

Departure from a Relevant Requirement

Axi The objectives and requirements in ASAs are designed to support the achievement of the overall objective of the auditor. Accordingly, other than in exceptional circumstances, the ASAs call for compliance with each requirement that is relevant in the circumstances of the audit.

Axii The documentation requirement applies only to requirements that are relevant in the circumstances. A requirement is not relevant only in the cases where:

The circumstances envisioned do not apply because the requirement is conditional and the condition does not exist (for example, the requirement to modify the auditor's opinion where there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).

7. COMPLIANCE

The guidelines of this Standard are in compliance with ISA 230

8. EFFECTIVE DATE

This statement of auditing standard is effective for audit of Financial Statements beginning on or after 31st December 2009.

ANAN STANDARD ON AUDITING
ASA (02)

DOCUMENTATION OF AUDIT

ISSUED BY:-
ASSOCIATION OF NATIONAL ACCOUNTANTS OF
NIGERIA

31ST DECEMBER 2009

PREFACE

The Association of National Accountant of Nigeria was established in 1979, registered in 1983 under land perpetual Succession Act, and Chartered by Act No 76 of 1993 (Now Cap A26 LFN, 2004)

It was charged with general duty of:

- a. Advancing the science of accountancy in Nigeria
- b. Determining the standard of knowledge and skill to be attained by persons seeking to become registered members of the profession, and reviewing those standards from time to time as circumstances may require,
- c. Promoting the highest standard of competence, practice and conduct among members of the profession,
- d. Securing the establishment and maintenance of register of members of the profession and the publication, from time to time of list of those persons.
- e. Doing such things as may advance and promote the advancement of the profession of accountancy in both the public and private sectors of the economy.

Globalization and rapid advancement in information management and the pace of dissemination inevitably engendered borderless business entities and growth of international business with the attendant consequence of the need for standardization of the financial reporting mechanism. As a professional member of the global community, we can not afford to deviate from the global practice of adopting or adapting the Standards issued by the International Auditing Standard Board where necessary.

Therefore the Council of the Association in pursuance of the aforementioned conviction has decided to adopt the standards issued by IASB on Terms of Audit Engagement .

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EXPLANATORY NOTES & STATEMENT OF POLICY

It is highly recommended that members should adhere to the application of this guide as applicable to their assignments in relation to audit of pecuniary matters and any other pertinent issues with regard to operations of corporate business entities.

Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective reviews and evaluation of the audit evidence obtained and conclusions reached before the auditors report is finalized.

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.

It is pertinent to note that no part of this statement should be taken in isolation as the entire clauses are contiguous and should be taken together holistically.

Departure from a Relevant Requirement

If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in an ASA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.

ANAN STANDARD ON AUDITING DOCUMENTATION OF AUDIT (ASA 02)

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1. INTRODUCTION

- i The purpose of this ANAN Standard on Auditing (ASA02) is to establish guides and provide guidance on audit documentation.
- ii The auditor should prepare, on a timely basis, audit documentation that provides:
 - (a) A sufficient and appropriate record of the basis for the auditor's report; and
 - (b) Evidence that the audit was planned and performed in accordance with ASA and applicable legal and regulatory requirements.
- iii 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 finalized. Documentation prepared at the time the work is performed is likely to be more accurate than documentation prepared subsequently.
- iv Compliance with the requirements of this ASA 02 together with the specific documentation requirements of other relevant ASAs is ordinarily sufficient to achieve the objectives in paragraph two.
- v In addition to these objectives, audit documentation serves a number of purposes, including:
 - (a) Assisting the audit team to plan and perform the audit;
 - (b) Assisting members of the audit team responsible for supervision to direct and supervise the audit work, and to

discharge their review responsibilities in accordance with the requirement for “Quality Control for Audit Historical Financial Information,”

- (c) Enabling the audit teams to be accountable for its work;
- (d) Retaining a record of matters of continuing significance to future audits;
- (e) Enabling an experienced auditor to conduct quality control reviews and inspections.

2. OBJECTIVE

The objective of the auditor is to prepare documentation that provides:

- (a) A sufficient and appropriate record of the basis for the auditor's report and
- (b) Evidence that the audit was planned and performed in accordance with ASA and applicable legal and regulatory requirements.

3. DEFINITIONS

For purposes of the ASA the following terms have the meanings attributed below:

- i Audit documentation - 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).
- ii Audit file - One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
- iii Experienced Auditor -An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of,
 - (a) Audit processes;
 - (b) ASA and applicable legal and regulatory requirements;
 - (c) The business environment in which the entity operates; and
 - (d) Auditing and Financial reporting issues relevant to the entity's industry.

4. CONTENT AND EXTENT OF AUDIT DOCUMENTATION

- i The form, content and extent of audit documentation
 - The size and complexity of the entity.
 - The nature of the audit procedures to be performed.
 - The identified risks of material misstatement.
 - The significance of the audit evidence obtained.
 - The nature and extent of exceptions identified.
 - 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.
 - The audit methodology and tools used.
- ii Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:
 - Audit programs.
 - Analyses.
 - Issues memoranda
 - Summaries of significant matters,
 - Letters of confirmation and representation.

- Checklists.
- Correspondence (including e-mail) concerning significant matters.
- iii 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.
- iv 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.
- v Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit in the audit documentation.

5. DOCUMENTATION OF THE AUDIT PROCEDURES PERFORMED AND EVIDENCE OBTAINED

- i The Auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand:
 - (a) The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements;
 - (b) The results of the audit procedures performed, and the audit evidence obtained; and
 - (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
- ii In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:
 - (a) The identifying characteristics of the specific items or matters tested;
 - (b) Who performed the audit work and the date such work was completed; and
 - (c) Who reviewed the audit work performed and the date and extent of such review.

The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

If the Auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency,

Documentation of Compliance

- iii Audit documentation provides evidence that the audit complies with the ASAs. 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 ASAs.
 - 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 the ASAs such evidence may include specific procedures performed to corroborate management's responses to the Auditor's inquiries.

When preparing audit documentations, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality, assessed risks, significant matters noted during the audit, and conclusions reached.

Matters Arising after the Date of the Auditor's Report

If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document:

- (a) The circumstances encountered;
- (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and
- (c) When and by whom the resulting changes to audit documentation were made and reviewed.

6. ASSEMBLY OF THE FINAL AUDIT FILE

- i. The ANAN Audit and Quality Assurance Standard Guide lines require 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.
- ii. 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. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:
 - (a) Deleting or discarding superseded documentation.
 - (b) Sorting, collating and cross-referencing working papers.
 - (c) 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.

Documentation of Significant Matters and Related Significant Professional Judgments

- Ai Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:
 1. Matters that give rise to significant risks
 2. 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.

3. Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
 4. 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.
- Aii 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. 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).
- Aiii Some examples of circumstances in which, in accordance with paragraph Ai, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:
1. 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.
 2. The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).

3. 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.

Aiv 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 the significant matters identified during the audit and how they were addressed, or that includes cross-references to other relevant supporting audit documentation that provides such information. Such a summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. Further, the preparation of such a summary may assist the auditor's consideration of the significant matters. It may also help the auditor to consider whether, in light of the audit procedures performed and conclusions reached, there is any individual relevant ASA objective that the auditor has not met or is unable to meet that would prevent the auditor from achieving the auditor's overall objective.

Identification of Specific Items or Matters Tested, and of the Preparer and Reviewer

- Av Recording the identifying characteristics serves a number of purposes. For example, it enables the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. For example:
- For a detailed test of entity-generated purchase orders, the auditor may identify the documents selected for testing by their dates and unique purchase order numbers.

- For a procedure requiring selection or review of all items over a specific amount from a given population, the auditor may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal resister).
- For a procedure requiring systematic sampling from a population of documents, the auditor may identify the documents selected by recording their source, the starting point and the sampling interval.
- For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries and the names and job designations of the entity personnel.
- For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.

Avi ASA 01 requires the auditor to review the audit work performed through review of the audit documentation. The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

Documentation of Discussions of Significant Matters with Management, Those Charged with Governance, and Others

Avii The documentation is not limited to records prepared by the auditor but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons

providing professional advice to the entity.

Documentation of How Inconsistencies have been Addressed

Aviii The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded.

Considerations Specific to Smaller Entities

Aix The audit documentation for the audit of a smaller entity is generally less extensive than that for the audit of a larger entity. Further, in the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (for example, there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement in paragraph Ai to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.

Ax When preparing audit documentation, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross-references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality, assessed risks, significant matters noted during the audit, and conclusions reached.