

# Tips for carrying out an audit essay



**ASSIGN  
BUSTER**

Before an audit is assigned to staff, there are few matters that should be considered such as: – The size of the company to be audited. (If it is a private limited co .

i. e. Sdn. Bhd. 2 or 3 staff will be required. If it is a Public Listed Company 3 or 4 staff and if it's a Group audit 6 or 7 staff depending on the number of subsidiaries.

) – The budget is very important as we are always advised to stay within the budget so that the audit fees is sufficient to cover all the cost incurred especially the disbursements. – The deadline.

An audit assignment usually has very tight deadlines and therefore staff must ensure that the Audit Report is submitted to the Partner for Review on time so that the signing of accounts is not delayed. When the audit manager assigns a job to the senior, the first thing the senior does is to meet with all his team members to discuss about the job and to delegate duties to the respective members. The audit assistant will normally be asked to retrieve the previous year's file of the company from the filing room. The previous year file is always used as a guide only.

Staff must not copy blindly as the manager and partner will be annoyed.

Staff must always tailor-make the audit for the year according to the events that occurred during the year. Once the last year's file is retrieved, a new file will be opened for the current year's audit. The next thing the audit senior is supposed to do is to contact the client to make arrangements as to when the audit can commence. An audit should always be done at the clients place.

This is required in order to obtain all the information necessary for the audit. The client should also be available and free during the period in order to give the auditors all the required information.

An audit is divided into 3 stages – Planning Stage, Field Work Stage and Review Stage. The first time we visit the client is at the Planning stage.

Planning is essential as this is the time we understand the client's business and their controls in the company. At this stage the audit senior normally discusses with the client about the performance of the client for the year such as increase or decrease in profitability and reasons for it, any new products launched during the year, any important staff that left the company and etc.

This is all documented in the Business Understanding Document. The audit assistants will normally be asked to carry out the test of controls in the company so as to ensure that the Payment Vouchers, Purchase Orders documents, Goods received notes and Delivery Orders are filed in sequential order and are properly authorized. This is normally done on a sample basis and will be documented in the Process Analysis Document.

Once the planning is completed, the file will be submitted to the audit manager for review. The audit manager will review the file and raise any queries.

The audit senior will then obtain the answers to the queries by contacting the client and updating the information which was left out. Once the planning is approved by the manager, then the audit team will get prepared

to go in for the field audit. Field audit is normally the longest period in an audit as this is the time we perform many testing of controls and substantive procedures. It is also very crucial as after the audit is completed it will normally be reviewed by the partner.

During the field audit, work will be delegated to staff appropriately – in order to complete the work within the timeframe.

The type of work normally given to audit assistants will be the checking the cash and banks reconciliation (sending bank confirmation), audit the property, plant and equipment (to sight the fixed assets) other payables (search for unrecorded liabilities), other receivables (to vouch material invoices for deposits and prepayment). The audit senior normally takes charge of the more important areas such as the inventory section (valuation of stock), trade receivables (debtors circularisation, analysing the aging), trade payables (aging and sending confirmation to creditors to confirm balances) and tax.

Though the file will be sent for tax vetting, the senior is still supposed to prepare a basic tax computation and deferred tax verification. During the field audit, there would also be a stock take conducted to ensure the movement of goods and treatment of obsolete stock. The auditor's job is mainly to observe the stock count conducted by the client.

We do not count the stock except for a few samples. There would also be a statutory audit (stat. audit) conducted during the audit. The statutory books will be kept by the company secretary at the secretarial office which does not have to be at the client's office.

Stat audit is conducted to review the minutes' book, register of shareholders, directors, secretaries and annual return. This is also required to ensure if there is any resolution passed during the year.

Once all this is completed, the field audit is considered over. The problems usually faced by staff during an audit are:- – Client unable to give us all the information required. They will just direct us to others who also do not know much. – Waiting time.

Client keeps on delaying documents that we need because they are unable to locate the documents or the documents are missing. Clients often gives us their own reasoning for any queries asked. It is very important to remember that client representation is not sufficient for an audit. Every explanation should be supported by documentation for example receipts, bank in slips, invoices etc. – Client reluctant to co-operate during our audit.

For example taking time to show us supporting documents or explaining to us. Their usual excuse is that they are very busy. Normally we are not allowed to waste too much time waiting for all these information.

So the audit senior will prepare an ' outstanding matters' list stating clearly all the information or documents pending from the client. This list will be filed in the audit file and a copy given to the client. The draft accounts will then be prepared by us and sent to the typing room for alterations and amendments.

Once all this is completed, the audit file will be tidied up to be submitted to the audit manager. The audit manager then reviews the file and raises

queries. The audit senior will then answer the queries and return it to the manager.

Once the audit manager is satisfied and gives his approved, the file will be submitted to the partner in charge of the audit for review. The partner will then raise queries to the audit manager if he is unsure of anything.

The manager and senior will then do a frontal clearance with the partner and discuss issues that are to be brought up at the Audit Committee meeting if it is a Public Listed Company. Once the audit partner has approved the Accounts (after all the outstanding matters have been cleared) a copy of the draft accounts will be given to the client for approval.

After this the accounts will be sent for printing according to the number of copies required by the client. The printed accounts will be sent to the client's directors for their signatures (which have to be attested by a Commissioner of Oaths) and returned to the audit firm. The accounts will then be signed by the partner and this is when the full audit is completed.

The accounts will be delivered to the client to be submitted to the ROC. The audit file will then be sent to the filing room for spiking.