

AUDIT PROCESS AND FILE

Taking the lead

SC and SAGAs training

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THE AUDIT PROCESS

AUDIT PROCESS

- Entrance meeting with the client management and the auditor is a must
- Coordination of the audit process by key client staff and the auditor is a key to a successful audit.
- Regular progress meetings during the audit.
- Provide all supporting documentation on site
- Involvement of the internal audit function during the audit process.
- Hold an exit meeting with the auditor and auditee management
- Prepare an audit file in advance

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Financial Statements

- Prepare financial statements that is cross referenced to the schedules.
- All significant items in the financial statements should be supported by schedules.
- All disclosures should be supported by workings in the file.
- Completed financial checklist to be filed together with the financial statements.
- Final trial balance extracted from the financial reporting system

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Cash and bank

- Bank reconciliations ensuring reconciling items are valid for all bank accounts
- Bank statements
- Bank confirmations
- Basically whether the cash is existent, owned by the entity and valid.
- Cash Count evidence at end of closing period in all points held by the entity.

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Receivables

- Aged debtors summary
- Staff receivables and other receivables listings
- Provision for bad debts listing
- Subsequent settlement details
- Looking into existence, ownership, valuation, validity
- Distinction of receivables from amounts due from the related parties
- Debtor confirmations

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Property, Plant and Equipment

- An updated fixed assets register clearly showing cost brought forward, additions, revaluations and disposals.
- Title/ ownership documents(looking at ownership, existence) should be included in the file.
- Depreciation policy and computation of the depreciation charge for the year.
- Supporting documentation to additions and approval
- Schedule for disposals and loss/ gain arising there on.

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Property, Plant and Equipment

- Schedule for disposals and loss/ gain arising there on.
- Impairment review record for PPE
- Accounting for revaluation; review of work done by experts; valuation report should be included in the file
- Disclosure in the financial statements – comparative breakdown for both cost and accumulated depreciation.
- Insurance – proof that insurance cover exist for the assets and its adequate.

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Investments

- Movement schedule showing balances brought forward, acquisition, disposal proceeds from investments.
- Schedule of all government securities indicating maturity analysis.
- Documents of title such as share certificates, CDSC account statements
- Valuation of investments

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Inventory

- Stock take report as at the year end date
- Inventory valuation report
- Aged inventory listing
- Stock provisions
- List of obsolete stock

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Trade payables

- Listings to trade payables, accruals and provisions
- Supplier statement files
- Supplier statement reconciliations
- Aged creditors listing
- Leave pay and gratuity provisions workings
- Details of contingent liabilities and provisions disclosed/
made

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Borrowings

- Details of all loans , interest and repayments in the year
- Loan movement schedule showing the balance brought forward, loan proceed, repayment and balance as at the end of reporting period.
- Loan contracts/ agreements.
- Any loans due to related parties and the terms of the loans
- Loan statements
- Split between current and non current portions.

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Taxation

- Tax computation for the current financial year
- Annual returns filed with the Kenya Revenue Authority
- Deferred tax computation
- Withholding tax payment Schedule
- Instalment tax returns

WHAT SHOULD BE IN AN AUDIT FILE

AUDIT FILE

Revenue

- Summary of income from operating and non operating revenue
- Schedule for all revenue streams
- Supporting documents such as contracts/donor agreements
- Revenue recognition policy
- Confirmation of donated income

WHAT SHOULD BE IN AN AUDIT FILE

SUBSTANTIVE TESTING

Expenditure

- Expenses classification, breakdown and schedules
- Supporting documentation such as invoices, contracts
- Payroll
- Summary of statutory deductions
- Directors emoluments
- Compensation to key management staff

WHAT SHOULD BE IN AN AUDIT FILE

SUBSTANTIVE TESTING

Inter – entity Transfer

- Schedule of all transfers received during the period.
- Confirmation from the sending entity which should be compared with the amount recorded by the entity, variance explained if any.

WHAT SHOULD BE IN AN AUDIT FILE

SUBSTANTIVE TESTING

Donor Funded Projects

- Copy of donor agreement.
- Project financial statements.
- Support schedules for key balances and transactions included in the project financial statements, included assets acquired using the donor funds.
- Confirmation from the donors in relation funds sent to the entity.

Questions and Comments