

## Appendix 3 **The list of documents/ files submitted by the Client to the Audit Firm**

### OVERVIEW OF THE BUSINESS, BACKGROUND OF KEY PERSONS AND CONTACTS

(including an overview of short- and long-term objectives, the business strategy, key suppliers, purchasers and employees, related persons, providers of financing (banks, leasing companies), legal counsels and measures applied by the company for the prevention of reporting fraud, money laundering and terrorist financing, and the internal auditing system and the documents regulating its activities).

### LIST OF DOCUMENTS/ FILES REQUIRED FOR CONDUCTING THE AUDIT (if applicable)

- 1 Financial Statements
  - 1.1 Complete draft financial statements for the company to include:
    - Management report
    - Profit and Loss account
    - Balance Sheet
    - Cashflow Statement
    - ALL notes to the accounts
  - 2 Post Balance Sheet Events
    - 2.1 Details of any significant events since the balance sheet date with supporting documentation.
    - 2.2 Details of any planned changes to business operations.
    - 2.3 Copy of the budget or cash flow forecast for the next year.
  - 3 Consolidation
    - 3.1 Details of inter-company trading and charges.
  - 4 Section A - Fixed Assets/Intangible Fixed Assets
    - 4.1 Summary of movements in the year by each category of asset for cost and depreciation/ amortisation, showing the balance at the beginning of the year, additions, disposals/write offs, any revaluations and any intercompany transfers. The year end balances are to be reconciled to the final trial balance.
    - 4.2 Analysis of the amounts included in the above summary of movements relating to finance leases.
    - 4.3 Details of additions to fixed assets.
    - 4.4 For each category of fixed asset, details of how the depreciation/amortisation charge was calculated. Any changes in the policy must be highlighted.
    - 4.5 Details of disposals/write offs in the year showing the original cost and year of acquisition, accumulated depreciation/ amortisation, sale proceeds and the profit/loss on disposal. The sum of these amounts should agree with the charge in the detailed profit and loss account. Copies of invoices should be available to support sales proceeds.
    - 4.6 Details of the capital commitments at the balance sheet date divided into amounts authorised but not contracted, and amounts contracted but not provided. These figures should be supported by electronic copies of Board minutes if available.
  - 5 Section C – Stocks / Work-in-progress
    - 5.1 Summary lead schedule analysing work-in-progress balances analysed between short term and long term WIP and which agrees to the draft financial statements.
    - 5.2 Summary lead schedule analysing work-in-progress balances analysed between short term and long term WIP and which agrees to the draft financial statements.
    - 5.3 Summary of all stocks held at the balance sheet date distinguished between:
      - Finished goods and goods for resale

- Work-in-progress
  - Raw materials
- 5.4 Stock schedules completed at the time of physical stock (presented for inspection during the audit).
  - 5.5 Reconciliation between the stock lists prepared before the physical stock take and the stock physically counted, listed and valued in the accounts (presented for inspection during the audit).
  - 5.6 Details of the replacement cost of stocks where the directors feel that the value is materially different from that shown in the accounts.
  - 5.7 Details of any slow moving or damaged stock together with an explanation of the basis of any provision made against such items.
  - 5.8 Listing showing work-in-progress by project.
  - 5.9 Details of amounts invoiced post year end relating to WIP at year-end.
  - 5.10 Copies of contracts for amounts included in WIP.
  - 5.11 Calculation to support valuation of WIP per day
- 6 Section D – Trade Debtors
    - 6.1 Summary lead schedule.
    - 6.2 Aged debtor report by customer with total reconciled to the amounts of outstanding bills included in the lead schedule.
    - 6.3 Analysis schedule showing provisions analysed between bad debts, credit notes, and any other provisions. Totals should be reconciled to balances in the closing trial balance.
    - 6.4 Details of all customer accounts with credit balances at the balance sheet date together with an explanation as to the reason for the credit.
    - 6.5 An analysis of the bad and doubtful debt charge in the detailed profit and loss account showing additional charges, recoveries and details of any movements in provisions.
    - 6.6 Further list of trade debtors at last practical date before sign-off for update of bad debt review.
- 7 Section E – Other Debtors and Prepayments
    - 7.1 Lead schedule.
    - 7.2 Summary of all debtors and prepayments.
    - 7.3 For all other debtors and prepayments, including comparative figures, description of the item together with details as to how calculated and a Electronically Tractable File / Electronic Copy of the supporting documentation where available. These amounts should agree to the closing trial balance.
    - 7.4 Where any of the above items fall due for payment beyond 30 April 2012 these items should be separately identified.
    - 7.5 Further list of other debtors at last practical date before sign-off for update of bad debt review.
    - 7.6 List of all staff loans and advances.
- 8 Section F – Bank and Cash balances / Borrowings
    - 8.1 Lead schedule analysing loans repayable before and after 12 months after the year end.
    - 8.2 Bank reconciliations for all accounts at the balance sheet date detailing all unrepresented cheques and outstanding lodgements and noting the dates they cleared the accounts post year end.
    - 8.3 Details of any rights of set-off or cross guarantees between accounts.
    - 8.4 Details of all bank facilities together with renewal dates.
    - 8.5 Summary of bank interest paid ensuring bank charges are separately shown.
    - 8.6 Details of movements on each loan.
    - 8.7 Copies of loan agreements.
- 9 Section G – Trade Creditors

- 9.1 Lead schedule.
- 9.2 Listing of all purchase ledger balances by supplier noting reasons for any debit balances. The total of this list must agree with the balance on the purchase ledger control account in the closing trial balance. An aged listing would be helpful if available.
- 9.3 All suppliers statements for the month of the year end and the preceding month should be retained for audit use. Major supplier statement balances should be reconciled to their purchase ledger balance.
- 9.4 Details of all supplier accounts with debit balances at the balance sheet date together with an explanation as to the reason for the debit.
  
- 10 Section H – Other Creditors and Accruals
  - 10.1 Lead schedule.
  - 10.2 Summary of all other creditors and accrued charges reconciled to the closing trial balance together with supporting documentation where appropriate, including details of contracts, loan agreements and certificates, and comparative figures.
  - 10.3 Schedule of accruals and deferred income together with the details of the calculation and relevant supporting documentation.
  - 10.4 Where any of the above items fall due for payment beyond 30 April 2012 these items should be separately identified.
  - 10.5 Analysis of finance lease creditor showing on a lease by lease basis the brought forward creditor and the capital elements of payments in the year. A Electronically Tractable File / Electronic Copy of the lease agreement and the calculation of the capital element of lease payments.
  - 10.6 Analysis of finance lease creditor between amounts due within one year, within one to two years, within two to five year and after five years with supporting calculations.
  
- 11 Section J – Inter-company balances
  - 11.1 Summary of any inter-company balances at the balance sheet date.
  - 11.2 Assessment of recoverability of inter-company balances by reference to the net asset position and profitability of the group companies.
  
- 12 Section K – VAT(ax)
  - 12.1 Electronically Tractable File / Electronic Copy of the latest VAT return with a reconciliation to the trial balance. This should be supported by the relevant working papers showing the originating entries from the nominal ledger.
  - 12.2 Copies of any correspondence with Taxation office in the year.
  
- 13 Section M – Provisions
  - 13.1 Lead schedule.
  - 13.2 Documentation to support the requirement for any provisions at the balance sheet date.
  
- 14 Section N – Contingencies and Financial Commitments
  - 14.1 Details of any outstanding legal claims against the firm for which no provision is deemed necessary.
  - 14.2 Obligations under operating leases (ie the annual amount payable in the year ended 30 April 2012) split between land and buildings and other and further divided into agreements running for a further year, two to five years and more than five years. Further analyse any commitments on vacant properties.
  - 14.3 Details of any financial commitments entered into by the company at the year end.
  
- 15 Section P – Share Capital, Reserves and Dividends
  - 15.1 Analysis of any movements in the year in the reserves balances.
  
- 16 Section Q – Sales
  - 16.1 Lead schedule.

- 16.2 Schedule with prior year comparatives showing sales analysed between appropriate categories for that company (ie by conference).
- 16.3 Explanations for significant changes.
- 16.4 Budget for sales analysed as above with explanations for differences between budget and actual performance.
- 16.5 Sales by month analysed by division. The totals should be reconciled to the balance included in the above analysis.
- 17 Section R– Cost of Sales
- 17.1 Lead schedule and explanations for changes in gross margin on a project by project basis (ie conference).
- 18 Section S– Payroll
- 18.1 Lead schedule.
- 18.2 Reconciliation of employee costs in the trial balance to employee costs as set out in disclosures in the accounts, including comparatives.
- 18.3 Employee costs analyses
- 18.4 Average number of full time and part time employees split between their areas of employment.
- 18.5 Summary of directors emoluments
- 18.6 Summary of employee benefits:
- i.e. Car and petrol allowances
  - Bonuses
- 19 Section T – Expenses
- 19.1 Lead schedule detailing breakdown of expenses for inclusion in the detailed profit and loss account, including comparatives.
- 19.2 Reconciliation between expense categories per lead schedule and those included in the trial balance.
- 20 Section V – Related Party Transactions
- 20.1 Details of any related party transactions.
- 21 Section AA – Other Information Required
- 21.1 Electronically Tractable File / Electronic Copy of the current company registers.
- 21.2 Minutes of directors meetings and general meetings.
- 22 Section CC – Nominal Ledger
- 22.1 Electronically Tractable File / Electronic Copy of the final trial balance together with any post trial balance journals and supporting documentation.
- 23 Taxation
- 23.1 Details of any dividends paid or received.
- 23.2 Details of interest received and receivable and whether received gross or net of taxation.
- 23.3 An analysis of any movement on ALL tax accounts (e.g. Corp. tax, ACT, deferred tax and any other taxes to show opening balances, payments made/received and other movements to arrive at the closing balance.
- 23.5 Analysis of the following accounts for all trial balances to show, where appropriate, payee, description of item, date and amount:
- Legal and professional
  - Consultancy fees
  - Commission paid
  - Miscellaneous and sundry expenses

- Interest payable on loans (whether net or gross)
- Subscriptions and donations
- Entertaining (split between staff and others)
- Management charges
- Documents to be available during the course of the audit for review