They are very slow at paying</i>
		778,572	525,981	<i>Creditor days have increased as the client has experienced some cash flow problem due to slow payment by the supermarket</i>
Capital and reserves				
Called up share capital		10,000	10,000	
Profit and loss account		768,572	515,981	
		778,572	525,981	

AUDIT PLANNING SUMMARY**Approval of planning**

I confirm that:

1. An overall strategy has been established for the audit.
2. An audit plan has been developed in order to reduce risk to an acceptably low level.
3. In particular the risks of material misstatement in the financial statements due to fraud have been considered.
4. The overall strategy and audit plan have been properly documented in a planning memorandum.
5. The acceptance procedures set out on C1.1 have been followed.
6. The audit planning checklist at C2 has been properly completed.
7. The audit has been planned with an attitude of professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated!

DG Watson

Audit engagement partner

Date: 8.6.17

Audit team

Initials Date

I confirm that I have read and understood the audit plan (Section C).

Partner	<i>DG Watson</i>	<i>DGW</i>	<u>8.6.17</u>
Manager	<i>E A Arrbuthuott</i>	<i>EEA</i>	<u>8.6.17</u>
Senior	<i>K P Martin</i>	<i>KM</i>	<u>8.6.17</u>

Review of planning at completion stage

I confirm that:

1. The overall strategy and audit plan were updated as necessary during the course of the audit.
2. All issues arising from the audit plan have been addressed on the file.
3. The audit plan has been cross-referenced to where the relevant work was performed.

DG Watson

Audit engagement partner

02.07.17

Date

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>89999</i>	Ref: <i>C1.1</i>
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ACCEPTANCE PROCEDURES

Regulations state that a Chartered Accountant should not be an auditor or continue as auditor if the firm has any interest likely to conflict with carrying out the audit properly and BSA 200.14 requires compliance with ICAB/IESBA Code of Ethics.

This questionnaire assumes a knowledge of ICAB/IESBA Code of ethic. It must be completed annually for all clients to ensure that the standards have been complied with.

1 *Undue dependence on an audit client*

		Yes	No
(a)	Do the total fees for this client/group of clients represent a large proportion of the annual fee income of the audit firm or the part of the firm by reference to which the audit engagement partner's profit share is calculated?		√
	<i>A large proportion is suggested to be more than 15% for public interest clients.</i>		
(b)	Is this client/group of clients highly prestigious?		√
(c)	Is this client/group a public interest client or group?		√

Notes

- The IESBA Code of Ethics paragraphs 290.215 to 290.217 suggest appropriate safeguards to be applied if total fees from a client/group represent a large proportion of fee income.
- A public interest client is one that would attract national attention if a problem were publicised.

2 *Loans to or from a client; guarantees; overdue fees*

- (a) Do you or any of your staff have any loans or guarantees to or from the client?
- (b) Are there any overdue fees for any services?

3 *Goods and services: hospitality*

Have you or any of your staff accepted any material goods or services on favourable terms or received undue hospitality from the company?

4 *Litigation*

Is there any actual or threatened litigation between yourself and the client in relation to fees, audit work, or other work?

5 *Family or other personal relationships*

Do you or any of your staff have any personal or family connections with the company and its officers?

6 *Ex-partners or senior employees*

- (a) Has any officer of the company been a partner or senior employee in the practice?
- (b) Is the partner or any senior employee on the audit joining or involved in substantive negotiations with the client?

7 *Mutual business interest*

Do you or any of your partners or staff have any mutual business interests with the client or with an officer or employee of the client?

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>B9999</i>	Ref: <i>C1.1</i>
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ACCEPTANCE PROCEDURES (cont.)

8 Beneficial interests and trusteeships

Do you or any of your staff have any financial involvement in the company in respect of the following:

- (a) Any beneficial interest in shares or other investments?
- (b) Any beneficial interest in trusts?
- (c) Any trustee investments, nominee shareholdings or 'bare trustee' shareholdings?
- (d) Any trusteeships in a trust that holds shares in an audit client?

9 Associated firms

Are you or your staff associated with any other practice or organisation which has any dealings with the company?

Note: a network firm is any entity that is:

- (i) controlled by the audit firm; or
- (ii) under common control, ownership or management; or
- (iii) otherwise affiliated or associated with the audit firm through the use of a common name or through the sharing of significant common professional resources.

10 Provision of other services, specialist valuations and advocacy

- a) Are any services in relation to the management of the company performed by the firm?
- b) Are any accounting services performed for the company such as preparation of the statutory accounts from trial balance, bookkeeping or payroll services?
- c) Do the accounts include any specialist valuations carried out by the firm or a network firm?
- d) Are the firm or a network firm currently acting for the client as an advocate in any adversarial proceeding or situation such as a hearing before the Commissioners?
- e) Has the firm or a network firm been involved in the design, provision or implementation of any IT systems?
- f) Does the firm or a network firm provide advice on taxation matters or undertake tax compliance work for the client?
- g) Have any other services been provided to the client that may cause a threat to the firm's objectivity or independence?

11 Rotation of audit engagement partner

Have you been acting as the audit engagement partner for more than seven years (for public interest client)?

Note

There are specific requirements in The IESBA Code of Ethics that apply to public interest entity and listed companies. See paragraphs 290.102 to 290.218.

12 Adequate resources

- a) Are there any indications that the engagement team is not competent or does not have the necessary time and resources?
- b) Are there any indications that the firm or engagement team will not be able to demonstrate compliance with ethical requirements?

13 Proper performance

- a) Are there any aspects of the client, or other factors, that will adversely affect the firm's ability to perform the audit properly?
- b) Are there any issues concerning the integrity of the principal owners, Key management or those charged with governance of the entity?

Client: <i>Bright-a-Light</i>	Year end: 31 March 2017	File no: B9999	Ref: C1.1
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ACCEPTANCE PROCEDURES (cont.)

Safeguards

Where any of the above questions have been answered 'yes', specify what safeguards are proposed to maintain integrity and independence, and to ensure the availability of resources and the ability to perform the audit properly.

We assist in the drafting of the statutory accounts from the client's management accounts. There are not normally any contentious disclosure issues; however, where these arise the relevant notes are approved by the financial controller prior to draft accounts being submitted to the board. DQW has acted as engagement partner for more than 10 years. A second partner review of the accounts and sections A, B & C is considered adequate. The file is also reviewed regularly by external consultants for quality control purposes. Routine tax compliance work rarely produces any contentious issues. Any additional advice is always discussed and agreed with K Strike who is sufficiently knowledgeable to understand the bigger picture.

Conclusion

Having regard to any safeguards identified above, I am satisfied that appropriate procedures regarding the acceptance and continuance of this client relationship and audit engagement have been followed, and that the conclusions reached in this regard are appropriate and have been properly documented. In arriving at this conclusion I confirm that I have:

- (a) obtained all relevant information from the firm (and where applicable network firms) to identify and evaluate circumstances and relationships that may create a threat to independence;
- (b) evaluated information on identified breaches, if any, of the firm's independence policies and procedures to determine whether they create a threat to independence for this audit engagement;
- (c) taken appropriate action to eliminate such threats or reduce them to an acceptable level by applying safeguards; and
- (d) documented the conclusion on independence and any relevant discussions within the firm that support this view.
- (e) informed the client of all significant facts and matters that bear upon the firm's objectivity and independence.

Partner *DQ Watson*

Date : 8.6.17

Consultation (to be completed where appropriate)

In my opinion the steps proposed are sufficient to maintain independence and to ensure the availability of resources and the ability to perform the audit properly.

Second Partner *M Jones* Date 8.6.17

Client:	Prepared by:	Date:	Ref: C1.2
Year end:	Reviewed by:	Date:	
File no:			

ETHICAL ISSUES: SAFEGUARDS APPLIED

The purpose of this form is to provide a framework for assessing the extent of any threat to the firm's independence from the provision of accounting and tax compliance services. The threat posed by other services should be considered on a case by case basis. It must be emphasized that the form provides only an indication of the severity of any threats and the possible safeguards that could be applied. The specific safeguards to be applied and their sufficiency is a matter for professional judgment.

Nature of threat	High	Midum	Low
Preparation of statutory accounts from management accounts where little or no adjustment is required and the client approves any adjustments and narrative in the accounts.			✓
Preparation of statutory accounts from trial balance or management accounts where significant adjustments are required but where the client approves those adjustments and narrative in the accounts.			
Preparation of statutory accounts from books of prime entry where significant adjustments are required but where the client approves those adjustments and narrative in the accounts.			
The firm maintains the payroll.			
The firm completes all payroll returns.			
The firm maintains the accounting records and or prepares management accounts.			
The firm completes VAT returns.			
The firm prepares the tax computations that are routine with little need for any judgement.			
The firm prepares the tax computations where there are contentious items whose treatment may be disputed by Tax authority.			
Response to threat			
Any threats are insignificant, no action is required.			
The file contains evidence that the possible threats have been considered and the treatment of relevant matters have been discussed and agreed in principle with the client.			
In addition to file notes, different staff were used to carry out the non-audit audit work.			✓
In addition to file notes, a different manager/partner was responsible for the non-audit work.			
There will be a second partner review of at least the statutory accounts, planning, completion and any contentious areas where judgement was required by the auditor.			
The file will be subject to external hot review			

I approve the safeguards applied in relation to the threats identified and confirm that in my opinion they are sufficient to safeguard the firm's independence.

Partner DG Watson Date 8.6.17

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C2
Year end: <i>31 March 2017</i>	Reviewed by: <i>DGW</i>	Date: 8.6.17	
File no: B9999	Reviewed by:	Date:	

AUDIT PLANNING CHECKLIST

The auditor should plan and perform an audit with an attitude of professional scepticism recognising that circumstances may exist that cause the financial statements to be materially misstated!

Preliminary Engagement Activities

1. Acceptance procedures			Comments	WP Ref.
1.1	Confirm that the Acceptance Procedures questionnaire has been satisfactorily completed.		<i>Yes</i>	
1.2	Where appropriate, confirm that the firm has communicated with the previous auditor.		<i>N/A</i>	
2. Engagement terms				
2.1	Confirm that there is an engagement letter on the permanent file.		<i>Dated May 2017</i>	
2.2	Consider whether there is a need to revise the existing terms and issue a new letter.		<i>Only Just reissued</i>	
2.3	Consider whether there is a need to remind the client of the existing terms		<i>DGW discussed with KS</i>	
2.4	Where appropriate consider whether those charged with governance have a copy of the engagement letter.		<i>Yes</i>	

Planning Activities

3. Strategic considerations			Comments	WP Ref.
3.1	Confirm that key characteristics which determine the scope of the engagement are identified such as:		<i>BAS</i>	
	(a) the financial reporting framework used;		<i>None</i>	
	(b) any industry specific requirements;		<i>Only one</i>	
	(c) geographical location;		<i>None</i>	
	(d) group reporting requirements;		<i>None</i>	
	(e) the use of service organisations.			
3.2	Confirm that the reporting requirements are understood, including third parties, in terms of the timing and format of reports and to whom they should be sent.		<i>Normal statutory audit</i>	
3.3	Are there any other factors that may have a significant effect on the overall focus of the audit?		<i>None</i>	
4. Client background				
4.1	Confirm that there is a completed copy of the 'Know your client checklist' on the permanent file.		<i>Yes</i>	
4.2	Where the checklist was completed in an earlier year review its completion with the client and update the information on the permanent file as necessary.		<i>Reviewed with client at pre-planning meeting</i>	
4.3	Ensure that the review of significant accounting policies on the permanent file (PAF07) has been updated.		<i>Yes</i>	
5. Laws and regulations				
5.1	Ensure that in determining our overall audit approach that we consider the effects of non-compliance with relevant laws and regulations.		<i>Yes</i>	<i>See PA7</i>
5.2	Obtain a general understanding of:			
	(a) the legal and regulatory framework applicable to the entity and the industry;		<i>Yes</i>	<i>See PA7</i>
	(b) how the entity is complying with that framework, and		<i>Yes</i>	
	(c) the procedures followed by the entity to ensure compliance with that		<i>Yes</i>	
5.3	Ensure that the register of significant laws and regulations contained on the permanent file (PAF05) is up-to-date.		<i>Yes</i>	

6. Internal Controls		Comments	WP Ref.
6.1	Complete the systems and internal controls summary (C5).	Yes	C5
7. Audit risk			
7.1	Complete the audit risk summary (C6).	Yes	C7
7.2	Ensure that in determining our overall audit approach that we consider the risks of material misstatements in the financial statements due to fraud or error.	Yes	
7.3	Make inquiries of those charged with governance, management and others as appropriate to:		
(a)	obtain the results of its assessment of the risk that the financial statements may be materially misstated as a result of fraud; and	Yes as part of review of risk assessment	
(b)	determine whether they have knowledge of any actual, suspected or alleged fraud affecting the company or its financial statements.		
7.4	Ensure that members of the audit team discuss the susceptibility of the entity's financial statements to material misstatement and in particular misstatement due to fraud.	Yes	CA
7.5	Ensure that that key issues arising from the above discussion are communicated to other members of the team who did not attend the meeting.	N/A all attended	
7.6	Ensure that we have documented our evaluation of the entity's controls in all areas where the risk of misstatement due to fraud is assessed as significant.	Yes	C5.1
7.7	Ensure that where appropriate an element on unpredictability is incorporated into the testing.	Yes	
7.8	Where there is a risk of management override of controls plan audit procedures to:	Yes	
(a)	Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of accounts.	Yes	
(b)	Review accounting estimates for biases that could result in material misstatement due to fraud.	Yes	
(c)	Obtain an understanding of the business rationale of significant transactions that are outside of the normal course of business for the entity, or that otherwise appear to be unusual given our understanding of the entity and its environment.	Yes	
7.9	Have we planned substantive procedures for each material class of transactions, account balance, and disclosure irrespective of the assessed risk of material misstatement?	Yes	

8. General

8.1	Has an acceptable materiality level been determined for the audit?	Yes	C8
8.2	Review points forward from last year's schedule (B10 on previous file). File on current year's working paper file.	N/A None	
8.3	Review correspondence file and note relevant points arising during the year.	Yes	C2.2
8.4	Where stock is material to the financial statements has attendance been planned at the physical stocktake?	Yes	J4
8.5	Determine whether the use of external confirmations, in addition to those for the bank balances, is necessary to obtain sufficient appropriate audit evidence at the assertion level?	Yes Bank and loan in debtors	
8.6	For initial engagements or where an audit was not undertaken in the previous year complete the .Opening balance and comparatives checklist. (Cop01).	N/A	
8.7	Where the previous period's audit report was qualified or there was a fundamental uncertainty, consider what impact, if any, it will have on the current period's report.	N/A	
8.8	Have sample sizes been planned so as to ensure sufficient appropriate audit evidence will be obtained?	Yes	
8.9	Have we planned to obtain sufficient appropriate audit evidence concerning the reasonableness of accounting estimates?	Yes	
8.10	Consider whether any activities undertaken by service organisations are relevant to the audit: where appropriate complete the optional programme .Use of service organisations. (Cop11).	N/A	

AUDIT PLANNING CHECKLIST (cont.)

8.11	Consider whether the valuation of assets at fair values will have a material impact on the audit: where appropriate complete the optional programme .Fair value measurement and disclosure. (Cop12) .	<i>N/A</i>	
8.12	Consider whether there is a risk that the non-disclosure of related party transactions will have a material impact on the audit: where appropriate complete	<i>N/A</i>	
8.13	the optional programme .Related party transactions. (Rop02) .Where it will be necessary to place reliance on the work of another auditor complete the optional programme .Reliance on the work of another auditor. (Cop13) .	<i>N/A</i>	
8.14	Where the work of an expert is to be relied upon concerning: the valuation of assets; the determination of quantities; the application of specialised techniques to determine amounts; or the measurement of work completed, complete the optional program .Using the work of an expert. (Cop14) .	<i>N/A</i>	
8.15	Where other information is expected to be issued with the financial statements review of this information should be planned so as to allow sufficient time for resolution of any inconsistencies.	<i>Directors Report only</i>	
8.16	Consider and schedule impact of changes in legislation /IFRSs / on the accounts.	<i>N/A</i>	
8.17	Meet/discuss with client current year.s accounts and timetable.	<i>Yes</i>	<i>C10</i>
8.18	Consider whether there are any indications that the going concern basis of accounting may not be appropriate.		
8.19	Where there may be a requirement to report to an external regulator have we considered the scope of the client.s authorisation and the effectiveness of its control environment?	<i>N/A</i>	
8.20	If appropriate, prepare a brief file note of matters arising from the review of the correspondence file and the meetings/discussions with the client.	<i>Yes</i>	<i>C9</i>
8.21	Obtain print-out of the firm.s WIP and prepare fee budget. Agree fee estimate with client where necessary.	<i>Yes</i>	
8.22	Carry out analytical review based on the preliminary figures or other information available and conclude upon the impact on the audit approach.	<i>Yes</i>	
8.23	Consider whether extensive analytical review can be used to improve the efficiency and effectiveness of the audit.	<i>Yes, in specific cases</i>	
8.24	Review/tailor the summary sheets for all relevant sections to ensure adequate tests planned for all objectives.	<i>Yes</i>	
8.25	Review/tailor/prepare audit programme as directed by C6.2 and C6.3 .	<i>Yes</i>	
8.26	Prepare a formal planning memorandum documenting the overall audit strategy and the detailed audit plan.	<i>Yes</i>	
8.27	Where substantive procedures were performed at an interim date have we planned further substantive procedures (and tests of controls) to cover the remaining period from the interim date to the period end?	<i>N/A</i>	
8.28	Having regard to the risks identified and the specialist knowledge required: allocate and brief staff as appropriate, as listed below:	<i>Yes</i>	
9.	<i>Quality control</i>		
9.1	Consider whether there is a need under the firm's procedures or ethical requirements for an engagement quality control review.	<i>Yes</i>	
9.2	Agree the timing and scope of the review with the partner (or other external consultants) who will be undertaking it.	<i>Accounts Sections A,B,C</i>	<i>C1.1</i>
9.3	Confirm that the time budget and completion timetable have been updated accordingly.	<i>Yes</i>	
9.4	Where applicable, have points raised in a cold review of the previous year been incorporated into this period's planning?	<i>Yes</i>	<i>C2.8</i>

Conclusion

I am satisfied that:

- (a) the planned audit procedures have been determined having regard to the requirements of BSAs , relevant professional bodies, legislation, regulations and, where appropriate, the terms of the audit engagement and reporting requirements;
- (b) the engagement team collectively has the appropriate capabilities, competence and time to perform the audit engagement in accordance with professional standards and regulatory and legal requirements, and to enable an auditor's report that is appropriate in the circumstances to be issued;
- (c) the staff assigned have been adequately briefed;
- (d) the audit has been planned effectively, and that it is adequate to meet the financial statement assertions: existence; rights and obligations; occurrence; completeness; valuation; measurement and presentation; and disclosure.
- (e) the file does/does not* require second partner/external* review.

Senior/Manager: EAA Date: 8.6.17

In approving the planning I acknowledge my responsibility for the direction, supervision and performance of the audit engagement in compliance with professional standards and regulatory and legal requirements, and for the auditor's report that is issued to be appropriate in the circumstances.

Engagement Partner DGW Date: 8.6.17

* Delete as appropriate.

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>89999</i>	Ref: <i>C3</i>
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PLANNING MEMORANDUM

Background information

The company wholesales and retails coal and bottled gas, over recent years they have developed a market for gas and coal fired barbecues and associated products. This is however still a relatively minor area when compared to the company's main business of supplying gas and coal.

The company has recently gained a contract with a supermarket group. This has led to the increase in sales shown for the current year but has also caused some cash flow problems due to the length of time it takes for the supermarket to pay the company. This has been considered as part of the risk profile of the business.

Key personnel

Ken Strike - Director and Major Shareholder (Shares = CU8,000)

Alison Strike - Director and Shareholder (Shares = CU2,000)

Sam Little - Yard Manager

Adrian Walker - Accountant

The company also employs a number of part time staff to cope with demand for barbecues over the summer.

Financial statement level risks

There are no significant risks at the financial statement level

Key risks at assertion level

Some of the stock is attractive to staff and may be at risk of theft.

The cash flow issues created by the slow payment on the Supermarket contract will need to be considered.

Responses to risks at assertion level

This is the first year we have used the new BSA's. We will need to ensure that the PAF is updated with any additional systems notes that may be required. Please also give some thought to industry standard practices and the accounting policies adopted by the client.

The accounting system is good and the controls over stock and debtors can be relied on subject to suitable testing. The going concern consideration will need to pick up on the cash flow issues but this is not anticipated to be a problem.

Overall a standard audit approach has been recommended in the majority of the key audit areas.

DG Watson

08-Jun-17

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C4
Year end: 31 March 2017	File No: <i>B9999</i>	Reviewed by: <i>DGW</i>	Date: 8.6.17

NOTES PLANNING MEETING

If this form is not used then the appropriate information should be incorporated into the planning memorandum

Present at Meeting:

DG_Watson _____

EA_Arbuthnott _____

KPF_Martin _____

Date of meeting: 8 . 6 . 17

Susceptibility of the entity's financial statements to material misstatement

Risks	Financial statement assertion	Reference to risk action plan (C6.3)
<i>The close investment of the directors in running the company is a strong control but also carries a risk of override the systems.</i>	<i>All</i>	<i>C6.3-1</i>
<i>There may be going concern issues due to overtrading as a result of trading with the supermarket chair</i>	<i>Disclosure & Presentation re going concern</i>	<i>C6.3-2</i>

Susceptibility of the entity to fraud

Risks	Financial statement assertion	Reference to risk action plan (C6.3)
<i>Certain types of stock are susceptible to theft by the staff and others</i>	<i>Stocks may be overstated</i>	<i>C6.3 - 3</i>

Other Matters:

Systems and Internal Controls Summary

Objectives

To obtain an understanding of design and implementation of internal controls relevant to the audit.

Procedures undertaken	Yes/No N/A	Comments
1 Complete the basic controls questionnaire (S4) or otherwise identify the company's system of internal control relevant to the audit.	Y	
2 Document relevant systems and controls on C5.1 sufficient to demonstrate our understanding of the design of the system.	Y	
3 Perform the procedures set out on C5.1 to evidence review of the implementation of controls.	Y	
4 Ensure that all weaknesses noted in in the review of the design and implementation of controls are noted in the draft management letter.	Y	
5 Where the assessment of the design and implementation of internal controls identifies significant weaknesses, have these been taken account of in the specific risk assessment on C6.3.	N/A	
6 Where further testing of Internal controls will be undertaken prepare the necessary internal control evaluation schedules (S3).	Y	<i>Tests of the effectiveness of controls are required as the operation of controls is implicit in the low risk assessment</i>
7 Ensure that Internal Control Evaluation forms (S3) are prepared where specific testing of the operational effectiveness of controls is expected to be necessary due to:	N/A	
(a) substantive tests alone are not expected to provide sufficient evidence of operation;	N/A	
(b) our risk assessment includes an expectation that controls will be operating effectively.	Y	

Conclusion at planning stage

I am satisfied that:

- (a) the design and implementation of all controls relevant to the audit has been considered;
- (b) tests of the effectiveness of controls have been planned where necessary.

DGW
Audit engagement partner

8 .6 . 17
Date

Review of reliance on internal controls at the completion stage

I confirm that:

- (a) tests of the effectiveness of controls were completed satisfactorily/and further work undertaken where necessary.*
- (b) all weaknesses in controls identified have been recorded in a draft letter of comment for the client.

DGW
Audit engagement partner

2.7.17
Date

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAH</i>	Date: 8.6.17	Ref: C5.1
Year end: 31 March 2017	File No: <i>B29299</i>	Date: 8.6.17	
	Reviewed by: <i>DW</i>		

REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS

BSA 315 requires the auditor to obtain an understanding of the client's system of internal control relevant to the audit. It is compulsory to review the design and implementation of all controls relevant to the audit for all audits irrespective of any decision to place reliance on the effective operation of those controls. Completion of this schedule does not constitute tests on the effective operation of controls.

Inquiry alone is not sufficient to evaluate the design of a control relevant to the audit and to determine whether it has been implemented. Further work such as inspecting documents or tracing transactions through the system is required.

Business area	Outline of information system and controls	Comment on design and effectiveness of controls	Comment on implementation of controls	Ref to letter of weakness	Further testing required? Y/N	Ref to ICE (S3) where tested
Debtors	Integrated sales ledger maintained on Sage Line 50. Transactions are processed daily and reports produced and reconciled monthly. Maintenance checks are run on a weekly basis and include 'check data' and un-posted sales invoices'.	Sage Line 50 is properly set-up and the FC has a good knowledge of the system. All necessary reports are run at the due dates and the surround systems are good.	The monthly reports are retained and available for inspection as part of the audit. There are no reports produced for the maintenance checks unless there is a problem; however, the FC has been observed running the checks and the monthly reports do not give any indications of problems.		Y	S3.1
Debtors	An aged analysis of debtors is produced monthly and used for credit control purposes. Calls made and comments received are noted on the report for the month. The reports are retained.	This is straightforward effective control.	The monthly age analysis reports evidence the implementation of the control.		Y	S3.2
Debtors	There is a monthly meeting between the FC and MD to discuss outstanding accounts and identify any that require a stop or the involvement of the MD in collection.	Again this is straightforward effective control.	And again the monthly age analysis reports evidence the implementation of the control.		Y	S3.3

Client: <i>Bright-a - Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C5.1
Year end: 31 March 2017	Reviewed by: <i>DGW</i>	Date: 8.6.17	
File No: <i>B22999</i>			

REVIEW OF DESIGN AND IMPLEMENTATION OF INTERNAL CONTROLS (cont.)

Business area	Outline of information system and controls	Comment on design and effectiveness of controls	Comment on implementation of controls	Ref to letter of weakness	Further testing required? Y/N	Ref to ICE (S3) where tested
Payroll	<i>MD authorises a schedule showing the gross pay for all members of staff</i>	<i>This is a straightforward effective control.</i>	<i>Gross pay is evident from the monthly payroll reports</i>		<i>Y</i>	<i>N/A</i>
Payroll	<i>The payroll is calculated using Sage payroll which integrates with Line 50</i>	<i>Sage payroll deals with all deductions etc and posts automatically to the correct accounts</i>	<i>The client's subscription is up to date</i>		<i>Y</i>	<i>N/A</i>

Client: <i>Bright-a-Light</i>	Year end: 31 March 2017	File no: B9999	Ref:C6
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AUDIT RISK SUMMARY

Objectives

To assess the risk of material misstatement of the financial statements whether due to fraud or error in sufficient depth to design and perform further audit procedures.

To determine the overall responses to assessed risks at the financial statement and assertion level and to design and perform further audit procedures to reduce audit risk to an acceptably low level.

Procedures undertaken

		Yes/No/NA	Comments
1	The risk approach checklist (C6.1) has been properly completed.	Y	
2	Where appropriate the checklist and related information on the permanent file have been reviewed to ensure they remain up-to-date.	Y	
3	All risks that may result in a material misstatement at the assertion level have been recorded on the risk action plan (C6.3) with the overall approach summarised on C6.2.	Y	
4	Financial statement level risks (that are not addressed at the assertion level (C6.3)) are summarised below together with the response to that risk.	Y	

Financial Statement Level Risks

The overall risk assessment at the financial statement level (see C6.4) is: Low* ~~Medium*~~ ~~High*~~

* Delete as appropriate

<i>Risk at financial statement level</i>	<i>Response</i>
Management override of controls	Standard procedures address the requirements of BSAs. See also C6.3
Going concern worries due to slow payment by major customer	Going concern review on T3 will be undertaken

Conclusion at Planning Stage

For all relevant risk factors that have been identified, procedures have been planned that should reduce those risks to an acceptably low level.

DQU
Audit engagement partner

8 . 6 . 17
Date

Review of audit risk at completion stage

I confirm that:

1. The overall strategy and audit plan were updated as necessary during the course of the audit.
2. All risk factors identified have been addressed on the file and the risk reduced to an acceptably low level.
3. The outcome column on C6.3 has been completed and any additional work as a result of reassessing risk properly completed.

DQU
Audit engagement partner

2.7.17
Date

Client: <i>Bright-a-Light</i>		Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C6.1
Year end: 31 March 2017	File No: B9999	Reviewed by: <i>DGW</i>	Date: 8.6.17	

AUDIT RISK CHECKLIST

The purpose of this checklist is to act as an aide memoire in considering the various matters required by BSAs and also as a guide to the completion of relevant forms within APM.

		Yes/No/N/A	Comments
1.	Was a detailed risk assessment (C6.4) performed in previous years?	<i>N</i>	<i>First year of applying BSAs</i>
2.	If not then complete the detailed risk assessment (C6.4) and place a copy on the permanent file.	<i>Y</i>	<i>See PA7</i>
3.	If a checklist was completed in previous years then review the checklist with the client to ensure it remains up-to-date.	<i>N/A</i>	
4.	Have all specific risks assessed as medium or high been recorded on the risk action plan (C6.3)?	<i>Y</i>	
5.	Have all specific other risks that may result in a material misstatement been recorded on the risk action plan (C6.3)?	<i>Y</i>	
6.	Has the design and implementation of the entity's controls, including relevant control activities, been evaluated for all risks set out on the risk action plan (C6.3)?	<i>Y</i>	<i>See C5.1</i>
7.	Has the overall response to risk been summarised at the financial statement level (C6.2)?	<i>Y</i>	<i>See C6.2</i>
8.	Have additional compliance tests on the operational effectiveness of controls been planned where:	<i>Y</i>	
	(a) the specific risk assessment included an expectation that controls were operating effectively, or		
	(b) substantive procedures are not expected provide sufficient appropriate evidence to reduce risk to an acceptably low level.	<i>N</i>	<i>Note expected to be a problem</i>
9.	Where we plan to rely on the operating effectiveness of controls to mitigate significant risks at the assertion level; have we planned to obtain evidence about the operating effectiveness of those controls from tests of controls to be performed in the current period?	<i>Y</i>	
10.	Where we have determined that an assessed risk of material misstatement at the assertion level is significant have we planned substantive procedures that are specifically responsive to that risk?	<i>Y</i>	<i>See C6.3</i>
11.	Have we specifically considered the possibility of fraud in relation to revenue recognition and documented the approach in this area (C6.3)?	<i>Y</i>	<i>See C6.3</i>

RISK RESPONSE SUMMARY

To ensure that the nature and extent of testing undertaken at the assertion level is responsive to the risks assessed.

	Major risk factors (See C6.3)	Risk H, M, L	Justification of residual risk	Audit approach and reference to programme
E Intangible assets	<i>Not Applicable</i>			
F Tangible fixed assets	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
G Investments in group and associated undertakings	<i>Not Applicable</i>			
H Other investments	<i>Theft of physical stock</i>	<i>Med</i>	<i>There have been problems in the past with valuation errors. Whilst no specific concerns, not happy that risk is low</i>	<i>Standard programme plus tests from C6.3. Increased risk will mean larger sample sizes applied to standard tests</i>
I Stock and WIP	<i>None</i>	<i>Low</i>	<i>Controls in this area are good and from past experience no problems are expected.</i>	<i>Tests on 6.3 plus the standard programme</i>
J Debtors and prepayments				

RISK RESPONSE SUMMARY (cont.)

	Major risk factors (See C6.3)	Risk H, M, L	Justification of residual risk	Audit approach and reference to programme
K Bank and cash	None	Low	Straightforward area with no problems expected	Standard programme
L Creditors and accruals	None	Low	Controls in this area are good and from past experience no problems are expected.	Tailored programme; supplier statement reconciliations and analytical review
M Long-term loans and deferred income	None	Low	Straightforward area with no problems expected	Standard programme
N Provisions and contingencies	None	Low	Straightforward area with no problems expected	Standard programme
O Capital and reserves	None	Low	Straightforward area with no problems expected	Standard programme
P Taxation	None	Low	Straightforward area with no problems expected	Standard programme

RISK RESPONSE SUMMARY (cont.)

	<i>Major risk factors (See C6.3)</i>	<i>Risk H, M, L</i>	<i>Justification of residual risk</i>	<i>Audit approach and reference to programme</i>
K Bank and cash	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
L Creditors and accruals	<i>None</i>	<i>Low</i>	<i>Controls in this area are good and from past experience no problems are expected.</i>	<i>Tailored programme: supplier statement reconciliations and analytical review</i>
M Long-term loans and deferred income	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
N Provisions and contingencies	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
O Capital and reserves	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
P Taxation	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>

RISK RESPONSE SUMMARY (cont.)

	Major risk factors (See C6.3)	Risk H, M, L	Justification of residual risk	Audit approach and reference to programme
R Profit and loss – Income	<i>None</i>	<i>Low</i>	<i>Controls in this area are good and from past experience no problems are expected.</i>	<i>Standard programme</i>
– Expenditure	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
– Wages	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Tailored programme: gross pay-roll reconciliation only</i>
– Related party transactions	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>
– Other	<i>None</i>	<i>Low</i>	<i>Straightforward area with no problems expected</i>	<i>Standard programme</i>

Client: *Bright-a-Light*

Year end: 31 March 2017

File no: B9999

Ref: C6.2

	Major risk factors (See C6.3)	Risk H, M, L	Justification of residual risk	Audit approach and reference to programme
T Post balance sheet events	None	Low	Straightforward area with no problems expected	Standard programme
UVAT	None	Low	Straightforward area with no problems expected	Standard programme
Consolidation	Not applicable			Tailored programme ; gross pay-roll reconciliation only
Opening balances and comparatives- checklist	None	Low	Straightforward area with no problems expected	Standard programme
Other	Not applicable	Low		

Note

Where the specific risk assessment is low for a major transaction cycle you should consider whether this includes an expectation that controls in that area will be operating effectively. Where this is the case BSA 330.23 requires that tests on the effectiveness of those controls be performed.

Planning conclusion

I am satisfied that the planned audit will produce sufficient appropriate audit evidence.

Prepared by: *EM* Date: 8.6.17

Received by: *DM* Date: 8.6.17

Final Conclusion

I have reconsidered specific risks and: no changes are needed*/the following changes have been implemented* (specify):

Prepared by: *EM*

Received by: *DM* Date: 8.6.17

**Delete as appropriate*

TABLE OF INHERENT RISK ASSESSMENT FACTORS
Test of detail only

Assertion level risk
(See above)

	L	M	H
L	1.2	1.4	1.6
M	1.4	1.8	2.1
H	1.6	2.1	2.5

Financial statement risk
(See C6)

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C6.3
Year end: <i>31 March 2017</i>	Reviewed by: <i>DGu</i>	Date: 8.6.17	
File No: <i>69999</i>			

SPECIFIC RISK ACTION PLAN

	Specific risk affecting client	H, M or L	Management response	Financial reporting areas and assertions affected	Audit approach	Outcome
1	<i>Management override of controls.</i>	<i>M</i>	<i>They say that they do not!</i>	<i>All</i>	<i>1. Be aware that this is a possibility when conducting other testing. 2. Test the appropriateness of adjustments made in the preparation of accounts. 3. Review accounting estimates for bias. 4. Consider if there are any significant transactions that are outside of the normal course of business.</i>	<i>There are no indications that controls have been overridden or of any unusual transactions, journals or bias in accounting estimates.</i>
2	<i>Late payment on a contract to supply a major supermarket chain.</i>	<i>M</i>	<i>A cash flow forecast has been prepared and the client has arranged increased facilities with the bank.</i>	<i>Presentation of going concern</i>	<i>Review the cash flow forecast against actual results and consider whether there is an issue. (J2) Review correspondence with the bank and confirm increased facilities. (J2)</i>	<i>The client's figures appear reasonable and the bank have confirmed additional facilities on the basis of personal guarantees. The company is sticking to the forecast so far.</i>
3	<i>Certain stocks are susceptible to theft.</i>	<i>M</i>	<i>Monthly stock counts with results monitored and followed-up.</i>	<i>Stocks and profits may be overstated.</i>	<i>Review the records of the monthly counts and the client's actions in response to any differences. (I2)</i>	<i>The client's systems are working and there were no significant discrepancies in the year.</i>

1. A risk should only be categorized as high if it is so significant as to require special audit consideration. (BSA 315.108)
2. A general risk that relates to all financial areas and assertions such as the possible sale of the business should show 'All' in the financial areas and assertions column

Client: <i>Bright-a-Light</i>		Prepared by: <i>EAA</i>	Date: <i>8.6.17</i>	Ref: C6.4
Year end: <i>31 March 2017</i>	File No: <i>B9999</i>	Reviewed by: <i>DGW</i>	Date: <i>8.6.17</i>	

DETAILED RISK ASSESSMENT

When completing this checklist it is important that an attitude of professional skepticism be maintained throughout, recognizing the possibility that a material misstatement due to fraud could exist, notwithstanding our past experience with the entity about the honesty and integrity of management and those charged with governance.

Any risks that have an impact at the assertion level and that are assessed as 'medium' or 'high' should normally be carried forward to C6.3. Where this is not the case a full explanation should be given as to how the risk will be managed. Similarly, responses to financial statement level risks should be addressed on C6 to the extent that they are not already addressed on C6.3.

A risk should be categorised as high (significant risk) where it is considered so significant as to require special audit consideration. (BSA 315.108)

General risk area	Specific risk affecting client Risk	H, M or L or N/A	How will the audit risk be managed?
1. General			
1.1 Do we have any concerns as to the integrity of the directors / management?	<i>We have no reason to doubt the client's integrity.</i>	<i>L</i>	<i>No extra procedures required.</i>
1.2 Are there any untrained or inexperienced staff in key accounting roles?	<i>No</i>	<i>L</i>	
1.3 Does the entity have a weak control environment?	<i>No</i>	<i>L</i>	
1.4 Is the appropriateness of the going concern basis an issue?	<i>Yes, but not a serious concern</i>	<i>M</i>	
1.5 Would you describe the relationship with the client as either 'abrasive' or 'deteriorating'?	<i>The firm has a good relationship with the client.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
1.6 Is there any significant external interest in the company's financial statements?	<i>Bank might request accounts however this is a routine request.</i>	<i>L</i>	<i>No extra procedures required.</i>
1.7 Are there any other risk factors that may affect the client at the financial statement level?	<i>No</i>	<i>L</i>	
2. Industry Conditions			
2.1 Is there a risk of technological obsolescence of products or services?	<i>Not thought likely.</i>	<i>L</i>	<i>No extra procedures required.</i>
2.2 Is the company in a highly competitive or volatile sector of the economy?		<i>N/A</i>	<i>No extra procedures required.</i>
2.3 Is the company's business affected by fashion, demographic trends or public opinion?	<i>An element of the entity's trade is reliant on trends (bar-b-q's, camping, real fires etc).</i>	<i>M</i>	<i>Will need to review post balance sheet period carefully to ensure fashion has not shifted.</i>
2.4 Is the company affected by cyclical or seasonal factors?	<i>Yes, to a certain extent but different products sell at different times of the year</i>	<i>L</i>	

3. Regulatory Environment			
3.1	Is the client authorised by an external regulator?	<i>The client is not authorized by another regulator.</i>	<i>N/A</i>
3.2	Does the regulator require any special reports?		<i>N/A</i>
3.3	Are year-end returns or a copy of the accounts required to be filed with a trade association or regulator?	<i>No outside association/regulator will see accounts</i>	<i>N/A</i> <i>No extra procedures required.</i>
3.4	Does the client rely on membership of an association or similar body for a substantial part of its business?	<i>Membership of such a body is not required for the client</i>	<i>N/A</i> <i>No extra procedures required.</i>
3.5	Does the client operate in a business sector where there is likely to be additional regulations?	<i>The storage of flammable materials is an issue for the client. See PAF 1.4</i>	<i>M</i> <i>See PAF 1.4 and C6.3</i>
3.6	Are there any issues concerning eligibility for government grants or other aid programmes?	<i>No</i>	<i>N/A</i>
4. Other External Factors			
4.1	Will the accounts be sent to a third party?	<i>Bank might request accounts however this is a routine request.</i>	<i>L</i> <i>No extra procedures required.</i>
4.2	Are there any individually material third party creditors?	<i>Arthur Fuels & Fuel Supplies</i>	<i>M</i> <i>Balances agreed to supplier statements and cut off verified via delivery notes.</i>
4.3	Is there any expectation that the business (or part of it) may be sold in the near future?	<i>No (see L36) client is thinking about retiring but has no plans to sell at the moment.</i>	<i>N/A</i>
4.4	Are there any external factors (e.g. a potential listing or bank financing) which could influence expected results?	<i>There is no indication the client is planning to refinance.</i>	<i>N/A</i>
5. Business Operations			
5.1	Is the company reliant on only a few customers or suppliers?	<i>The company is trading heavily with a supermarket.</i>	<i>M</i> <i>C6.3</i>
5.2	Is the company heavily reliant on particular products or services?	<i>The company has a range of products. See PAF 1.36</i>	<i>L</i> <i>No extra procedures required.</i>
5.3	Are there any significant related parties to the business?	<i>Directors only.</i>	<i>L</i> <i>See comments above.</i>
5.4	Are there a large number of business locations and/or a wide geographical spread of its activities?	<i>Company based in one location.</i>	<i>L</i> <i>No extra procedures required.</i>

General risk area		Specific risk affecting client	Risk H, M or L or N/A	How will the
				<i>audit risk be managed?</i>
5.5	Are there any complex situations which might require the use of the work of an expert?	<i>No complex situations evident.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
5.6	Is the company involved in electronic commerce including internet sales?		<i>N/A</i>	
5.7	Does the company carry out any research or development activities?		<i>N/A</i>	
6. Investments				
6.1	Were there any acquisitions, mergers or disposals of business activities in the period or after the year-end?	<i>No</i>	<i>N/A</i>	
6.2	Does the company have any investments in securities or loans?	<i>No</i>	<i>N/A</i>	
6.3	Does the company have any investments in non-consolidated entities, including partnerships, joint ventures and special-purpose entities?	<i>No</i>	<i>N/A</i>	
7. Financing				
7.1	Does the company have a complex capital structure?		<i>N/A</i>	<i>No extra procedures required.</i>
7.2	Are there any issues arising from the company's debt structure, including covenants, restrictions, guarantees, or off-balance-sheet financing arrangements?	<i>None</i>	<i>N/A</i>	
7.3	Does the company use derivative financial instruments?	<i>None</i>	<i>N/A</i>	
7.4	Are there any risks of material misstatement at the assertion level related to the fair value measurements and disclosures in the financial statements?	<i>None</i>	<i>N/A</i>	
8. Financial Reporting				
8.1	Have generally accepted accounting principles been complied with in the past years?		<i>L</i>	<i>No extra procedures required.</i>
8.2	Are the accounting policies for significant	<i>There are few accounting issues with this client (see PAF 1.6).</i>	<i>L</i>	<i>No extra procedures required.</i>
	matters appropriate to the circumstances of the entity? Consider:			
	• Valuation of fixed assets			
	• Income recognition			
	• Depreciation			
	• Long term contracts			

General risk area		Specific risk affecting client	Risk	How will the audit risk be managed?
			<i>H, M or L or N/A</i>	
8.3	Could the treatment of any areas in the accounts be disputed by the tax authorities?	<i>Not as far as we know.</i>	<i>L</i>	<i>We will prepare tax comp and review.</i>
8.4	Are there usually a large number of related party transactions?	<i>Normal salaries and dividends and a small no. of loan account transactions.</i>	<i>L</i>	<i>Standard audit programme.</i>
8.5	In terms of related party transactions:			
	a) Is the company a member of a group that does not prepare group accounts?	<i>Company is stand alone.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
	b) Are any payment made to the directors/ shareholders other than remuneration or dividends?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
	c) Were there balances due to or from the directors at any time during the year?	<i>There is a director's loan account.</i>	<i>L</i>	<i>The loan statement(s) will be signed by the director(s).</i>
8.6	Is there any indication of risk of misstatement at the assertion level for classes of transactions, account balances or disclosures?	<i>Existence and valuation of inventories are high. No particular issues in other areas.</i>	<i>H L</i>	<i>Specific tests for stocks on C6.3</i>
9. Objectives, Strategies and Related Business Risks				
9.1	Have we reviewed a copy of the company's long term strategy or business plan?	<i>There is no formal long term strategy but we need to identify when the client looks to retire.</i>	<i>L</i>	<i>No action this year but need to update the plan when client looks to retire.</i>
9.2	Are there any risks arising from the company attempting to achieve the objectives set out in the plan?	<i>Nothing at the moment but need to monitor.</i>	<i>L</i>	<i>See above.</i>
9.3	Is there a risk of failure to meet stock market (or other shareholder) expectations (which management may have encouraged) whether or not the expectations were reasonable?		<i>N/A</i>	<i>No extra procedures required.</i>
9.4	Are the directors' and/ or managements' incomes highly geared to results either directly, through share options, or through other possibilities for large capital gains?	<i>Directors are happy with current level of performance.</i>	<i>L</i>	<i>No extra procedures required.</i>
9.5	Is there pressure to meet targets to ensure protection of the jobs of directors, management or other employees?	<i>Directors are happy with current level of performance.</i>	<i>L</i>	<i>No extra procedures required.</i>
9.6	Is there a desire to understate profits to reduce tax liabilities?	<i>Directors are happy with current level of performance.</i>	<i>L</i>	<i>No extra procedures required.</i>

General risk area		Specific risk affecting client	Risk H, M or L or N/A	How will the audit risk be managed?
9.7	Are there legal or regulatory requirements to meet specific financial thresholds or ratios?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.8	Is there a need to ensure compliance with loan covenants or to pacify bankers?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.9	Are future plans for selling the company dependant upon achieving specified results?	<i>Not at the moment.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.10	Are the amounts for provisions set by management at the time of finalising the profit and loss account rather than being determined by others as part of the routine accounting system?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.11	Is there a pattern whereby accounting judgements and estimates made when finalising the accounts are all biased in the direction management desires?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.12	Are the final figures for the company subject to significant change as a result of journal adjustments generated at head office?	<i>Only one location and we do not generate significant journals when preparing the accounts.</i>	<i>L</i>	<i>No extra procedures required.</i>
9.13	Were there any contracts or transactions undertaken, particularly where this was close to the year end, where the commercial rationale is unclear?	<i>None</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.14	Do the accounting policies applied by the company fall comfortably within GAAP or do they push the boundaries of acceptability in some areas?	<i>No significant accounting policies (see PAF 1.6).</i>	<i>L</i>	<i>No extra procedures required.</i>
9.15	Have the directors brought forward the reporting date without good reason making it difficult to obtain the quantity and quality of audit evidence required?	<i>No change in date.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
9.16	Are the results of the company out of step with industry trends with no discernable explanation available?	<i>Results are as expected (See CT).</i>	<i>L</i>	<i>No extra procedures required.</i>
9.17	Is management keen to manipulate profits (e.g. to reduce tax or increase bonuses)?	<i>No indication that client is looking to manipulate profits.</i>	<i>L</i>	<i>No extra procedures required.</i>
10. Measurement and Review of the Entities Financial Performance				
10.1	Have accounting records been reliable in the past?	<i>Client's staff have been with them for a number of years and are competent.</i>	<i>L</i>	<i>No extra procedures required.</i>
10.2	Are meaningful management accounts prepared during the year?	<i>Management accounts are reviewed at board meetings.</i>	<i>L</i>	<i>Obtain copies of these accounts and board minutes.</i>
10.3	Has the audit report contained a qualification in either of the last two years?	<i>The audit report has never been qualified.</i>	<i>N/A</i>	<i>No extra procedures required.</i>

10.4	Have there been problems with making adjustments in the past?	<i>The client approves adjustments once they are explained.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
10.5	Is the engagement 'stable' i.e. long standing?	<i>The company has been a client for many years.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
11. Control environment				
11.1	Is the extent of management knowledge and experience sufficient for operating the business?	<i>The client has a lot of experience in running the company (See PAF 1.3b).</i>	<i>L</i>	<i>No extra procedures required.</i>
11.2	Do management and administrative controls appear strong?	<i>Directors are heavily involved in the day to day running of the entity.</i>	<i>L</i>	<i>No extra procedures required but see also 11.4 below.</i>
11.3	Are good management information systems in existence and used?	<i>Client has good systems but issues regarding o/s orders to be sorted.</i>	<i>L</i>	<i>No problems identified in areas that would affect the audit</i>
11.4	Is management in a position to override any controls in existence?	<i>It is possible as directors are involved in day to day operations.</i>	<i>M</i>	<i>See C6.3</i>
11.5	Do management promote an operating style where competence and integrity are valued?	<i>Yes, they like things to be done properly</i>	<i>L</i>	
12. The Entity's Risk Assessment Process				
12.1	Will the company's risk assessment process be used in identifying relevant risks and the actions taken in response to them?	<i>No, this is a fairly informal process</i>	<i>L</i>	
13. Information Systems				
13.1	Are the accounting records kept up to date?	<i>Client's staff keeps records up to date.</i>	<i>L</i>	<i>No extra procedures required.</i>
13.2	Has there been any change to the accounting system?	<i>No change</i>	<i>N/A</i>	<i>No extra procedures required.</i>
13.3	Are there any particular issues arising from the use of IT that give cause for concern?	<i>No, A+ system is stable and established.</i>	<i>L</i>	
14. Control Activities and Monitoring Controls				
14.1	Are there any indications that control activities such as performance reviews or segregation of duties have broken down or otherwise failed to operate?	<i>No</i>	<i>L</i>	
14.2	Is there an effective system of monitoring controls in place?	<i>Yes</i>	<i>L</i>	
14.3	Are there any indications that the monitoring controls have broken down or otherwise failed to operate?	<i>No</i>	<i>L</i>	
15. Fraud and Error				
15.1	Have there been any previous experiences or incidents which call into question the integrity or competence of management?	<i>Nothing from our past dealings give us cause for concern.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.2	Are there any unusual financial or reporting pressures within the business?	<i>There are no unusual pressures but the bank may ask for the accounts.</i>	<i>L</i>	<i>No extra procedures required.</i>

15.3	Are there any significant weaknesses in the design or implementation of internal controls?	<i>There are no significant weaknesses identified (See C5.1)</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.4	Is there a history of unusual and/or complex transactions?	<i>The entity's accounting is of a routine nature</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.5	Is there a history of problems in obtaining sufficient appropriate audit evidence?	<i>Audit evidence has been available in the past.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.6	Are there inadequate controls over data in the information system?	<i>There are no significant weaknesses identified.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.7	Is there a high degree of judgement involved in determining account balances?	<i>The entity's accounting is of a routine nature.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.8	Are there a large number of assets which may be susceptible to loss or misappropriation?	<i>Some of the client's stock is susceptible to theft.</i>	<i>M</i>	<i>See C6.3</i>
15.9	Do the results of analytical procedures undertaken to obtain an understanding of the entity and its environment show unusual or unexpected relationships that may indicate risks of material misstatement due to fraud?	<i>Nothing in our initial analytical review gives us cause for concern.</i>	<i>N/A</i>	<i>See C7</i>
15.10	Are there usually a large number of transactions not subjected to ordinary processing?	<i>The entity's accounting is of a routine nature.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.11	Are the accounting staff well trained and capable of performing the tasks allocated to them?	<i>The client's staff have been with them for a number of years and are competent.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.12	Are there any attitude or morale problems in the accounting department?	<i>The client's staff have been with them for a number of years.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.13	Is there a high level of turnover of accounting staff?	<i>The client's staff have been with them for a number of years.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.14	Does any other information obtained indicate any risk of material misstatement due to fraud?	<i>The client's staff have been with them for a number of years.</i>	<i>N/A</i>	<i>No extra procedures required.</i>
15.15	Is there a business rationale for any transactions that appear out of the ordinary?	<i>There are no transactions that appear out of the ordinary.</i>	<i>N/A</i>	<i>No extra procedures required.</i>

Conclusion

(Identify any major risks and mitigating factors to arrive at an overall assessment of financial statement level risk. Note, assertion level risks that will be addressed on C6.3 should not affect the assessment of risk at the financial statement level.)

Whilst there are some higher risk factors at the financial statement level these are not serious and can be adequately addressed by the procedures specified. The overall financial statement level risk is therefore assessed as low. All risks at the assertion level have been carried to C6.3 where additional procedures are required.

The assessment of risk at the financial statement level is: **Low*** ~~Medium~~ ~~High~~

DGW

8.6.17

Audit engagement partner

Date

* Delete as appropriate

Client: <i>Bright-a-Light</i>		Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: C7
Year end: 31 March 2017	File No. <i>B9999</i>	Reviewed by: <i>DQU</i>	Date: 8.6.17	

PRELIMINARY ANALYTICAL REVIEW

The auditor should apply analytical procedures as risk assessment procedures to obtain an understanding of the company and its environment. (BSA 520.8)

		Y/N	Comments	Ref:
1	Consider comparison of the draft results for the current period with:			<i>C7.1</i>
	(a) information for prior periods;	Y		
	(b) those anticipated in budgets or forecasts;	N	<i>None available</i>	<i>C7.1</i>
	(c) other companies of comparable size in the same industry;	N		
	(d) overall industry of sector statistics. Consider relationships between:	N		
2	Consider relationships between:	Y		<i>C7.1</i>
	(a) elements of financial information that would be expected to conform to a predictable pattern based on the company's experience, such as gross margin percentages;			
	(b) financial information and relevant non-financial information, such as payroll costs to number of employees..	Y		
3	Consider the reliability of the information used to perform analytical review procedures and whether this will be verified as part of the audit process.	Y	<i>Expecting systems to prove reliable. Major balances and transaction cycles will be audited substantively.</i>	
4	Ensure that any areas of increased risk identified are recorded on C6.3	Y		<i>C6.3</i>

Conclusion (identifying any transactions or balances meriting further enquiry or areas of increased risk)

Increase in turnover due to gaining a large supermarket chain as a customer.

Client already experiencing some problems caused by late payment by this customer. We need to consider the impact of this issue

Need to confirm explanation for movement in GP%

Prepared by: <i>EAA</i> Date: <i>8.6.17</i>
Reviewed by: <i>QU</i> Date: <i>8.6.17</i>

Client: <i>Bright-a-Light</i>	Prepared by: <i>FAA</i>	Date: 8.6.17	Ref: C7.1
Year end: 31 March 2017	Reviewed by: <i>DGU</i>	Date: 8.6.17	
Subject: Preliminary analytical review	File No: B9999		

Turnover		7,858,901	6,675,324	<i>Sales have increased as a result of new contract</i>
Cost of sales		6,191,119	5,338,830	
Gross profit		1,667,782	1,336,494	<i>Slight increase in margin. Need to look at this as margin lower on supermarket contract.</i>
Distribution costs	536,560			
Administrative expenses	805,658		409,585 700,282	
		1,342,218	1,109,867	
Net Profit		325,564	226,627	
Other operating income		20,530	13,134	
Operating profit		346,094	239,761	
Interest payable and similar charges		(28,774)	(29,418)	
Profit on ordinary activities before taxation		317,320	210,343	
Tax on profit on ordinary activities		(64,729)	(42,732)	
Profit for financial year		252,591	167,611	
Retained profit brought forward		515,981	348,370	
Retained profit carried forward		768,572	515,981	
Fixed assets Tangible assets		479,288	590,290	<i>Explained by depreciation and low addition</i>
Current assets Explained by depreciation and low additions				
Current assets				<i>The stock is moving faster, is this due to regular sales to the supermarket chain? The large increase in debtor appears to be due to the new supermarket client . they are apparently vary slow at paying</i>
Stocks	326,003		222,860	
Debtors	927,542		685,172	
Cash in hand	20180		7,695	
	1,273,725		915,727	
Creditors: amounts falling due within one year				
Net current liabilities	(760394)	513,331	(756,512)159,215	
Total assets less current liabilities		992,619	749,505	<i>Creditors days have increased as the client has experienced some cash flow problem due to low payment the supermarket</i>
Creditors: amounts falling due after more than one year		(214,047)	(223,524)	
		778,572	525,981	
Capital and reserves Called up share capital		10,000	10,000	
Profit and loss account		768,872	515,981	
		778,572	525,981	

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: B9999	Ref: C8
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Materiality Summary

The determination of what is material is a matter of professional judgement. The percentage benchmarks set out below are intended to provide guidance in exercising that judgement. They should not be used as a formula to 'calculate' materiality.

Materiality ranges

Range of turnover or gross assets	Percentage of turnover or gross assets	Materiality ranges
CU0 -CU500,000	3.00%	CU1 -CU15,000
CU500,001 -CU1,000,000	2.50%	CU15,001 -CU25,000
CU1,000,001 -CU2,000,000	2.00%	CU25,001 -CU40,000
CU2,000,001 -CU5,600,000	1.50%	CU40,001 -CU84,000
over CU5,600,000	1.00%	over CU84,000

Application of materiality ranges to business

	Initial assessment			Final assessment		
	Percentage	Anticipated	Materiality	Percentage	Final results	Materiality
	%	results	level	%	CU	level
		CU	CU			CU
Turnover	1%	7,859k	78.5k	1%	7,859k	78.5k
Gross assets	2%	1,753k	35k	2%	1,753k	35k
Profit/(loss) before tax		250k			252k	
Adjustments for unusual items						
Adjusted profit/(loss)	10%	250k	25k	10%	252k	25k
Overall initial audit materiality set at:	This year: <u>CU 75k</u>			Last year (final): <u>CU 65k</u>		
Comments						
Turnover is a better indicator of activity level so materiality is based on this parameter.						

Conclusion

Based on the anticipated results, I am satisfied that the above figure represents an appropriate initial audit materiality.

Prepared by: EAA

Date: 8.6.17

Reviewed by: DQU

Date: 8.6.17

Final audit materiality : this year : CU 75K

Comments

No reason to amend. CU 75K appears reasonable.

Conclusion

Based on the final results, I am satisfied that the above figure represents an appropriate final audit materiality

Prepared by : EAA

Date: 2.7.17

Reviewed by: DQU

Date: 2.7.17

J DEBTORS AND PREPAYMENT

1	Lead schedule	
2	Audit programme	
3	List of debtor balances	
4	Bad and doubtful debts	
5	Prepayments	
6	Summary of debtors. circularisation results	
7	Certificate/confirmation replies	
8		
9		
10		

Client: <i>Bright-a-Light</i>	Year end: 31 March 2017	File no: B9999	Ref: J
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Number of key tests which satisfy objective*		Planning		Final	
		Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
<i>Audit objectives</i>					
1	To ensure that trade debtors are due at the value recorded.	8, 9, 10 , 11		Yes/No	<i>EAA</i>
2	To ensure that adequate provision has been made for all bad and doubtful trade debts.	13, 14		Yes/No	<i>EAA</i>
3	To ensure that proper cut-offs has been made.	15, 16, 17		Yes/No	<i>EAA</i>
4	To ensure that all trade debts are properly disclosed.	12, 21		Yes/No	<i>EAA</i>
5	To ensure that prepayments and loan debtors (including staff and directors) are properly valued, classified, and verified.	18, 19, 20, 21		Yes/No	<i>EAA</i>
6	To confirm that all necessary disclosures concerning debtors have been made and that the information is appropriately presented and described.	22, 23, 24, 25	28, 29	Yes/No	<i>EAA</i>

SUMMARY SHEET DEBTORS AND PREPAYMENTS

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: _____ *EAA*

Date: 8.6.17

Reviewed by: _____ *DGU*

Date: 8.6.17

Final conclusion

From the audit work carried out I confirm that:

- the work has been performed in accordance with the audit programme.
- the work performed and the results obtained have been adequately documented.
- all necessary information has been collected for the preparation of the statutory accounts.
- in my opinion (subject to matters highlighted on **B5** or **B8**)* debtors and prepayments are fairly stated.

Prepared by: _____ *EAA*

Date: 22.6.17

Reviewed by: _____ *DGU*

Date: 2.7.17

Alternative conclusion (ANY alternative conclusion MUST be referred to on **B5** or **B8**)

Prepared by: _____

Date: _____

Prepared by: _____

Date: _____

* Delete if not applicable.

Client: <i>Bright-a-Light</i>	Prepared by: <i>KM</i>	Date: 16.6.17	Ref: J1
Year end: 31 March 2017	Reviewed by: <i>EAA</i>	Date: 19.6.17	
Subject: <i>Debtors lead schedule</i>			
File No: <i>B9999</i>			

	<i>Sch</i>	<i>2017</i>			<i>2016</i>
		<i>Draft</i>	<i>Adj</i>	<i>Final</i>	
<i>Sales ledger control account</i>	<i>J3</i>	<i>851,586</i>		<i>851,586</i>	<i>607,740</i>
<i>Less provision Trade debtors</i>	<i>J5</i>	<i>(9,158)</i>		<i>(9,158)</i>	<i>(7,441)</i>
		<i>842,428</i>	<i>842,428</i>		<i>600,299</i>
<i>Other debtor - loan to Holdfast Limited</i>	<i>J6</i>	<i>75,000</i>		<i>75,000</i>	<i>75,000</i>
<i>Prepayments</i>	<i>J7</i>	<i>10,114</i>		<i>10,114</i>	<i>9,873</i>
		<i>927,542</i>	<i>927,542</i>		<i>685,172</i>

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: J2
Year end: 31 March 2017	Reviewed by: <i>DGN</i>	Date: 8.6.17	
File No: <i>B9999</i>	Completion reviewed by: <i>DGN</i>	Date: 2.7.17	

AUDIT PROGRAMME — DEBTORS AND PREPAYMENTS

		Test required	Results satisfactory	Sch ref	Comments	Initials and date
1	<i>General</i>	<i>Y/N</i>	<i>Y/N</i>	<i>J1</i>		
	(a) Agree the opening balances to last year's accounts.	<i>Y</i>	<i>Y</i>			<i>RM</i> <i>16.6.17</i>
	(b) Obtain and check, or prepare, a lead schedule for the current year's figures.	<i>Y</i>	<i>Y</i>			
	(c) Enquire into make notes on reason for any major variation from expectations.	<i>Y</i>	<i>Y</i>			
2	Assess whether the initial materiality and/or risk assessment should be revised in view of the audit evidence obtained. Record details of any necessary adjustments on B5 or B8. Consider the impact on the remainder of the audit work and on any work undertaken to date.	<i>Y</i>	<i>Y</i>		<i>No changes considered necessary</i>	<i>EAA</i> <i>19.6.17</i>
3	Review for large and/or unusual items and verify.	<i>Y</i>	<i>Y</i>		<i>Key items in sample</i>	<i>RM</i> <i>16.6.17</i>
	Cost/existence					
4	Obtain or prepare an aged list of balances and test the casts.	<i>Y</i>	<i>Y</i>	<i>J3</i>		<i>RM</i> <i>16.6.17</i>
5	Agree the aged list of balances to the control account. Obtain explanations for all material adjustments to the control account.	<i>Y</i>	<i>Y</i>	<i>J4</i>		<i>RM</i> <i>16.6.17</i>
6	Perform a debtors circularisation:					
	(a) Select a sample of accounts for confirmation from a complete list of balances (include nil and credit balances where applicable). Record the details on the standard working paper.					
	(b) Confirm with client the debtors you wish to circularise.					
	(c) Obtain explanations where the client does want you to circularise particular balances and consider alternative procedures that can be applied.					
	(d) Consider whether the refusal to allow circularisation of particular balances will impose a limitation of scope on the audit?					
	(e) Send the confirmation requests. Enclose a pre-paid envelope for return to the firm. Ensure the reply part of the letter is properly referenced.					
	(f) Record replies on the control sheet.					
	(g) Where replies are not received within a reasonable period send a follow-up letter.					
	(h) Follow the alternative procedures for any unfavourable responses or where no response obtained.					
	(i) Summarise the results and consider whether adequate audit comfort has been obtained for trade debtors.					

7	Where circularisation has not been carried out select a sample of trade debtors or where unsatisfactory results are obtained carry out alternative procedures.	Y	Y	JA		R/M 16.6.17
	(a) Examine the ledger for cash after date.	Y	Y			
	(b) For unpaid items inspect proof of delivery or dispatch. If no such documentation is available, inspect the sales invoice supporting them.	Y	Y			
	(c) Review correspondence files for items in (b) to determine whether any disputes exist.	Y	Y			
8	List all credit balances over <u>CUI, 000</u> and obtain explanations.	Y	N		None over CU1,000	R/M 16.6.17
Valuation						
9	Review ledger accounts and obtain a list of any debts with balances:	Y	Y			R/M 16.6.17
	(a) not paid within months of the period end;	Y	Y	JS		
	(b) in excess of their credit limit;	Y	Y			
	(c) in the hands of liquidators or receivers;	Y	Y			
	(d) in the hands of solicitors for collection.					
10	Compare the client's provision with the list completed under 10 above and consider its adequacy. Obtain explanations for and justify any material accounts omitted from the client's list.			JS		R/M 16.6.17
11	Cut-off Review credit notes after the year end and consider whether these have been accounted for in the correct period.	Y	Y		See stock section II	R/M 16.6.17
12	If the company has despatch records, examine sales and despatch records before and after the year end and ensure that:	Y	Y		See stock section II	R/M 16.6.17
	(a) all goods despatched before the year end are excluded from stock and included in sales and debtors where appropriate;	Y	Y		See stock section II	R/M 16.6.17
	(b) all goods despatched after the year end are included in stock and excluded from sales and debtors where appropriate. (Refer to stock attendance notes.)	Y	Y		See stock section II	R/M 16.6.17
13	If the company does not have despatch records, specify below the audit work to ensure that cut-off has been correctly applied:	N	N/A			R/M 16.6.17
Prepayments						
14	Obtain or prepare a list of items included as prepayments. Review for reasonableness and verify significant/unusual items, comparing with last year and expectations.	Y	Y	JJ		R/M 16.6.17
Other debtors						

15	Obtain or prepare a list of other debtors	<i>Y</i>	<i>Y</i>		<i>Confirmation of balance received from company at J6.1 and copy accounts on file at J6.2</i>	<i>RM 16.6.17</i>
	(a) Vouch material items to supporting documentation.	<i>Y</i>	<i>Y</i>			
	(b) Compare with previous year and enquire into major differences.	<i>Y</i>	<i>Y</i>	<i>J7</i>		
	<i>Loans</i>					
16	Ensure that no loans have been made to directors unless within the provisions of the Companies Act 1994. (NB where loans exist, either debit or credit, calculate the balance at the end of each month. The highest amount due to the company should be disclosed in the accounts.)	<i>Y</i>	<i>Y</i>		<i>None</i>	<i>RM 16.6.17</i>
	Long-term debts/retentions					
17	Where a debt, or portion thereof is recoverable after more than one year, consider:	<i>N</i>				
	(a) whether any provision is necessary	<i>N</i>				
	(b) whether adequate disclosure has been made.	<i>N</i>				
	Presentation and disclosure					
18	Confirm that a disclosure checklist will be completed for this year. Where that is not the case explain how the objectives relating to disclosure will be achieved.	<i>Y</i>	<i>Y</i>		<i>Yes, see A section</i>	<i>RM 16.6.17</i>
19	Ensure that there is evidence on the file to support the disclosures made such as long term debtors.	<i>Y</i>	<i>Y</i>		<i>None</i>	<i>RM 16.6.17</i>
20	Review transactions and balances with directors and ensure they are properly presented as relate party transactions and transactions in which a director has a material interest.	<i>Y</i>	<i>Y</i>		<i>None</i>	<i>RM 16.6.17</i>
21	Ensure that any factored debts have been accounted for in accordance with the substance of the agreement.	<i>N</i>				
	Bespoke tests					
22	Draft any necessary additional tests such as those required by C6.3 and cross reference with the objectives on the summary sheet. Conclusion	<i>Y</i>	<i>Y</i>		<i>See below</i>	<i>EAA8.6.17</i>
23	Consider whether there are any items which need to be included in a letter of representation or letter of comment and record on A5 or A6, as appropriate.	<i>Y</i>	<i>Y</i>		<i>None</i>	
24	Review the cash flow forecast against actual results and consider whether there is an issue	<i>Y</i>	<i>Y</i>		<i>K4</i>	
25	Review correspondence with the bank and confirm increased facilities.	<i>Y</i>	<i>Y</i>		<i>K5</i>	<i>Informal figures discussed with client</i>

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 16.6.17	Ref: J4
Year end: 31 March 2017	Reviewed by: <i>DQU</i>	Date: 19.6.17	
Subject: <i>Recoverability of trade debt</i>	File No: B9999		

A sample of eight balances were selected for testing as per schedule J4.1. The sample was taken from the year end aged debtors listing which agreed to the balance on the sales ledger control account. The sample was biased towards the larger balances on the ledger.

<i>No.</i>	<i>Account</i>	<i>Year end balance</i>	<i>Cash received</i>	<i>Still outstanding</i>	<i>Comments</i>
<i>BI2439</i>	<i>Binns Motors</i>	<i>41,421</i>	<i>41,421</i>	<i>-</i>	
<i>E10666</i>	<i>Fresco's</i>	<i>156,332</i>	<i>124,667</i>	<i>31,665</i>	<i>Most recent o/s .Just slow</i>
<i>K13204</i>	<i>Kirkwood Service Station</i>	<i>13,226</i>	<i>13,226</i>	<i>-</i>	
<i>L17132</i>	<i>Lizzards</i>	<i>44,756</i>	<i>30,887</i>	<i>13,869</i>	<i>Just slow</i>
<i>M08715</i>	<i>Morris PA</i>	<i>50,776</i>	<i>50,776</i>	<i>-</i>	
<i>RA2169</i>	<i>Rayleigh Heating</i>	<i>34,223</i>	<i>15,667</i>	<i>18,556</i>	<i>Agreed longer credit terms. Within these</i>
<i>R02245</i>	<i>Roche Supplies</i>	<i>43,875</i>	<i>43,870</i>	<i>5</i>	
<i>W11892</i>	<i>Wilson Motors</i>	<i>20,869</i>	<i>20,869</i>	<i>-</i>	
		<i>405,478</i>	<i>341,383</i>	<i>64,095</i>	

All cash received after the year end on the accounts selected was verified to the remittance advices, confirmed as paying off pre-year end items and was checked as correctly posted to the sales ledger.

*The ageing of the report dated 16 June 2017 was agreed in respect of these balances and the sales ledger control account and current year bad debts account were reviewed to confirm that no debts outstanding as at 31 March 2017 had been subsequently written off. The report dated 16 June 2017 can therefore be accepted as an accurate record of the year end debtors still unpaid as at 16 June 2017. This age analysis can therefore be used to determine whether the provision for bad debts is adequate (see **V4.2**).*

The review of after date cash was updated on 2 July 2017. All balances are now fully paid.

EAA

Client: <i>Bright-a-Light</i>	Year end: <i>31 March 2017</i>	File no: <i>89999</i>	Ref: J4.1
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SAMPLE SELECTION PLANNING – BALANCE SHEET

Objective: To record the sources from which audit assurance has been obtained, and to assist in calculating sample sizes for tests of detail.

<i>Audit area: Debtors</i>			
Approximate number of transactions in year			
Sampling risk factor			
Test of detail only = Inherent risk factor (table figure)			
OR	$(1.2 \times 2/3) =$		
Test of detail and (analytical review*† or compliance*†) = Inherent risk factor (table figure) $\times 2/3$	0.8		
OR			
Test of detail and analytical review† and compliance† = Inherent risk factor (table figure) $\times 1/2$			
Tolerable error = Materiality	=	75k = 62.5k	
Inherent risk factor (table figure)		1.2	
Monetary value of population (100 %)	CU 851,586
Value of items above the tolerable error (%)	CU (156,332)
Value of scheduled other 'key' items (%)	CU .
Value of residual population (%)	CU 695,254
Sample size = Residual population \times Sampling risk factor	CU 695,254	$\times 0.8$	= 7 (See maximum below)
Materiality	CU 75,000		
Plus: Number of items above the tolerable error			= 1
Number of other 'key' items			=
Actual sample size			8
Conclusion			
I am satisfied that the actual sample size will fairly test the population.			
Prepared by	<i>EAA</i>	Date	<u>8.6.17</u>
Reviewed by	<i>DGN</i>	Date	<u>8.6.17</u>

* Delete as appropriate.

† Refer to working papers in D section and C7-1.

Tables of maximum sample sizes

		<i>Specific risk</i>		
		L	M	H
<i>General risk</i>	L	2 0	2 5	3 0
	M	2 5	3 0	3 5
	H	3 0	3 5	4 0

Table 1 –for tests of detail only

		<i>Specific risk</i>		
		L	M	H
<i>General risk</i>	L	1 3	1 7	2 0
	M	1 7	2 0	2 3
	H	2 0	2 3	2 6

Table 2 –for tests of detail and (analytical review* or tests of control*)

		<i>Specific risk</i>		
		L	M	H
<i>General risk</i>	L	1 0	1 3	1 5
	M	1 3	1 5	1 8
	H	1 5	1 8	2 0

Table 3 –for tests of detail and analytical review and tests of control

Client: <i>Bright-a-Light</i>	Prepared by: <i>ZM</i>	Date: 16.6.17	Ref: J5
Year end: 31 March 2017	Reviewed by: <i>EAA</i>	Date: 19.6.17	
Subject:	File No: B9999		

The client used the aged debtors listing at 16 June 2017 to identify debtors at 31 March 2017 that have not yet paid. The accuracy of this report was tested when reviewing post year end receipts J4.1: balances from J4.1 have not been included on this schedule. Each balance was then discussed with the client to confirm the need for a provision

No.	Account	Out-standing	Comment	Provision
BA0837	Mr& Mrs F Barber	1,257.97	Unable to trace them	1,257.97
CR1157	Mr Creeper	1,461.48	Feel that it is recoverable	1,461.48
FI0101	Fitzroys	1,194.32	Is paying CU20 p.w.	1,194.32
JA0103	J Austins Distributors	5,923.43	See below	.
SP0375	A J Spratt	295.89	Has gone bust	295.89
VA1182	Varneys Stores	2,243.75	Unlikely to pay	2,243.75
SA0893	Saveheat Insulation	157.00	Will not pay	157.00
R02250	Roger's Shoe Shop	2,414.75	In liquidation	2,414.75
CO2843	Connollys Garage	133.00	In court, outcome uncertain	133.00
		15,081.59		9,158.16

The client has made a provision of CU9,158. Other than the outstanding balances on J4.1 the only contentious balance is the debt of CU5,923.43 with J Austins Distributors. The client believes that this is collectable as it is owed by the MD's brother-in-law; however, it seems that the brother-in-law is having severe cash flow problems.

An additional provision appears to be required in respect of the sales ledger balance relating to J Austins Distributors. This has been recorded on B7 and on the audit highlights, B5.

ZM 16.6.17

The brother in law has subsequently arranged additional finance from the bank and the MD is now confident that the balance will be paid. On this basis it is agreed that a provision is not required.

EAA 2.7.17

S OPERATIONAL EFFECTIVENESS OF CONTROLS

1

2 Audit programme

3 Internal Control Evaluation

4 Internal Control Questionnaire

SUMMARY SHEET — OPERATIONAL EFFECTIVENESS OF CONTROLS

Audit objectives

- 1 To test the effective operation of key controls where the risk assessment includes an expectation that they are operating effectively.
- 2 To test the effective operation of key controls where substantive tests alone do not provide sufficient evidence of operation.
- 3 To seek to reduce the nature or extent of substantive testing where reliance on controls is more effective.
- 4 To ensure that reliance on the testing of controls at the interim stage or in earlier years is only relied upon where it is appropriate to do so.
- 5 To identify weaknesses in internal controls that should be brought to the attention of management.

Planning		Final		
Number of key tests which satisfy objective*	Reference to bespoke tests to be carried out	Are you satisfied that the objectives have been met?	Comments	Initials
1, 2, 3		Yes\ No	S3.1	EAA
1, 2, 3		Yes\ No	Not expected to be an issue	
1, 2, 3		Yes\ No	No reliance on controls except as '1' above	
4, 5, 6 7, 8		Yes\ No	N/A interim No testing	
9		Yes\ No	A6	EAA

Planning conclusion

I am satisfied that from the tests planned sufficient evidence can be gained to satisfy the objectives.

Prepared by: EAA
 Reviewed by: DGU

Date: 8.6.17
 Date: 8.6.17

Final conclusion

From tests of controls carried out I confirm that *(subject to the matters highlighted on **B5** or **B8**) in my opinion such procedures provide additional appropriate audit evidence as to the completeness, accuracy and validity of information in the accounts.

Prepared by: EAA
 Reviewed by: DGU

Date: 2.7.17
 Date: 2.7.17

Alternative conclusion (ANY alternative conclusion MUST be referred to on B5 or B8)

Prepared by: _____ Date: _____
 Prepared by: _____ Date: _____

* Delete if not applicable.

Client: <i>Bright-a-Light</i>	Tailored by: <i>EAA</i>	Date: 8.6.17	Ref: S2
Year end: <i>31 March 2017</i>	Tailoring reviewed by: <i>DGU</i>	Date: 8.6.17	
File No: B9999		Date:	

AUDIT PROGRAMME — OPERATIONAL EFFECTIVENESS OF CONTROLS

General

- 1 Testing of the operational effectiveness of internal controls should be undertaken where:
- the risk assessment includes an expectation that controls are operating effectively;
 - substantive tests alone do not provide sufficient evidence of operation;
 - this is more effective than relying solely on substantive procedures.
- 2 Where the assessed risk of material misstatement at the assertion level is a significant risk and it is intended to place reliance on the operating effectiveness of controls intended to mitigate that significant risk, confirm that the testing of the operating effectiveness of those controls is performed in the current period.

- 3 Document each control to be tested on the ICE (S3) and reference each to the working papers evidencing the compliance test.

Interim testing

- 4 Where the operating effectiveness of controls was tested during an interim period has consideration been given to what additional audit evidence should be obtained for the remaining period?

Reliance on testing in prior years

- 5 Where it is planned to rely on evidence about the operating effectiveness of controls obtained in prior audits, has evidence about whether those specific controls have subsequently changed been obtained?
- 6 Where it is planned to place reliance on controls that have changed since they were last tested has the operating effectiveness of those controls been tested this year?
- 7 Where it is planned to place reliance on controls that have not changed since they were last tested, confirm that those controls were last tested no more than two years ago.
- 8 Where it is planned to place reliance on a number of controls that have not changed since they were last tested, confirm that some of those controls were tested this year.

Test required Y/N	Results satisfactory Y/N	Sch ref	Comments	Initials and date
	Y	S3	Not an issue Substantive approach	EAA 18.6.17
Y			All tests undertaken current period In	
Y	Y	S3		EAA 18.6.17
			Test not required	
			Test not required	
			Test not required	
			Test not required	
			Test not required	

Conclusion

9 Consider whether:

- (a) It is appropriate to place the planned reliance on the operational effectiveness of internal controls.
- (b) There are any points which need to be included in a letter of representation or letter of comment and record on **A5** or **A6** as appropriate.

Test required Y/N	Results satisfactory Y/N	Sch ref	Comments	Initials and date
Y	Y		<i>Yes controls operating as anticipated See A6</i>	<i>EAA 18.6.17 EAA 18.6.17</i>

Client: <i>Bright-a-Light</i>	Prepared by: <i>EAA</i>	Date: 8.6.17	Ref: S3
Year end: 31 March 2017	File No: <i>B9999</i>	Reviewed by: <i>DQU</i>	Date: 2.7.17

INTERNAL CONTROL EVALUATION

<i>Business area</i>	<i>Key Control</i>	<i>Compliance test</i>	<i>Ref. to detailed work</i>	<i>Results satisfactory Y/N</i>	<i>Place reliance on control? Y/N</i>
<i>Trade debtors</i>	<i>Transactions are posted to Sage Line 50 daily and maintenance checks are carried out weekly.</i>	<i>Review records of postings to confirm that transactions are posted daily. Observe daily postings and weekly maintenance checks.</i>	<i>S3.1</i>	<i>Y</i>	<i>Y</i>
<i>Trade debtors</i>	<i>The usual month end reports are produced and reconciled to ensure agreement.</i>	<i>Review the production of reports each month and ensure that they agree.</i>	<i>S3.2</i>	<i>Y</i>	<i>Y</i>
<i>Trade debtors</i>	<i>The aged analysis of debtors is used each month as a basis for credit control checks. Notes of all calls and follow-up action are noted on each</i>	<i>Review the aged analysis for each month for evidence that outstanding balances are identified and followed up.</i>	<i>S3.3</i>	<i>Y</i>	<i>Y</i>
<i>Trade debtors</i>	<i>The MD is involved each month in identifying problem accounts and following up some personally.</i>	<i>When looking at the aged analysis reports look for evidence of input by the MD and check for his involvement on larger overdue accounts.</i>	<i>S3.3</i>	<i>Y</i>	<i>Y</i>

Auditee:	Initials:	Date:	w/p ref
Subject:	Prepared by:		
	Reviewed by:		
Procurement System Test			

Objective: To ensure that purchases are in accordance with Client's procurement policies and procedures and properly accounted for in the relevant accounting period.

Basis of selection: Select XX of procurements amount which requires complex/ simplified, local tender and international tenders procedures.

Tests: Perform the following tests :-

i) Ascertain that the purchase requisition are authorized in accordance with the authority limits.

ii) Ascertain that the purchases are eligible a per the budget for the entity/ project.

iii) Ascertain that adequate number of quotations obtained (at least 3) and properly approved as per authority limit (whereby the supplier with high quality, lowest quotation is awarded the contract for supplies and for deviations, the rationale was clearly documented and approved).

iv) Ascertain a work order is raised and duly approved by the proper authority.

v) Trace the Purchase Order to the purchase register which is being updated on timely basis and monitoring properly.

vi) Ascertain that the stores acknowledged in the receipt of goods on invoices.

vii) Ascertain work order matches to invoices.

viii) Ascertain invoices received are approved in accordance with the authority limits.

ix) Ascertain the MRR/GRN was completed, agreed, quality, quantity checked and approved properly.

x) Check whether the payment is made through account payee cheque.

SL No	PV No.	PV Date	Supplier's Name	Product/ Service Details	P.R.No. / Approved date	P.O No. / Approved date	Delivery Date	Amount Taka	Audit Test																
									i	ii	iii	iv	v	vi	vii	viii	ix	x	Remarks						
1																									
2																									
3																									
4																									
5																									
6																									
Findings																									
Conclusion																									

Prepared by:	Initials:	Date:	W/P Ref:
Reviewed by:			

Vouching of Admin, Travel, Office cost-Operation and Supplies

Objective: To check whether the transactions are authorized transaction and check integrity of accounting data.

Basis of selection: Cover atleast% of total expenditure.

Tests: Perform the following tests:-

i) Ensure that the expenses are necessary for carrying out the operation;

ii) Ensure that the expenses have actually been incurred, goods/ services have been received and are backed by originals of supporting documentary evidence; and are properly authorized by the Authorized Officer.

iii) The expenses incurred are in relation to the Entity/ Programme.

iv) Ensure the payments have been captured in correct amount, correct period and in the correct account codes

v) Trace to GL (System GL or Printout)

SL NO.	Voucher Number	Voucher Date	Cheque No. (if bank payment)	Details	Acc Code	Amount in Taka						Remarks
							i	ii	iii	iv	v	
1												
2												
3												
4												
5												
6												
7												
8												
9												

Findings:

Conclusion:

