

PROCEDURES FOR QUALITY AUDIT

INTRODUCTION

If you have small or non-complex medium sized audit clients in the United Kingdom, Procedures for Quality Audit (PQA) is for you (it is not intended for use on the audits of particularly complex or large clients).

The procedures encapsulate the key principles of the ISAs (UK) to encourage you to design an audit approach appropriate to the circumstances of the individual audit assignment to which they are being applied. The material is provided for your general guidance but use of these audit programmes is not a substitute for a proper understanding and application of the standards themselves.

To undertake an audit in accordance with the ISAs (UK) audit firms must first comply, on a firm-wide basis, with the International Standard on Quality Management (UK) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or other Assurance or Related Services Engagements" (ISQM (UK) 1). This was issued in July 2021 and was effective from 15 December 2022. A copy of the full text can be downloaded from the FRC website at [ISQM \(UK\) 1_Issued July 2021_final \(frc.org.uk\)](#)

Firms should also consider and adopt ISA (UK) 220 "Quality Control for an Audit of Financial Statements"(revised July 2021 and updated in May 2022) before application of the other ISAs (UK) to individual audit assignments. Full texts of the ISAs (UK) are available on the FRC website at [Auditors | Audit and Assurance | Standards and Guidance for Auditors | Current Auditing Standards | Financial Reporting Council \(frc.org.uk\)](#). Updates, revisions, and improvements are always being made to the standards and users should refer to the FRC website for the most recent updates on emerging issues.

Auditors also need to consider the impact of the FRC Revised Ethical Standard December 2019 on their audit engagement. Where appropriate, reference to the Ethical Standard has been made in the work programmes. The full text of the standard is available from the FRC website at [Auditors | Audit and Assurance | Standards and Guidance for Auditors | Current Ethical Standard | Financial Reporting Council \(frc.org.uk\)](#)

The ISAs (UK) require a risk-based approach to auditing including a formal approach to knowledge of the client and the assessment of risk, including the risk of fraud. Auditors, bringing to bear appropriate professional scepticism, must record their knowledge of the client and its accounting systems and control environment in order to inform their detailed risk assessment process, in accordance with the new requirements of ISA (UK) 315 – "Identifying and assessing the risks of material misstatement". This standard was substantially revised in July 2020 and applies for accounting periods commencing on or after 15 December 2021. Whilst the PQA planning programmes have been updated to drive compliance with the new requirements they will not be a substitute for a detailed understanding of the standard itself.

Once the risks are identified, a programme of work is then needed to address or minimise those risks. The procedures in the audit programmes will go a long way towards that but care is needed to ensure that the work performed addresses the identified risks effectively. The suggested procedures may not be necessary in all cases and there will regularly be circumstances when further client specific tests and procedures are required in order to fully comply with the ISAs (UK).

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* Insert documents

Client Name		Accounting Period		Ref A14/1
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ENGAGEMENT QUALITY CONTROL REVIEW & CONSULTATION MATTERS

ISA (UK) 200, ISA (UK) 220, ISQC (UK) 1, ISQM (UK) 1 (effective as of 15 December 2022) and ISQM (UK) 2 (effective for audits of periods beginning on or after 15 December 2022 – but early adoption is strongly encouraged).

ENGAGEMENT QUALITY CONTROL REVIEW (EQCR)

The purpose of an EQCR is to provide an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the audit opinion, before the report is signed.

ISQM (UK) 2 applies to all engagements for which an EQCR is required in accordance with ISQM (UK) 1 paragraph 34(f):

- (a) for audits of the financial statements of listed or public interest entities;
- (b) for audits where a review is required by law or regulation;
- (c) for audits where the firm has determined that a review is an appropriate response to address one or more quality risks. [The criteria for this can include, but is not limited to, engagements involving a high level of complexity or judgement, complex or contentious accounting matters, difficult to audit areas, recurring issues, deficiencies in internal control, unusual circumstances identified by the acceptance/continuance procedures, where going concern issues are present, qualified or modified audit opinions or as a result of the high profile nature of the client]; or
- (d) where such a review is considered an appropriate safeguard where the identification of a threat to the firm's objectivity or independence has been identified.

The nature and extent of the review required should be determined in accordance with the level of risk or threat identified and the overall objective of the review. Guidance on EQCRs and the criteria for the eligibility of reviewers is provided in ISQM (UK) 2. Reviewers must not be a member of the audit team and must have the necessary competence, capabilities, time, and appropriate authority to carry out the review. They must also comply with all necessary ethical requirements.

OVERALL CONCLUSION

I confirm that:

- (a) I am an independent partner/EQCR reviewer having sufficient competence, experience, and authority to fulfil the role of an EQCR reviewer in accordance with ISQM (UK) 2;
- (b) I have not been engaged in the performance of the audit or the provision of other services/responsibilities to the audit client (or any entity within the same group);
- (c) I have not carried out this independent EQCR for more than five consecutive years;
- (d) the nature and extent of my review has been recorded on schedules A4/2 & A4/3;
- (e) I am satisfied that the objectives set out overleaf, relevant to this EQCR, have been achieved and that the audit report can be signed.

✓

Signed:

Date:

Name:

Client Name		Accounting Period		Ref A14/2
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ENGAGEMENT QUALITY CONTROL REVIEW

Name of independent reviewer:
Assessment of the reviewer's qualifications, competence, experience and authority to fulfil the role:

DOCUMENTATION

The reviewer should use the list of objectives below to confirm the nature and extent of their review. They should also consider the need for a detailed EQCR checklist and provide appropriate cross references below to their review documentation (including evidence of how each point raised was cleared and how any differences of opinion were resolved).

	Objective	Sch Ref	Initials/ Date
1.	Obtain an understanding of the nature and circumstances of the engagement and client, and any matters arising from the firm's most recent monitoring and remediation process that may relate to, or affect, areas involving significant judgements.		
2.	Evaluate whether the file demonstrates compliance with the FRC Ethical Standard 2019 and the independence and objectivity of the RI and key audit staff by reviewing the factors that could be perceived as threats and ensuring that appropriate safeguards exist and have been documented.		
3.	Evaluate the planning process including the identification of the key components of audit risk identified by the audit team and the adequacy of the planned responses to those risks.		
4.	Discuss with the RI/audit team any significant matters or judgements made in planning, performing and reporting on the audit.		
5.	Based on the information obtained above perform and record a review of selected audit documentation relating to the significant judgements made. Evaluate the appropriateness of the basis for those judgements, the exercise of professional scepticism by the audit team, whether the documentation supports the conclusions drawn, and whether those conclusions are appropriate.		
6.	Evaluate whether appropriate consultation has taken place on any complex or contentious matters, or in instances where there have been differences of opinion. Consider whether the conclusions reached are appropriate and have been documented.		
7.	Evaluate whether the RI's involvement throughout the audit process has provided a sufficient basis for their determination that the areas of significant judgement made, and conclusions reached are appropriate.		
8.	Consider the significance and appropriateness of the draft letter of representation at A8/1.	A8/1	
9.	Consider the schedules of both adjusted and unadjusted misstatements at A9/1.	A9/1	

Client Name		Accounting Period		Ref A14/3
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ENGAGEMENT QUALITY CONTROL REVIEW CONTINUED

	Objective	Sch Ref	Initials/ Date
10.	Confirm that all matters identified during the course of the audit which may have been reasonably judged by the audit team to be important and relevant to management or those charged with governance have been included at A7/1.	A7/1	
11.	Evaluate the accuracy and completeness of financial statement disclosures and the appropriateness of the draft audit report. (Note: the audit report must not be dated until after the completion of this EQCR.)	A10 A14/1	
12.	Consider whether all necessary reports have been made to relevant bodies concerning any issues identified during the audit.		
13.	Record your assessment of whether this EQCR has fulfilled the requirements of ISQM (UK) 2 and whether you consider the process to be complete. Date completion notified to the RI: _____		

SAMPLE

Client Name		Accounting Period		Ref B1/1
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PLANNING

ISA (UK) 200, ISA (UK) 210, ISA (UK) 220, ISA (UK) 240, ISA (UK) 300, ISA (UK) 315, ISA (UK) 320

AUDIT OBJECTIVES

1. To establish that the preconditions for an audit are present.
2. To confirm the terms of the engagement.
3. To ensure that the audit complies with professional standards and applicable legal and regulatory requirements.
4. To establish the intended means of achieving the objectives of the audit.
5. To identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.
6. To establish an overall audit strategy that sets the scope, timing, and direction of the audit and that guides the development of the audit plan.
7. To ensure that work is allocated to audit staff that have the appropriate training, experience, and proficiency.
8. To ensure that audit staff at all levels understand their responsibilities and the objectives of the procedures they are expected to perform.
9. To ensure that attention is devoted to critical aspects of the audit.
10. To ensure that the audit is completed expeditiously.

CONCLUSION

Subject to matters noted for the reviewer, I am satisfied that the objectives set out above have been achieved.

Signed Date

Reviewed Date
Responsible Individual

Client Name		Accounting Period		Ref B1/3
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PLANNING CHECKLIST

This checklist has been designed to drive the planning process. Whilst the points below cover each of the main areas required by the International Standards on Auditing (UK), additional narrative will be required on file in order to demonstrate the depth of your consideration in each area and the conclusions drawn.

		ISA (UK) Ref	Sch Ref	Initials/ Date
1.	Confirm the reason that an audit is required by completing the Company Size/Audit Requirement Checklist at B1/10 and B1/11.		B1/10 B1/11	
2.	Consider whether the preconditions for the audit exist: (a) is there an acceptable financial reporting framework; and (b) has management acknowledged responsibility for the preparation of the financial statements, internal control, and provision of access to all relevant information?	210 (6)		
3.	Confirm acceptance of appointment or re-appointment by completing the checklist at B2/1 to B2/6. Ensure that all ethical considerations are collated on schedule B2/7 and that any report to the Ethics Partner (if required) has been made in accordance with the FRC Revised Ethical Standard December 2019 and the ICAS Code of Ethics.	200 (14) 220 (9-13) 300 (6)	B2/1- B2/6 B2/7	
4.	Review the anti-money laundering risk assessment and client due diligence information held for this client and update it as required. Ensure that the Audit Planning Memorandum at B9 includes details of your risk assessment and confirmation of the nature and extent of client due diligence information held.		B9	
5.	Confirm that there is an up-to-date audit engagement letter on file, tailored to the specific circumstances of the client. Ensure it covers the appropriate financial reporting framework and the responsibilities of both the auditor and management. Consider the need to revise existing terms and if appropriate ensure any changes are agreed in writing. The ICAS Code of Ethics 2022 (section R330.3) requires fee arrangements to be confirmed in writing, either in the engagement letter or in a separate fee letter.	210 (9-10) 300(6) 210 (13-17)		
6.	Review correspondence with the client from the date of approval of the last set of financial statements, documenting any matters which may have an impact on this year's audit.		B9	
7.	Obtain and review a copy of the Points Forward schedule from last year's file, documenting any matters which may have an impact on this year's audit. Include a copy on file if appropriate.		B9	
8.	Consider the results of the most recent internal or external monitoring of the firm's audit quality (e.g. Audit Monitoring visit, EQCR or cold file review process) and document the impact any identified deficiencies or remedial actions have on the planning for this assignment. (Note: All reviews should be considered for relevance, not just reviews of this particular client.)	220(23) ISQM (UK) 1 (35-37) (40-45)	B9	

Client Name		Accounting Period		Ref B1/4
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PLANNING CHECKLIST CONTINUED

		ISA (UK) Ref	Sch Ref	Initials/ Date
9.	<p>Hold a pre-audit meeting/discussion with the client. Ensure that the date, details of all participants and matters discussed are recorded on file.</p> <p>Ensure that you have confirmed the appropriate person(s) in the governance structure with whom to communicate and whether separate discussions are required with management and those charged with governance (depending on the relative levels of responsibility and oversight in place).</p> <p>(Note: Additional guidance on matters to be covered is provided in the form of a sample meeting agenda at B11/1, and a Word template for recording the meeting notes at B11/2)</p>	210 (6) 240 (17-22) 315 (14) 260 (11)	B11/1 B11/2	
10.	<p>Review and update/expand as appropriate your documented knowledge of the client and its environment, with reference to the Know Your Client and Risk Assessment checklist at B3/1</p> <p>(Note: this has been updated for the new requirements of Revised ISA (UK) 315.)</p> <p>Ensure that any identified risks of material misstatement (whether due to fraud or error) are included on the Summary of Significant Risks at B4/6 and are summarised on the Audit Planning Memorandum at B9.</p>	315 (19 & 20)	B3/1 B4/6 B9	
11.	<p>Review and update/expand as appropriate, your documented knowledge of the client's accounting systems and control environment with reference to the Accounting Systems and Internal Controls checklist at C1/3.</p> <p>(Note: this has been updated for the new requirements of Revised ISA (UK) 315.)</p> <p>Document your assessment of the effectiveness and appropriateness of the culture, systems and processes in place, and ensure this and your assessment of control risk is summarised on the Audit Planning Memorandum at B9.</p> <p>Ensure that any identified risks of material misstatement (whether due to fraud or error) are included on the Summary of Significant Risks at B4/6 and are summarised on the Audit Planning Memorandum at B9.</p>	315 (21-27)	C1/3 B9 B9	
12.	<p>Document your assessment of inherent risk at both the financial statement and assertion levels for classes of transactions, account balances, and disclosures using the checklist at B4/1.</p> <p>Ensure any significant risks of material misstatement and the audit procedures designed to address them have been recorded on the Summary of Significant Risks at B4/6, the Sampling Plan at B7/2 and the Audit Planning Memorandum at B9.</p> <p>(Note: You should plan the audit with an attitude of professional scepticism. See the application material in the ICAS Code of Ethics (sections 120.16 A1&A2))</p>	315 (12, 13, 25, 30 & 31) 330 (7, 15, 21 & 28) 240 (25-28) (45-48) 200 (15) 240 (13-15)	B4/1 B4/6 B7/2 B9	

Client Name		Accounting Period		Ref B1/6
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PLANNING CHECKLIST CONTINUED

		ISA (UK) Ref	Sch Ref	Initials/ Date
18.	<p>Using your assessments of materiality and risk document your planned approach to sampling via the completion of the Risk Assessment Summary and Sampling Plan at B7/2.</p> <p>(Note: Your sampling plan should ensure that the selection basis used is representative of each entire population and all categories within them. After due consideration of any material and/or key items the remaining sample should be selected in such a way that each item in the population has an equal chance of selection. Avoid splitting your samples over different assertions.)</p>	530 (6-8)	B7/2	
19.	<p>Ensure that the legal and regulatory framework appropriate to this client, is documented in Section T. Document your assessment of the risks associated with non-compliance with those relevant laws and regulations, distinguishing between those that have a direct impact on the determination of material amounts and disclosures in the financial statements, and those that whilst having an indirect impact could have a fundamental effect on the operating aspects of the business.</p> <p>Ensure any significant risks identified are included on the Summary of Significant Risks at B4/6 along with details of your planned procedures and include a summary of relevant matters on the Audit Planning Memorandum at B9.</p>	250A (13)	T1/1 B4/6 B9	
20.	<p>For regulated clients ensure that all staff involved in the audit understand the applicable legislation, regulator's rules and any guidance issued by the regulator sufficient to enable them to identify instances of non-compliance or situations which may give reasonable cause to believe that a matter should be reported to the regulator.</p> <p>Ensure the relevant details are documented in Section T and any significant risks are included on the Summary of Significant Risks at B4/6 along with details of your planned procedures. Include a summary of relevant matters on the Audit Planning Memorandum at B9 (including any whistle blowing duties).</p>	250B (10&11)	T1/1 B4/6 B9	
21.	<p>Ensure that your understanding of the controls that management has established to identify, account for and disclose related parties and transactions has been recorded in Section R.</p> <p>Inquire of management and document/update:</p> <ul style="list-style-type: none"> (a) the identity of all known related parties, including any changes; (b) the nature of the relationships; and (c) the frequency, type, and purpose of any transactions in the year. <p>Ensure your consideration covers other directorships held, key management personnel and close family members.</p> <p>Assess the risk of further undisclosed related parties/transactions occurring and record any significant risks on the Summary of Significant Risks at B4/6 along with your planned procedures. Include a summary of relevant matters on the Audit Planning Memorandum at B9.</p>	550 (11-14)	R1/1 B4/6 B9	

Client Name		Accounting Period		Ref B1/7
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PLANNING CHECKLIST CONTINUED

		ISA (UK) Ref	Sch Ref	Initials/ Date
22.	<p>From your understanding of the client and its environment obtained at B3/1 and C1/3, consider and document your risk assessment process in relation to any events or conditions that, individually or collectively, may cast significant doubt on the client's ability to continue as a going concern, or that indicate that a material uncertainty relating to going concern may exist.</p> <p>Complete tests 1-3 on work programme A13/2 (including the questionnaire at A13/6 & A13/7) and ensure that the results and your detailed planning discussions with the client relating to going concern are summarised on the Audit Planning Memorandum at B9. Any significant risks should be recorded on the Summary of Significant Risks at B4/6 with the extent of your planned procedures.</p>	570 (10)	B3/1 C1/3 A13/2 A13/6 A13/7 B9 B4/6	
23.	<p>Confirm that the previous year's closing balances have been correctly brought forward by completing the Opening Balances/Comparatives programme at B8/1.</p>	510 (5-7)	B8/1	
24.	<p>From your understanding of the client and its environment obtained at B3/1 and C1/3, document your assessment of the impact of the client's use of any service organisations. Including an understanding of:</p> <p>(a) the nature and significance of the services and the effect on the client's system of internal control;</p> <p>(b) the nature and the materiality of transactions processed;</p> <p>(c) the degree of interaction between the client and service organisation;</p> <p>(d) the contractual terms in place; and</p> <p>(e) whether the arrangements impact on your responsibilities in terms of the accounting records.</p> <p>Consider whether contacting or visiting the service organisation is required or if a service auditor report should be obtained. Any significant risks should be noted on the Summary of Significant Risks at B4/6 with the extent of your planned procedures. Ensure a summary of your risk assessment and the impact on your planned work is documented on the Audit Planning Memorandum at B9.</p> <p>(Note: Service Organisations are most commonly involved in the maintenance of accounting records, management of assets or the initiating, recording, or processing of transactions as an agent of the client.)</p>	402 (9-14)	B3/1 C1/3 B4/6 B9	
25.	<p>From your understanding of the client and its environment obtained at B3/1 and C1/3, if information to be used as audit evidence has been prepared using the work of a management expert, obtain an understanding of the work of that expert. Evaluate its appropriateness as audit evidence for the relevant assertion, and record your assessment of the competence, capabilities, and objectivity of the expert.</p> <p>Consider the relevance and reliability of the information to be used as audit evidence, including any information obtained from an external information source. Any significant risks should be noted on the Summary of Significant Risks at B4/6 with the extent of your planned procedures. Ensure a summary of your risk assessment and the impact on your planned work is documented on the Audit Planning Memorandum at B9.</p> <p>(Note: Examples of evidence provided by management experts include professional valuations and actuarial calculations.)</p>	500 (7-9)	B3/1 C1/3 B4/6 B9	

Client Name		Accounting Period		Ref B1/8
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PLANNING CHECKLIST CONTINUED

		ISA (UK) Ref	Sch Ref	Initials/ Date
26.	<p>If expertise in a field other than accounting or auditing is necessary to obtain sufficient appropriate audit evidence, determine whether to use the work of an auditors' expert. Factors may include the area of expertise required, your assessment of the risk of material misstatement in that area and your knowledge and experience of previous work performed by that expert. Where the use of an auditors' expert is appropriate, obtain and record an understanding of their objectivity, professional qualifications, competence, and experience.</p> <p>Agree in writing the scope and objectives of the work, the role and responsibilities of the expert, the nature, timing and extent of communications and the need for the expert to observe confidentiality requirements.</p> <p>Consider the impact of the use of the expert on your risk assessments and ensure the impact on your planned approach is documented on the Audit Planning Memorandum at B9. Any significant risks should be recorded on the Summary of Significant Risks at B4/6.</p>	620 (7-11)	B9 B4/6	
27.	<p>In a group audit situation, if you plan to request that a component auditor perform work on the financial information of a group component, obtain an understanding of the following:</p> <ul style="list-style-type: none"> (a) whether the component auditor understands and will comply with the ethical requirements relevant to the group audit and, in particular, that they are independent; (b) the component auditor's professional competence; (c) whether the group engagement team will be able to be involved in the work of the component auditor to the extent necessary to obtain sufficient appropriate audit evidence; and (d) whether the component auditor operates in a regulatory environment that actively oversees auditors. <p>Refer to, and complete, the appropriate risk assessment tests in section V and ensure that the impact on your planned audit approach is summarised on the Audit Planning Memorandum at B9. Any significant risks should be recorded on the Summary of Significant Risks at B4/6</p>	600 (23-27)	V1/1 B9 B4/6	
28.	<p>From your understanding of the client and its environment obtained at B3/1 and C1/3, where the client has an internal audit function, record your understanding of the nature of its responsibilities, how it fits into the client's organisational structure and the activities performed, in order to determine whether it is relevant to the audit. Make inquiries of the internal auditors regarding their knowledge of any actual, suspected or alleged fraud and their views about the risks of fraud. Ensure the impact on your planned approach is documented on the Audit Planning Memorandum at B9. Any significant risks should be recorded on the Summary of Significant Risks at B4/6.</p>	610 (15-20) 240 (20)	B3/1 C1/3 B9 B4/6	
29.	<p>Confirm staff with appropriate knowledge, skill and ability have been assigned and booked, and that details of the budgeted time and fees are included on file. Ensure an element of unpredictability is incorporated into the planned selection of the nature, extent and timing of procedures and document how this will be achieved on the Audit Planning Memorandum at B9.</p> <p>(Note: An Audit Test Control Schedule template can be found at B12/1 to assist the audit team with the documentation of audit fieldwork)</p>	240 (30)	B9 B12/1	

Client Name		Accounting Period		Ref B1/9
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PLANNING CHECKLIST CONTINUED

		ISA (UK) Ref	Sch Ref	Initials/ Date
30.	<p>Consider and document the appropriate administrative requirements for this assignment, including:</p> <ul style="list-style-type: none"> (a) key contacts, locations, access to records (including remote access if appropriate); (b) third party confirmations (including bank & solicitor letter requests); (c) where stock is material, attendance at the physical stocktake; (d) arrangements for alternative verification of debtors/creditors (e.g. by circularisation); and (e) communication with experts, component auditors, internal auditors, pension scheme actuaries etc. where appropriate. <p>Ensure the relevant details are summarised on the Audit Planning Memorandum at B9.</p>	505 (7) 501(4-8)	B9	
31.	<p>Ensure that all members of the audit team have been appropriately briefed and that a detailed record of the briefing meeting has been included on file at B11/5. Schedule B1/2 should be signed by everyone to confirm their participation in, and understanding of, the planning process.</p> <p>(Note: Additional guidance on the matters to be covered is provided in the form of a sample meeting agenda at B11/4, with a Minutes of Meeting template available at B11/5. The discussion should place particular emphasis on how and where the financial statements could be susceptible to material misstatement due to fraud.)</p>	240 (16) 315 (17-18) 550 (12)	B11/5 B1/2 B11/4	
32.	<p>Consider if any factors highlighted at the planning stage suggest that a consultation, review by an independent partner or EQCR are required. If so, document the process on A4/1 or A4/2 as required.</p> <p>(Note: Indicators can include ethical issues, going concern issues, unusual or contentious accounting treatments, high profile clients, difficult to audit areas and qualified/modified audit opinions.)</p>	220 (18-20) ES 1.56	A4/1 A4/2	
33.	<p>Ensure that the audit plan has been communicated to those charged with governance and that the nature and extent of communication has been recorded on file. Ensure that the communicated plan covers:</p> <ul style="list-style-type: none"> (a) the appropriate person(s) in the client's governance structure with whom to communicate; (b) your responsibilities as auditor(s); (c) ethical considerations (including auditor independence); (d) the nature and scope of planned work including any significant risks identified and the concept of materiality; (e) timing and resources to be employed; (f) any limitations in the scope of your work; (g) the form and timing of communications (to promote effective two-way communication); and (h) the expected format of the audit report. 	260 (11,14) (15)		
34.	<p>Confirm that the Audit Planning Memorandum at B9 accurately reflects the overall audit plan based on your preliminary analytical review and risk assessment processes. Ensure that the plan is reviewed regularly throughout the audit process, that any changes made to the overall audit strategy are properly documented on file, and that they are communicated to the audit team and those charged with governance.</p>	300 (7-12)	B9	

Client Name		Accounting Period		Ref E1/2
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TANGIBLE FIXED ASSETS

	Audit Programme	Objectives satisfied	Schedule	Initials
	General			
1.	Review the Audit Planning Memorandum and Risk Assessment Summary and Sampling Plan for this area. Ensure the following tests are tailored as necessary to address the risks identified. Any amendments to the planned approach should be clearly recorded.		B9 B7/2	
2.	Assess the appropriateness of the accounting policies for fixed assets and depreciation. Ensure that the accounting policy is in accordance with UK GAAP and applicable law and refers to asset residual values and impairment.	1, 4, 7		
3.	Obtain or prepare a lead schedule. Ensure that it agrees to the nominal ledger, that opening balances have been verified, and that there is commentary on file explaining the composition of the fixed asset balance with a comparison to prior years and your expectations.	1		
	Additions/Disposals			
4.	Obtain or prepare separate schedules of additions and disposals in each category.	1, 2, 5, 6		
5.	Vouch as appropriate the additions and disposals and include copies of significant invoices on file.	1, 2, 5, 6, 9		
6.	Consider possible unrecorded disposals (e.g. assets scrapped).	2, 6		
7.	Enquire if any fixed assets have been manufactured or improved during the period and ensure they have been accounted for correctly.	5		
	Value and Revaluations			
8.	Document any revaluations and obtain copies of relevant papers for the file. Ensure that historical cost information is available for disclosure purposes.	1, 4		
9.	If assets are held at valuation and reliance is to be placed on valuations provided by management or a third party, document: (a) your assessment of the experience, qualifications and independence of the person/organisation carrying out the valuation (even when they are national/reputable organisations); (b) your assessment the appropriateness of the basis of valuation used and any assumptions made by the valuer; and (c) an overall assessment of whether the information provided can be relied upon as sufficient and reliable audit evidence, (or if further evidence/testing is required).	4		
10.	Identify and document your understanding of any accounting estimates, including fair values, relevant to this area of the financial statements (e.g. asset useful lives, residual values, the carrying value of property, impairment, the classification of leases). Ensure that your specific assessments of both inherent risk and control risk relating to those estimates are incorporated into your testing and that sufficient, appropriate evidence is recorded on file to address any identified risks of misstatement. (Note: Detailed guidance on the audit of accounting estimates is available in ISA 540)	1, 4, 7, 8	B9 B4/4 B4/6	

Client Name		Accounting Period		Ref E1/3
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TANGIBLE FIXED ASSETS CONTINUED

		Objectives satisfied	Schedule	Initials
11.	Document your consideration of the results of management's impairment review and whether there are any further indications of an impairment in the value of fixed assets.	8		
	Ownership			
12.	Ascertain the location of any title deeds and inspect or confirm details with third parties.	3		
13.	Inspect vehicle registration documents (although not proof of ownership they confirm the registered keeper with responsibility for registering and taxing the vehicle).	2, 3		
	Existence			
14.	Physically inspect a sample of items contained in fixed assets, including significant assets brought forward, and document on file.	2, 3		
15.	Consider the appropriateness of the accounting treatment of any grants received/receivable.	1, 4		
16.	Consider the appropriateness of the accounting treatment of any self-built assets.	4, 6, 7, 8		
17.	Review the nominal ledger accounts for repairs and renewals (or similar) for items that should have been capitalised.	5		
18.	Consider the appropriateness of management's accounting for leasing and hire purchase costs including the classification of each agreement. Consider the appropriateness of the accounting for operating lease costs including any lease incentives or rent concessions.	4		
	Depreciation			
19.	Obtain or prepare a schedule of the net book value and depreciation of assets held under hire purchase contracts and finance leases.	1, 9		
20.	Consider the reasonableness of the provision for depreciation, taking account of the impact of asset useful lives and residual values. Test check the calculations and agree to the Profit & Loss account.	4, 7, 8		
	Commitments			
21.	Ensure that any capital commitments have been identified (from e.g. board minutes, after-date reviews and enquiries) and disclosed.			
	Insurance			
22.	Schedule insurance cover compared to the net book values and cost of main classes of assets held: (a) compare with the previous year; (b) identify and follow up on any assets insured but not listed; and (c) record on the schedule of Significant Matters at A6 any underinsured items.		A6	
	Completion			
23.	Ensure the financial statements comply with appropriate legislation and UK GAAP.	1		
24.	Perform and record any additional tests as required to ensure the planning criteria and audit objectives have been met.			