

**STATEMENT 3.210**  
**AUDITING GUIDELINE**  
**PLANNING, CONTROLLING AND RECORDING**

**Introduction**

1. Paragraph 4 of the Statement of Auditing Standard No. 3.101 "Audit Approach" states that:

'The auditor should adequately plan, control and record his work.'

This Auditing Guideline, which gives guidance on how that paragraph may be applied, should be read in conjunction with the Explanatory Foreword to Auditing Standards and Guidelines including the Glossary of Terms.

2. In order to ensure that an audit is carried on effectively and efficiently, the work needs to be planned, controlled and recorded at each stage of its progress. Planning, controlling and recording are considered separately below although they are not mutually exclusive.
3. The need to plan, control and record audit work exists regardless of the size of the entity concerned. Although all of the procedures described in this Guideline need to be considered by the auditor, in the case of smaller entities the work involved in implementing them will be less.

**Planning**

**Background**

4. The form and nature of the planning required for an audit will be affected by the size and complexity of the entity, the commercial environment in which it operates, the method of processing transactions and the reporting requirements to which it is subject. In this context the auditor should aim to provide an effective and economic service within an appropriate time-scale.
5. Adequate audit planning:
  - a. establishes the intended means of achieving the objectives of the audit;
  - b. assists in the direction and control of the work;

- c. helps to ensure that attention is devoted to critical aspects of the audit; and
  - d. helps to ensure that the work is completed expeditiously.
6. In order to plan his work adequately the auditor needs to understand the nature of the business of the entity, its organisation, its method of operating and the industry in which it is involved, so that he is able to appreciate which events and transactions are likely to have a significant effect on the financial statements.

**Procedures**

7. The auditor should consider the outline audit approach he proposes to adopt, including the extent to which he may wish to rely on internal controls and any aspects of the audit which need particular attention. He should also take into account in his planning any additional work which he has agreed to undertake.
8. Preparatory procedures which the auditor should consider include the following:
- a. reviewing matters raised in the audit of the previous year which may have continuing relevance in the current year;
  - b. assessing the effects of any changes in legislation or accounting practice affecting the financial statements of the entity;
  - c. reviewing interim or management accounts where these are available and consulting with the management and staff of the entity. Matters which should be considered include current trading circumstances, and significant changes in:
    - i. the business carried on, and
    - ii. the entity's management;
  - d. identifying any significant changes in the entity's accounting procedures, such as a new computer-based system.
9. The auditor should also consider:
- a. the timing of significant phases of the preparation of the financial statements;
  - b. the extent to which analyses and summaries can be prepared by the entity's employees; and
  - c. the relevance of any work to be carried out by the entity's internal auditors.

10. The auditor will need to determine the number of audit staff required, the experience and special skills they need to possess and the timing of their audit visits. He will need to ensure that all audit staff are briefed regarding the entity's affairs, and the nature and scope of the work they are required to carry out. The preparation of a memorandum setting out the outline audit approach may be helpful.
11. On joint audits there should be consultation between the joint auditors to determine the allocation of the work to be undertaken and the procedures for its control and review.

### **Controlling**

#### **Background**

12. Management structures vary between firms of auditors and this Auditing Guideline should be interpreted in the context of the particular structure within each firm. The Guideline has, however, been written on the basis that the audit is carried out by a reporting partner and his staff.
13. The reporting partner needs to be satisfied that on each audit the work is being performed to an acceptable standard. The most important elements of control of an audit are the direction and supervision of the audit staff and the review of the work they have done. The degree of supervision required depends on the complexity of the assignment and the experience and proficiency of the audit staff.

#### **Procedures**

14. The nature of the procedures needed to control an audit and the extent to which they need to be formalised cannot be precisely specified as they depend on the organisation of the audit firm and degree of delegation of the audit work. The procedures established should be designed and applied to ensure the following.
  - a. Work is allocated to audit staff who have appropriate training, experience and proficiency.
  - b. Audit staff of all levels clearly understand their responsibilities and the objectives of the procedures which they are expected to perform. Audit staff should be informed of any matters identified during the planning stage that may affect the nature, extent or timing of the procedures they are to perform. They should be instructed to bring to the attention of those to whom they are responsible any significant accounting or auditing problems that they encounter.

- c. The working papers provide an adequate record of the work that has been carried out and the conclusions that have been reached.
  - d. The work performed by each member of the audit staff is reviewed by more senior persons in the audit firm. This is necessary to ensure that the work was adequately performed and to confirm that the results obtained support the audit conclusions which have been reached.
15. The final stages of an audit require special attention. At this time, when pressures are greatest, control of the audit work is particularly required to ensure that mistakes and omissions do not occur. The use of an audit completion checklist, with sections to be filled in by the reporting partner and his staff, will help to provide such control.
16. Where matters of principle or contentious matters arise which may affect the audit opinion the auditor should consider consulting another experienced accountant. This accountant may be a partner, a senior colleague, or another practitioner. If another practitioner is consulted, confidentiality of the client's affairs must be maintained.
17. The auditor should also consider how the overall quality of the work carried out within the firm can best be monitored and maintained.

### **Recording**

#### **Background**

18. Reasons for preparing audit working papers include the following.
- a. The reporting partner needs to be able to satisfy himself that work delegated by him has been properly performed. The reporting partner can generally only do this by having available to him detailed working papers prepared by the audit staff who performed the work.
  - b. Working papers provide, for future reference, details of problems encountered, together with evidence of work performed and conclusions drawn therefrom in arriving at the audit opinion.
  - c. The preparation of working papers encourages the auditor to adopt a methodical approach.

## Procedures

### Contents of working papers

19. Audit working papers should always be sufficiently complete and detailed to enable an experienced auditor with no previous connection with the audit subsequently to ascertain from them what work was performed and to support the conclusions reached. Audit working papers should be prepared as the audit proceeds so that details and problems are not omitted.
20. Audit working papers should include a summary of all significant matters identified which may require the exercise of judgement, together with the auditor's conclusions thereon. If difficult questions of principle or of judgement arise, the auditor should record the relevant information received and summarise both the management's and his conclusions. It is in such areas as these that the auditor's judgement may subsequently be questioned, particularly by a third party who has the benefit of hindsight. It is important to be able to tell what facts were known at the time the auditor reached his conclusion and to be able to demonstrate that, based on those facts, the conclusion was reasonable.
21. Audit working papers will typically contain:
  - a. information which will be of continuing importance to the audit (e.g. Memorandum and Articles of Association);
  - b. audit planning information;
  - c. the auditor's assessment of the entity's accounting system and, if appropriate, his review and evaluation of its internal controls;
  - d. details of the audit work carried out, notes of errors or exceptions found and action taken thereon, together with the conclusions drawn by the audit staff who performed the various sections of the work;
  - e. evidence that the work of the audit staff has been properly reviewed;
  - f. records of relevant balances and other financial information, including analyses and summaries supporting the financial statements;
  - g. a summary of significant points affecting the financial statements and the audit report, showing how these points were dealt with.

**Standardisation of working papers**

22. The use of standardised working papers may improve the efficiency with which they are prepared and reviewed. Used properly they help to instruct audit staff and facilitate the delegation of work while providing a means to control its quality.
23. However, despite the advantages of standardising the routine documentation of the audit (e.g. checklists, specimen letters, standard organisation of the working papers), it is never appropriate to follow mechanically a 'standard' approach to the conduct and documentation of the audit without regard to the need to exercise professional judgement.

**Ownership and custody of working papers**

24. Working papers are the property of the auditor and he should adopt appropriate procedures to ensure their safe custody and confidentiality.