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## AUDITING: PLANNING, FIELDWORK & REPORTING

This article discusses Auditing in the UK and ways of ensuring an efficient and effective audit process.

The Auditing Practices Board was formed to:

- Establish high standards of auditing;
- Meet the development needs of users of financial information; and
- Ensure public confidence in the auditing process.

Most audits follow a structured framework that comprises:

- Planning;
- Fieldwork (i.e. evidence gathering);
- Reporting.

### Planning

At the start the auditor arranges a meeting with the audit client to discuss the scope and objectives of the audit. The auditor establishes areas of risk, raises any specific issues or areas of concern, assesses audit areas to be reviewed, records strategic objectives and discusses risks and controls.

It is helpful to identify relevant employees, which can assist the auditor and any information that is likely to be needed.

It is purposeful to schedule regular meetings as this is a good way to facilitate communication, resolve issues quickly and clarify any potential misunderstandings.

The information the auditor has gained is used in conjunction with other relevant information about the audit client in order to obtain a general overview of the business. This may include information on budgets/forecasts, strategic plans and previous years working papers.

All of this information is then used to make a preliminary assessment of the risks and controls of the business and prepare an audit programme. The audit programme is a set of internal audit documentation or working papers that specify the detailed audit work to be undertaken.

## Fieldwork

The audit fieldwork concentrates on determining how well the audit client is managing the risks identified at the planning stage and what controls are operating to assist the audit client to do this. Fieldwork can include discussions with management and staff, detailed testing and analysis of documents or transactions and relevant analytical review procedures. After the fieldwork stage, the auditor usually has a list of significant findings to discuss with senior management.

Before completion any key issues are discussed with the audit client.

## Reporting

Following completion of all fieldwork, a draft audit report is prepared and the working papers are reviewed. A closing meeting presents the audit findings, conclusions and recommendations necessary for the draft report to be prepared.

The final audit report is produced at the time when the statutory financial statements (or other financial information being reported on) are finalised.

An audit client can implement certain procedures and take appropriate action with the aim of assisting the auditor and the audit process. These steps are likely to result in an efficient and effective audit process.

- Arrange audit planning meeting before period end;
- Confirm period end stock taking dates and procedures early;
- Complete internal physical stock checking prior to period end;
- Send trade circularisation and other confirmations before period end;
- Agree a final list of schedules and analysis required early;
- Provide information to assist auditor to assess changes and development in the business for the period;
- Close period end books quickly; trade ledgers should be checked and agreed; stocks and work in progress updated; accruals and prepayments included;
- Meet internal deadlines and ensure auditor meets his;
- Adopt realistic procedures to supply information when requested;
- Agree final material audit adjustments promptly.