Compliance with Audit Documentation – A Peer Reviewer's Perspective

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You do not rise to the level of your Goals; You fall to your level of systems.

James Clear

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OBJECTIVE

1. Strengthen Peer Reviewers' lens on audit documentation
2. Align peer review observations with SA 230 requirements
3. Shift focus from form-filling to quality-driven documentation
4. Enhance consistency, defensibility and audit credibility

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DOCUMENTATION = AUDIT QUALITY

- Only tangible evidence of audit work performed
- Demonstrates compliance with Standards on Auditing
- Reflects exercise of professional judgment
- Enables proper supervision and review
- Foundation for peer review, inspection and defence
- If it is not documented, it is presumed not done

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DOCUMENTATION GUIDELINES

Peer Review evaluates compliance with Technical & Professional Standards

Documentation is a core element of review

Reviewer's conclusions are documentation-driven

Intent, explanations and oral submissions do not substitute records

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WORKING PAPERS vs EVIDENCE

- **Audit Evidence**
- Information used to form audit conclusions
- **Working Papers**
- Records of procedures performed and evidence obtained
- **Audit Documentation (SA 230)**
- Complete audit trail showing:
  - Planning
  - Execution
  - Supervision
  - Review
  - Conclusions

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SA 230: FROM REVIEWER LENS

- Documentation should enable an experienced auditor to understand:
  - Nature, timing and extent of procedures
  - Results of procedures and evidence obtained
  - Significant matters and conclusions
  - Professional judgments exercised
- *Timely preparation is mandatory*

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PROFESSIONAL JUDGMENT

- Documentation must capture:
  - Why judgment was required
  - Alternatives considered
  - Basis of final conclusion
- Absence of documented rationale = absence of judgment
- Peer Review tests reasonableness, not hindsight perfection

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DOCUMENTATION: END-TO-END VIEW

- Planning stage
- Risk assessment
- Execution
- Supervision and review
- Completion and reporting
- Retention and custody

Each stage must leave a clear audit trail

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PLANNING STAGE DOCUMENTATION

- SA 200 and SA 300
- Engagement acceptance and continuance
- Understanding of entity and environment
- Audit strategy and audit plan
- Materiality and performance materiality
- Team briefing and allocation

Red Flag: Generic, repetitive planning documents

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RISK ASSESSMENT DOCUMENTATION

SA 315

- Identification of business and fraud risks
- Identification of significant risks
- Understanding of internal controls
- Clear linkage: Risk identified → Audit response planned

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EXECUTION STAGE DOCUMENTATION

SA 300 and SA 500

- Nature, timing and extent of procedures
- Sampling approach and coverage
- Evidence obtained – relevant and sufficient
- Tick marks without explanations are inadequate

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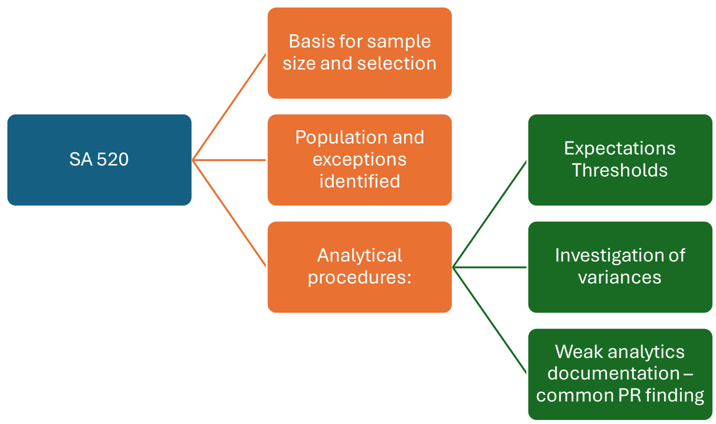
SAMPLING & ANALYTICAL PROCEDURES



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MANAGEMENT REPRESENTATIONS

SA 580

- Written representations properly dated and addressed
- Covers all relevant matters
- Not a substitute for audit evidence
- Reviewer evaluates extent of reliance

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SUPERVISION & REVIEW DOCUMENTATION

SA 220

- Evidence of review at all levels
- Review notes and resolution documented
- Partner involvement clearly recorded
- No review evidence = no supervision

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COMPLETION & REPORTING

SA 700 Series

- Completion memorandum summarising:
  - Significant matters
  - Key judgments
- Subsequent events and going concern documented
- Audit report must flow from documentation

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FIRM-LEVEL DOCUMENTATION

SQC 1

- Quality control policies and procedures
- Engagement performance controls
- Monitoring and corrective actions
- Independence and ethics documentation
- Training and competence records

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COMMON DOCUMENTATION DEFICIENCIES

- Boiler-plate working papers
- Poor risk–response linkage
- Missing rationale for judgments
- Inadequate review evidence
- Over-reliance on representations
- Post-audit documentation

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DOCUMENTATION & DEFENSIBILITY

Regulators judge records, not recollections

Documentation must withstand:

Peer Review
Regulatory inspection
Disciplinary proceedings

Strong documentation protects auditor and firm

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PEER REVIEWERS SHOULD LOOK FOR

- Logical flow of audit work
- Evidence of professional skepticism
- Clear audit trail
- Consistency across files
- Timeliness of documentation
- Alignment with Standards

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WHAT AUDITORS SHOULD ENSURE

- Documentation reflects thinking, not clerical work
- Tailored to client and risk profile
- Judgments explicitly recorded
- Review and supervision evident
- Quality mindset over checklist mindset

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BEST PRACTICES & PRACTICAL INSIGHTS

- Meaningful completion memoranda
- Cross-referencing risks, procedures and conclusions
- Document “why”, not just “what”
- Periodic internal file reviews
- Continuous training on documentation discipline

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KEY TAKEAWAYS FOR PEER REVIEWERS

- Documentation mirrors audit quality
- Peer Review is evidence-based
- Strong documentation builds credibility and trust
- Peer Reviewers shape future audit behaviour

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CLOSING MESSAGE

- Trust of regulators
- Trust of stakeholders
- Trust in the profession

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Thank You

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