



COMPLEXITY

SIMPLIFIED

CA INTER AUDIT
May'24

QUESTION BANK

Chapter- 6

Audit Documentation



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Preface

Greetings students,

As the author of this question bank, I've taken a thoughtful approach to its construction, prioritizing a competitive spirit in your learning journey.

Correct / Incorrect Questions

The Correct and Incorrect questions/answers are intentionally not kept in sequential order. Why? To encourage analytical thinking without the comfort of knowing the topic heading in advance.

Dedication to Holistic Learning

My dedication to creating content knows no bounds. I've meticulously curated questions from over 20 years of ICAI materials, including Study Material Practice Questions, MTPs, RTPs, and Suggested Answers. The sequencing of chapter topics aligns seamlessly with the ICAI study material. For downloading Complete Question Bank click [here](#)

ADDITIONAL INFORMATION ABOUT COMPLETE QUESTION BANK

Insights from Examiner Comments

Moreover, the inclusion of examiner comments adds a unique dimension. Learning from the mistakes highlighted by ICAI examiners can significantly improve your understanding. This book is not just about questions and answers; it's a tool to help you comprehend common mistakes and guide you on how to avoid and rectify them.

Comprehensive Question Selection Strategy

I've gone a step further. Not only have I kept questions directly related to the current study material, but I've also included additional ones related to previous years with some relevance to the current context. These carry relevance, but I advise focusing on them only after thoroughly covering the main syllabus according to the current study material.

VIDEO LEARNING INITIATIVE



And here's an exciting initiative—I've started creating YouTube videos to help you understand any challenging question or topic. All you need to do is message us on WhatsApp or Telegram using the provided link at the bottom of the page, and I'll promptly create a video to address your request.

Closing Note: Embark on Your Learning Journey

So, dive into this question bank with enthusiasm, and remember, I'm here to support your learning journey every step of the way.

Best regards,
Prof. Vishal

If you require further assistance with your study techniques or any other aspect, don't hesitate to contact us.

You can instantly reach out via WhatsApp by clicking this icon,  or join our Telegram group  to pose questions that could also benefit your peers.



<h1>Chapter 6</h1>	<h1>Audit Documentation</h1>
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Part A – Correct Incorrect

Q. 1 State with reasons (in short) whether the following statements are True or False :	
1.	<p>An Auditor is bound to provide copies of the working papers to the CEO of the company.</p> <p style="text-align: right;">(2 Marks each, November 2014)</p> <p>Incorrect</p> <p>Working papers are the property of the auditor, thus he is not bound to provide copies of the working papers to anyone unless otherwise specified by law or regulation. However, the auditor may, at his discretion, make portions of or extracts from his working papers available to CEO of the Company or any third party.</p>
2.	<p>The auditor must include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking etc.</p> <p style="text-align: right;">(Inter Audit RTP/ New/ Old Nov. 2021)</p> <p>Incorrect</p> <p>The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>
3.	<p>Audit documentation is a substitute for the entity's accounting records.</p> <p style="text-align: right;">(Old Course SM) (RTP IPCC Nov 18)</p> <p>Incorrect</p> <p>The auditor may include copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation on. Audit documentation is not a substitute for the entity's accounting records.</p>
4.	<p>The auditor shall prepare audit documentation on a timely basis.</p> <p style="text-align: right;">(2 Marks, MTP Sep.2022)</p> <p>Correct</p> <p>The auditor shall prepare audit documentation on a timely basis. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalised. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.</p>
5.	<p>Audit Working Papers to be kept at least for 3 (three) years.</p> <p style="text-align: right;">(2 Marks each, Nov. 2008)</p> <p>False: As per SA 230 on "Audit Documentation", the retention period for audit working papers ordinarily is no shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report.</p>
6.	<p>The Audit Engagement documentations should ordinarily be retained by the auditor for minimum of six years from the date of the auditor's report or the date of the group auditor's report, whichever is later.</p> <p style="text-align: right;">(2 Marks May 2018)</p>



	<p>Incorrect</p> <p>SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report.</p> <p>Examiner Comment - Many candidates did not possess knowledge of SQC 1 and they were not aware of requirement of SQC 1 regarding establishing policies and procedures for the retention of engagement documentation.</p>
7.	<p>The auditor shall assemble the audit documentation in the audit file and complete the administrative process of assembling the final audit file before the date of the auditor's report.</p> <p style="text-align: right;">(Inter Sugg. Nov 2022)</p> <p>Incorrect</p> <p>The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. As per SQC-1, the audit file shall be assembled within 60 days from the date of the auditor's report.</p>
8.	<p>SQC1 requires engagement partner to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 30 days after the date of the auditor's report.</p> <p style="text-align: right;">(MTP May 2020, 2 Marks)</p> <p>Incorrect</p> <p>SQC1 "Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and related services", requires firms to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.</p>
9.	<p>An Auditor is bound to provide copies of the working papers to the CEO of the company.</p> <p style="text-align: right;">(2 Marks each, November, 2014)</p> <p>Incorrect</p> <p>Working papers are the property of the auditor, thus he is not bound to provide copies of the working papers to anyone unless otherwise specified by law or regulation. However, the auditor may, at his discretion, make portions of or extracts from his working papers available to CEO of the Company or any third party.</p>
10.	<p>The auditee firm has no right to compel the auditor to provide copies of the working papers.</p> <p style="text-align: right;">(2 Marks each, Nov. 2009)</p> <p>True</p> <p>Working papers are the property of the auditors. Auditee has no right to compel the auditor's firm to provide it with the copies of working papers. However, the auditors may at their discretion make portions of or extracts from their working papers available to the Auditee.</p>
11.	<p>As per SA 230 on "Audit Documentations", the working papers are not the property of the auditor.</p> <p style="text-align: right;">(TYK)(RTP IPCC May 17) (RTP IPCC May 2018)</p> <p>Incorrect</p> <p>As per SA 230 on "Audit Documentations" the working papers are the property of the auditor and the auditor has right to retain them. He may at his discretion can make available working papers to his client. The auditor should retain them long enough to meet the needs of his practice and legal or professional requirement.</p>
12.	<p>Branch auditor of a company should give photocopies of his working papers on demand by Company Auditor.</p> <p style="text-align: right;">(2 Marks each, November, 2013)</p>

	<p>Incorrect</p> <p>As per SA 230 on "Audit Documentation", audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel.</p>
13.	<p>Mr. A is a statutory auditor of ABC Ltd. The branch of ABC Ltd. is audited by Mr. B, another Chartered Accountant. Mr. A requests for the photocopies of the audit documentation of Mr. B pertaining to the branch audit.</p> <p style="text-align: right;">(TYK)(2 Marks each, May, 2018)</p> <p>Incorrect</p> <p>SA 230 issued by ICAI on Audit Documentation, and "Standard on Quality Control (SQC) 1, provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel.</p> <p>Examiner Comment - Majority of the candidates gave correct conclusion but lacked knowledge regarding discretionary power of the auditor in this matter.</p>
14.	<p>Working papers are property of client, as it contains client's information.</p> <p style="text-align: right;">(2 Marks each, Nov. 2013)</p> <p>Incorrect</p> <p>Working papers are the property of the auditor and he is entitled to retain them. He may, at his discretion, make portions of or extracts from his working papers available to clients.</p>
15.	<p>Working Papers can serve as a guide in framing Audit programme.</p> <p style="text-align: right;">(Old Course SM) (2 Marks, Nov, 2016)</p> <p>Correct</p> <p>Working Papers can serve as a guide in framing audit programme in the future as they indicate the weaknesses in the system of the client which specially need to be watched.</p>



Part B – Descriptive Questions

Audit Documentation 230

Q. 1	<p>What do you mean by Audit Documentation? Also explain the nature and purpose of audit documentation. (RTP Inter New May 19)</p> <p style="text-align: center;">OR</p> <p>Discuss the meaning and nature of Audit Documentation. (RTP-Nov. 19) (RTP Inter New May 19)</p> <p style="text-align: center;">OR</p> <p>Audit documentation provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor. Explain clearly stating the nature and purpose of Audit Documentation. (MTP Oct-New 2018, 5 Marks)</p> <p style="text-align: center;">OR</p> <p>Write a short note on the following : Audit working papers . (RTP Old May 12)</p> <p style="text-align: center;">OR</p> <p>Audit documentation provides evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor and evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. Explain stating clearly purpose of audit documentation. (MTP-New Aug 2018, 5 Marks)</p> <p style="text-align: center;">OR</p> <p>Audit documentation serves a number of purposes. List such purposes. (5 Marks each, May, 2011) (Inter Audit MTP/ New/ Old. 2021) (3 Marks)</p> <p>Audit documentation serves a number of purposes. Explain with reference to SA-230. (5 Marks each, May 2015)</p> <p style="text-align: center;">OR</p> <p>CA M is the engagement partner of S Ltd. He has instructed his audit team to maintain proper audit documentation. The audit team members are not sure about the purpose for which the documentation should be made. Explain the various purposes of audit documentation with reference to SA 230. (Inter Sugg. Nov 2022)</p> <p style="text-align: center;">OR</p> <p>SA 230, "Audit Documentation" deals with the auditor's responsibility to prepare audit documentation for an audit of financial statements. Such audit documentation serves various purposes. Explain. (Refer pt c) (Inter RTP May 2023)</p> <p style="text-align: center;">OR</p> <p>Discuss any two purposes of audit documentation.(Refer C.) (TYK)</p>
<p>A. Audit documentation: SA 230 on "Audit Documentation", audit documentation refers to the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. (Terms such as "working papers" or "work papers" are also sometimes used.)</p> <p>B. Nature of Audit Documentation Audit documentation provides:</p> <ol style="list-style-type: none">a. evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; andb. evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. <p>C. Purpose of Audit Documentation The following are the purpose of Audit documentation:</p>	

	<ol style="list-style-type: none"> 1. Assisting the engagement team to plan and perform the audit. 2. Assisting members of the engagement team to direct and supervise the audit work, and to discharge their review responsibilities. 3. Enabling the engagement team to be accountable for its work. 4. Retaining a record of matters of continuing significance to future audits. 5. Enabling the conduct of quality control reviews and inspections in accordance with SQC 1. 6. Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements. <p>Examiner Comment - Some candidates wrote about types, manner, period of document etc. rather than discussing about purpose of audit documentation with reference to SA-230. Also, a few candidates misunderstood audit documentation as audit report and answered accordingly.</p>
Q. 2	<p>The audit working papers constitute the link between the auditor's report and the client's records. Explain clearly stating the definition and purpose of audit documentation.</p> <p style="text-align: right;">(RTP IPCC May 19)</p> <p>The audit working papers constitute the link between the auditor's report and the client's records : Refer Q 1 Audit Documentation and Purposes.</p>
Q. 3	<p>Explain the advantages of "Audit Working Papers/Audit Documentation". (RTP IPCC NOV 14) (PM IPCC CH2) (RTP IPCC NOV 11) (RTP IPCC NOV 16) (RTP IPCC NOV 17) (RTP IPCC MAY 15)</p> <p style="text-align: center;">OR</p> <p>Write a short note on Importance of audit working papers. (4 Marks, November, 2011) (4 Marks, November, 2013), (4 Marks, May 2015)</p> <p style="text-align: center;">OR</p> <p>Explain in brief the utility of Working Paper to an auditor.</p> <p style="text-align: right;">(3 Marks, May, 2007)</p> <p>Audit Documentation are the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached: Advantages of Audit Documentation – Refer Qn.1 Purposes Working Papers are necessary to -</p> <ol style="list-style-type: none"> 1. Record and demonstrate the audit work - from one year to another, 2. Draw conclusions - from the evidence obtained, 3. Standardize the Working Papers and audit procedures - to improve the efficiency of the audit, 4. Facilitate the delegation of work - as a means to control quality of work performed, 5. Provide guidance to the Audit Staff - with regard to the manner of checking the schedules, 6. Act as evidence in a Court of Law when a charge of negligence is brought against the Auditor.
Q. 4	<p>a. A new team member of GSR & Co., the auditors of Esteem Limited, was of the view that Audit Documentation would not serve any purpose at any stage of Audit. Explain.</p> <p>b. While documenting the nature, timing and extent of audit procedures performed in case of audit of PQR Ltd, explain the important matters its auditor should record.</p> <p style="text-align: right;">(Inter Audit RTP/ New/ Old, May, 2021)</p> <p>a. The following are the purpose of Audit documentation: Refer all 6 Points from Q 1 From the above, it can be concluded that Audit documentation serves a number of purposes and hence it would be incorrect to say that audit documentation would not serve any purpose at any stage of audit.</p>



	<p>b. In documenting the nature, timing and extent of audit procedures performed, the auditor of PQR Ltd shall record</p> <ol style="list-style-type: none">1. The identifying characteristics of the specific items or matters tested.2. Who performed the audit work and the date such work was completed; and3. Who reviewed the audit work performed and the date and extent of such review.
Q. 5	<p>Factors affecting form, contents and extent of audit documentation. (5 Marks each, May, 2013)</p> <p style="text-align: center;">OR</p> <p>The form, contents and extent of audit documents depend on certain factors. Explain with reference to SA 230. (4 Marks, Nov 2015)</p> <p style="text-align: center;">OR</p> <p>The form, content and extent of audit documentation depend on factors such as the size and complexity of the entity, the nature of the audit procedures to be performed etc. Explain in detail. (RTP INTER NOV 18)</p> <p style="text-align: center;">OR</p> <p>Discuss with reference to SA-230, factors affecting form, contents and extent of audit documentation. (MTP-NEW April 2019, 4 Marks) (4 Marks, Nov 2018)</p> <p style="text-align: center;">OR</p> <p>State the factors affecting form, content and extent of working papers. (RTP IPCC May 19)</p> <p style="text-align: right;">OR</p> <p>The form, content and extent of audit documentation depends upon number of factors. List out any four such factors. (TYK)</p> <p>Factors affecting Form, Contents and Extent of Audit Documentation: As per SA-230 on "Audit Documentation", the form, content and extent of audit documentation depend on the following factors-</p> <ol style="list-style-type: none">a. The size and complexity of the entity.b. The nature of the audit procedures to be performed.c. The identified risks of material misstatement.d. The significance of the audit evidence obtained.e. The nature and extent of exceptions identified.f. The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.g. The audit methodology and tools used <p>Examiner Comment - Instead of answering about form, content and extent of audit documentation, many examinees wrote about permanent audit file & current audit file.</p> <p style="text-align: center;">OR</p> <p>May 2018 - Most of the examinees performed well in this question. However, few examinees wrongly and unnecessarily explained the contents of permanent and current audit file which was not required.</p>
Q. 6	<p>What do you mean by Audit Documentation ("Working Papers")? State the purposes of Audit Documentation. Give at least five examples of Audit Documentation. (RTP IPCC May 13)</p> <p style="text-align: center;">OR</p> <p>Define audit documentation. Also give some examples. (TYK)</p>

Refer Q 1 for Meaning, Nature an Purpose of Audit Documentation

Audit documentation may be recorded on paper or on electronic or other media.

Examples of audit documentation include:

- Audit programmes.
- Analyses.
- Issues memoranda.
- Summaries of significant matters.
- Letters of confirmation and representation.
- Checklists.
- Correspondence (including_ e-mail) concerning significant matters.

The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.

Q. 7

The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. Explain

Discuss the broad parameters auditor would take into consideration (RTP Nov 2023)(MTP March 2018, 5 Marks) (MTP March 2019, 4 Marks) (RTP INTER NOV 18)

OR

Briefly explain the policies and procedures of assembling the final audit file on a timely basis after the date of auditor's report under SQC-1.

(3 Marks, Nov 2019 – Inter New)

OR

SQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of audit files. Explain

(RTP Inter New Nov 19)

OR

TRS & Associates, Chartered Accountants, having completed the audit of Genuine Leathers Ltd has started the assembling of final audit file. TRS & Associates has established policies and procedures for the timely completion of the assembly of audit files. Explain the various aspects related to final audit file discussed in SA 230 giving specific reference to SQC 1, wherever required.

(Inter Audit RTP/ New/ Old May. 2022)

Or

M/s Samar Amar & Associates are the statutory auditors of Ganga Ltd. for FY 2020-21. CA Samar is the engagement partner for such assignment. While discussing with the engagement team, CA Samar briefed his team that "the auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation." Explain.

(RTP May 2023)

The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report.

- a. SQC 1 "Quality Control for Firms that perform Audits and Review of Historical Financial Information, and other Assurance and related services", requires firms to establish policies and procedures for the timely completion of the assembly of audit files.
- b. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than **60 days** after the date of the auditor's report. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions.
- c. Changes may, however, be made to the audit documentation during the final assembly process, if they are administrative in nature.



- d. Examples of such changes include:
- Deleting or discarding superseded documentation.
 - Sorting, collating and cross-referencing working papers.
 - Signing off on completion checklists relating to the file assembly process.
 - Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor's report.
- e. After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period.
- f. SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report

Documentation of Significant Matters

Q. 8 Judging the significance of a matter requires an objective analysis of the facts and circumstances. Documentation of the professional judgments made, where significant, serves to explain the auditor's conclusions and to reinforce the quality of the judgment. Explain with the help of examples.

(RTP Inter New May 19)

Documentation of Significant Matters and Related Significant Professional Judgments

A. Judging the significance of a matter requires an objective analysis of the facts and circumstances.

Examples of significant matters include:

- Matters that give rise to significant risks.
- Results of audit procedures indicating (a) that the financial statements could be materially misstated, or (b) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.
- Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
- Findings that could result in a modification to the audit opinion or the inclusion of an Emphasis of Matter Paragraph in the auditor's report.

B. An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results.

C. Documentation of the professional judgments made, where significant, serves to explain the auditor's conclusions and to reinforce the quality of the judgment. Such matters are of particular interest to those responsible for reviewing audit documentation, including those carrying out subsequent audits, when reviewing matters of continuing significance (for example, when performing a retrospective review of accounting estimates).

D. Some examples of circumstances in which it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:

- The rationale for the auditor's conclusion when a requirement provides that the auditor 'shall consider' certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).
- The basis for the auditor's conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.

Q. 9 Give some examples of circumstances in which it is appropriate to prepare audit documentation relating to the use of professional judgment where the matters and judgments are significant.

(MTP Oct 2020, 3 Marks)

Refer Above Qn. 8 (Last Part D for Examples)

Q. 10	<p>An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results. Explain stating clearly the examples of significant matters.</p>
	Refer Q 8
Q. 11	<p>The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor to understand significant matters arising during the audit. Explain the above statement and also give examples of significant matters.</p> <p style="text-align: right;">(Inter RTP Nov. 2022)</p>
	<p>The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.</p> <p>Refer Q 8 Part A</p>
Q. 12	<p>Clarification on the Auditor's rights where clients and other Auditors seek access to their audit working papers.</p> <p style="text-align: right;">(5 Marks, Nov 2017, Nov 2018)</p>
	<p>Clarification on the Auditors' Rights where Clients and Other Auditors seek access to their Audit Working Papers :</p> <ol style="list-style-type: none"> 1. The requests for access to Working Papers of the auditor may be made by the clients or other auditors (who have/had been performing the duties as the auditors) of the enterprise or its related enterprise such as a parent enterprise 2. The auditor should respect the confidentiality of information acquired in the course of his work and should not disclose any such information to a third party without specific authority or unless there is a legal or professional duty to disclose. 3. Clause 1 Part I of the Second Schedule to the Chartered Accountants Act, 1949, provides that a Chartered Accountant in practice shall be deemed to be guilty of professional misconduct, if he discloses information acquired in the course of his professional engagement to any person other than his client, without the consent of his client or otherwise than as required by any law for the time being in force. 4. SA 230 on "Audit Documentation" provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel. 5. It is hereby clarified that except to the extent stated in para below, <ol style="list-style-type: none"> a. an auditor is not required to provide the client or the other auditors of the same enterprise or its related enterprise such as a parent or a subsidiary , any access to his audit working papers. b. Also, Auditor of Holding company cannot have access to audit working papers of the subsidiary company's auditor. He can however, ask the auditor to answer certain questions about the manner in which the audit is conducted and certain other clarifications regarding audit, c. The main auditors of an enterprise do not have right of access to the audit working papers of the branch auditors. d. An auditor can rely on the work of another auditor, without having any right of access to the audit working papers of the other auditor. For this purpose, the term 'auditor' includes internal auditor'. <p>Examiner Comment – Examinees explained about the working papers generally but failed to answer regarding clarification on the Auditor's right which was required. Also, many examinees wrote about rights of auditors instead of specifically writing about right over working papers.</p>
Q. 13	<p>"Completion Memorandum" is helpful as part of the audit documentation. Explain.</p> <p style="text-align: right;">(MTP May 2020, 3 Marks) (3 Marks, May 2019 – Inter New)</p> <p style="text-align: center;">OR</p> <p>"Audit documentation summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits". Explain.</p> <p style="text-align: right;">(TYK)</p>



Completion Memorandum or Audit Documentation Summary.

The auditor may consider it helpful to prepare and retain as part of the audit documentation a summary (sometimes known as a completion memorandum) that describes -

1. the significant matters identified during the audit.
2. how they were addressed

Such a summary may facilitate effective and efficient review and inspection of the audit documentation, particularly for large and complex audits.

Further, the preparation of such a summary may assist auditor's consideration of the significant matters. It may also help the auditor to consider whether there is any individual relevant SA objective that the auditor cannot achieve that would prevent the auditor from achieving the overall objectives of the auditor.

Examiner Comment - Some examinees wrongly discussed about Audit Documentation whereas the question asked was on Audit Documentation summary. Only few examinees could answer how Audit Documentation summary is helpful to the auditor.

Q. 14	What are Audit working papers and why should they be carefully preserved by the Auditor? (RTP IPCC Nov 11) OR Audit Working Papers are the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. Explain stating meaning and advantages of working papers. (RTP IPCC Nov 17) (RTP IPCC NOV 14) (PM IPCC CH2) (RTP IPCC NOV 11) (RTP IPCC NOV 16) (RTP IPCC NOV 17) (RTP IPCC MAY 15)
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Audit Working Papers, Nature/Evidence and Purpose: Refer Q1

Standard on Quality Control - 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", issued by the Institute, provides that, unless otherwise specified by law or regulation, Audit Documentation are the property of the auditor.

He may at his discretion, make portions of, or extracts from, working papers available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel.

Retention of working papers: Working papers should be retained, long enough, for a period of time sufficient to meet the needs of his practice and satisfy any legal or professional requirement of record retention.

SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report.

Ownership of Audit Documentation

Q. 15	Should branch auditor of a company comply with the request of the principal auditor of the company to give photocopy of the working papers pertaining to the branch audit? Explain. OR The working papers of the branch auditor are also the property of the Principal Auditor and the Management of the Company, so they have right to access them. State the relevant SA and comment. (3 Marks, Nov 2019) (Inter Audit MTP/ New/ Old. 2021) (3 Marks)
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Ownership of Working Papers:

As per SA 230 "Audit Documentation", Audit Documentation is the property of the auditor. He may at his discretion, make available portions or extracts from his working paper to his client. The auditor should adopt reasonable procedures for custody and confidentiality of his working papers.

An auditor is not required to provide the clients or other auditors' access to his working papers. Statutory auditor of the company does not have right of access to the working papers of the branch auditor.

	<p>In the case of a company, the statutory auditor has to consider the report of the branch auditor and has a right to seek clarification and/or to visit the branch if he deems it necessary to do so for the performance of the duties as auditor but cannot ask for the copy of working paper and therefore, the branch auditor is under no compulsion to give photocopies of his working paper to the principal auditor. As per SA 600, An auditor can rely on the work of another auditor, without having any right of access to the audit working papers of other auditor.</p> <p>From above, it is clear that working papers of the branch auditor are his property only and neither the principal auditor nor management has right to access that. Therefore, statement given in the question is incorrect.</p>
Q. 16	<p>M/s Health Zone, a partnership firm, running a nursing home have decided to discontinue you as an auditor for the next year and requests you to handover all the relevant working papers of the previous year.</p> <p style="text-align: right;">(6 Marks, November, 2007)</p> <p>Ownership of Working Papers: As per SA 230 on "Audit Documentations" the working papers are the property of the auditor and the auditor has right to retain them. He may at his discretion can make available working papers to his client. Working papers should be retained, long enough, for a period of time sufficient to meet the needs of his practice and satisfy any legal or professional requirement of record retention.</p> <p>Working papers are the important records of the auditor. They serve as evidence of the auditor's exercise of due care and conclusion reached regarding significant matters. The client does not have a right to access the working papers and it is up to the discretion of the auditor to make them available or not to others including the client.</p> <p>Hence in the instant case, management of M/s Health Zone can't insist upon the auditor to handover the working papers of the previous year.</p>
Q. 17	<p>R.K. & Company are the auditors of PQR Company Ltd. The Managing Director of the Company demands copies of the audit documentation from the auditors. Are the auditors bound to oblige the Managing Director?</p> <p style="text-align: right;">(6 Marks, November, 2007) (4 Marks each, November, 2010)</p> <p>Ownership and Custody of Working Papers: As per SQC-1, Unless otherwise specified by law or regulation, audit documentation is the property of the auditor, the auditor may, at his discretion make portion of or extracts from his audit documentation available to the client.</p> <p>In the instant case the managing director of the company has demanded copies of the audit documentation from the auditor. He has no right to obtain copies of the audit documentation from the auditor because they are the property of the auditor. However, the auditor may at his discretion make portions of or extracts from the audit documentation to the managing director of PQR & Company Ltd.</p> <p>Conclusion: The auditor is not bound to oblige the managing director by supplying copies of the audit documentation.</p>
Q. 18	<p>What does SA 230 say about utility, ownership, custody and retention of working papers?</p> <p style="text-align: right;">(Old Course SM) (4 Marks, May, 2008)</p> <p>Utility of Working Papers: According to SA 230 on 'Audit Documentation' working papers help in planning and performance of the audit, supervision and review of the audit work and provide evidence of the audit work performed to support the auditor's opinion.</p> <p>Ownership of Working Papers: Standard on Quality Control - 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", issued by the Institute, provides that, unless otherwise specified by law or regulation, Audit Documentation are the property of the auditor. He may at his discretion, make portions of, or extracts from, working papers available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his personnel.</p> <p>Custody of Working Papers: The auditor should adopt reasonable procedures for safe custody and confidentiality of his working papers.</p> <p>Retention of Working Papers: Working papers should be retained, long enough, for a period of time sufficient to meet the needs of his practice and satisfy any legal or professional requirement of record retention. SQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than seven years from the date of the auditor's report, or, if later, the date of the group auditor's report.</p>

Miscellaneous

Q. 19 Audit documentation provides evidence that the audit complies with SAs. However, it is neither necessary nor practicable for the auditor to document every matter considered. Further, it is unnecessary for the auditor to document separately compliance with matters for which compliance is demonstrated by documents included within the audit file. Explain giving examples

(MTP Nov 21, 4 Marks)

Audit documentation provides evidence that the audit complies with SAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:

- The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.
- The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management, or where appropriate, those charged with governance.
- An auditor's report containing an appropriately qualified opinion demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the SAs.
 - ✓ In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file
 - ✓ For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with SAs. Such evidence may include specific procedures performed to corroborate management's responses to the auditor's inquiries.
- Similarly, that the engagement partner has taken responsibility for the direction, supervision and performance of the audit in compliance with the SAs may be evidenced in a number of ways within the audit documentation. This may include documentation of the engagement partner's timely involvement in aspects of the audit, such as participation in the team discussion required by SA 315.

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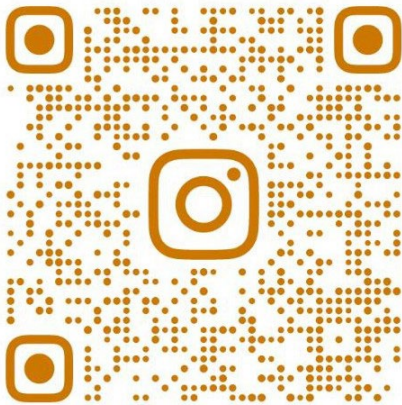


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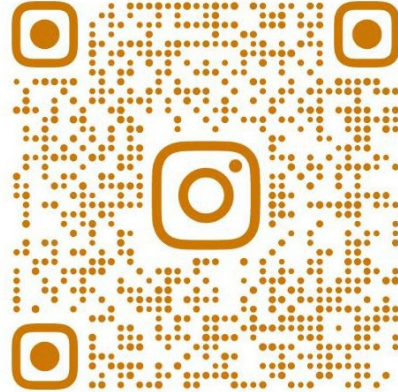


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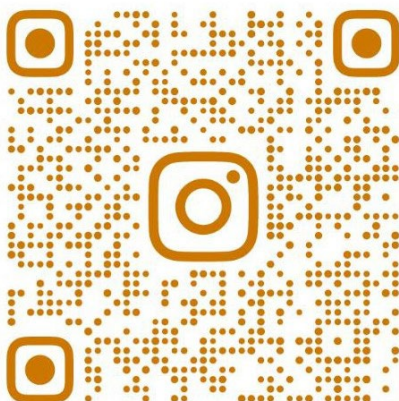
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