



SUNIL BAJAJ

FCA • CIA

Partner, S. R. Batliboi & Co. LLP

Partner – Risk Management & Assurance Services

India Super Region Independence & Conflicts Leader | Deputy Risk Management Leader

EXPERIENCE HIGHLIGHTS

29+

Years
Experience

2 times

US Practice
Secondments

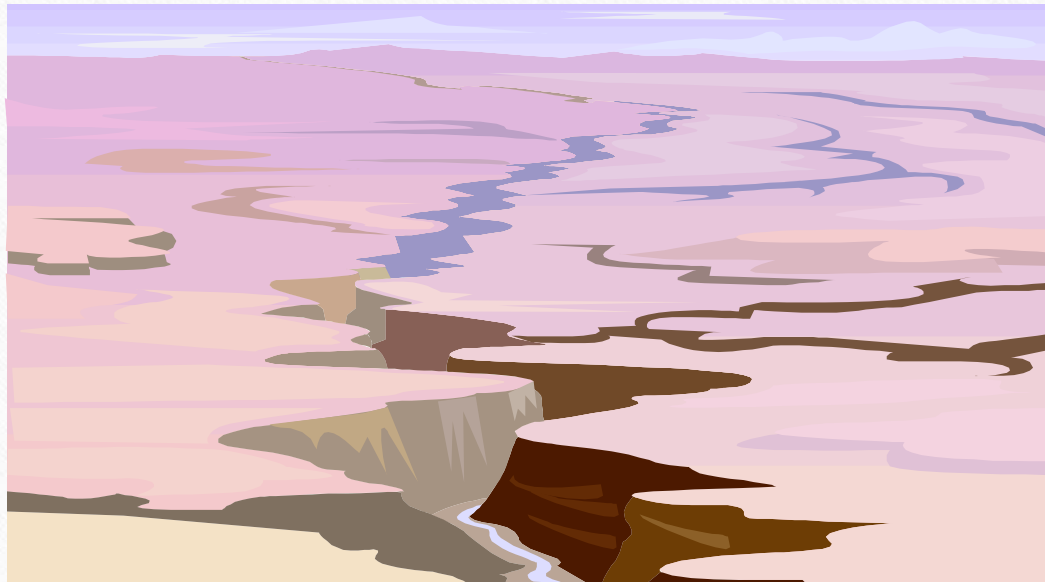
KEY ROLES & RESPONSIBILITIES

- ▶ India Region Risk Management – policies, SEC, Ethics, Independence & Conflicts
- ▶ Global Independence Compliance Reviews across Europe, Middle East & Africa (6 countries)
- ▶ Firm-wide Code of Conduct, Regulatory and Conflicts policy adherence for all personnel

CREDENTIALS & RECOGNITION

- ▶ Fellow Chartered Accountant (FCA) – ICAI | Certified Internal Auditor (CIA) – IIA, USA
- ▶ Alumni of Shri Ram College of Commerce
- ▶ Chairman's Values Award – India Values Champion | Special Invitee, ESB of ICAI (6–7 yrs)
- ▶ Sportsman: Delhi State & DU Inter-University (Softball); Mountaineering)

Are you Auditing/Audited on a Fault Line?



Will your Audit Collapse?



Is your Audit made out of Wood?



Or will you Protect Yourself by Building a
Strong Foundation?





And the Foundation is...

*“The skill of an accountant can
always be ascertained by an
inspection of his working papers”*

Robert H. Montgomery
Montgomery's Auditing, 1912

Training Programme for Peer Reviewers

Organised by
Peer Review Board of ICAI

Hosted by
Gurugram Branch of NIRC of ICAI

Compliance with Audit Documentation & Ethical Standards



**The Institute of Chartered
Accountants of India**
(Setup by an Act of Parliament)

FCA Sunil Bajaj
May 22, 2026



Disclaimer

Practice continues to evolve on many of the issues addressed in this presentation. Although the positions set forth herein reflect our understanding of current practice, changing conditions and the complexity of certain issues require continued review and analysis of the matters discussed.

Information in this presentation does not constitute conclusive authority on any matter discussed, and you are cautioned that relevant developments may occur after this session. Further the views herein are those of an individual and we request you to refer to the full text of the applicable Standard/ Section/ Regulation/ Notification/ Circular etc. before forming your own conclusion.

This material is current as of today i.e. May 22, 2026

Audit Documentation

- “Audit Documentation” defined as “The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “work papers” are also sometimes used”).

Why is it important?

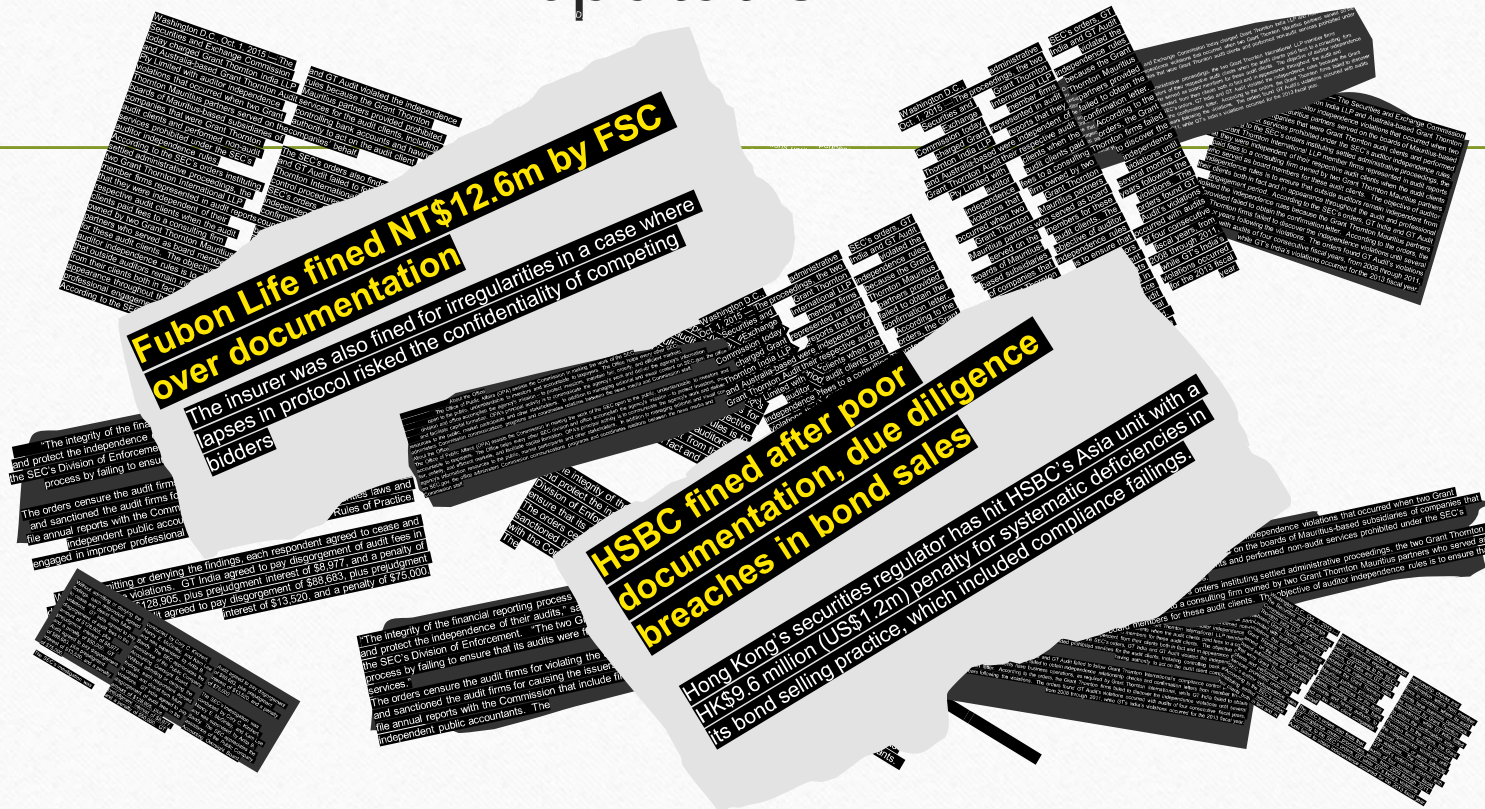
PM Modi: Your signature carries immense faith, please do not break that trust that is placed on you.

PM Modi: Your signature has the power to help the poor people of our country.

SEBI bars a firm: What is the firm's role in the Satyam scam?

The SEBI held that the firm was complicit with the main perpetrators of the accounting fraud and did not comply with auditing standards

Poor documentation assaults companies reputation....



Audit Scenario

- The onus is on the auditor to “prove” that he was not professionally negligent in the performance of his duty.
- If his work papers do not evidence his having performed a procedure, the assumption is that the audit procedure was not performed
- Scope and resource limitations faced by the auditor is not a defence if he did not give a disclaimer of opinion as required per SA 700.
- Documentation is the only way an auditor can prove to outsiders that he planned and performed an effective audit, however good he might himself consider the audit to have been done.

What has changed ?

ICAI



Peer Review

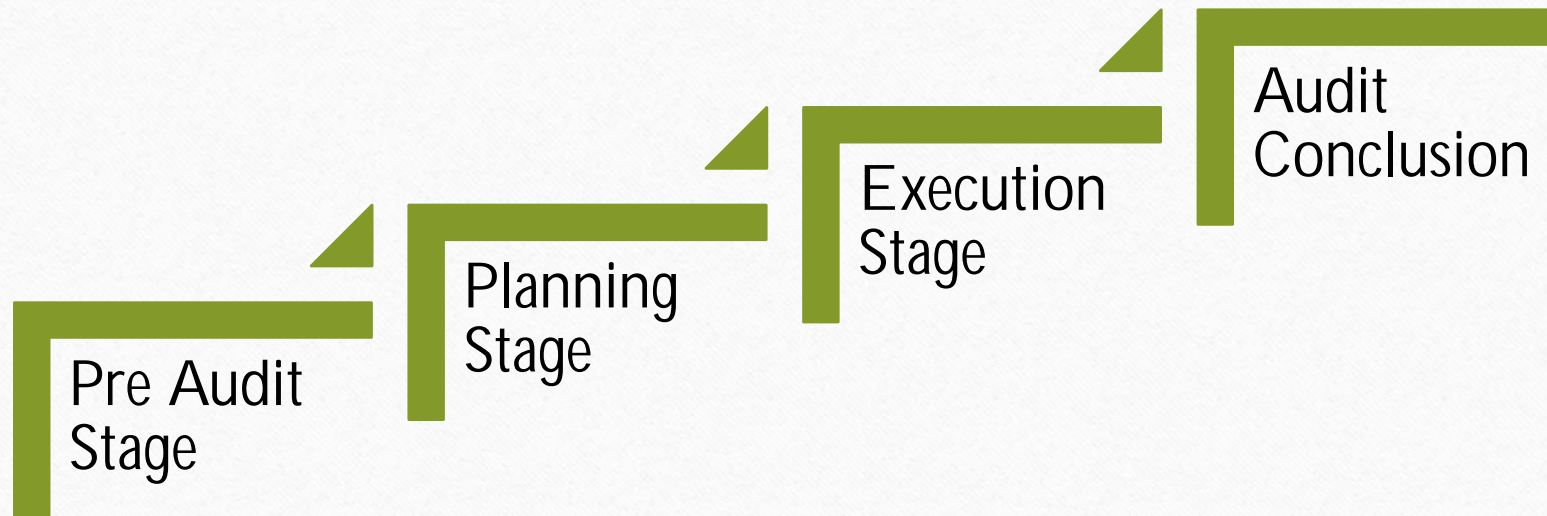
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- ▶ Standards and regulators have increased the emphasis on audit quality and the importance of documentation for achieving high quality audits
 - ▶ Clear and comprehensive documentation is essential to enhance the quality of the audit and for reviewers to assess compliance

**Auditor's
Documentation**

**Peer Reviewer's
Documentation**

We are now in an era where Auditors are audited!

Stage of Audit Documentation

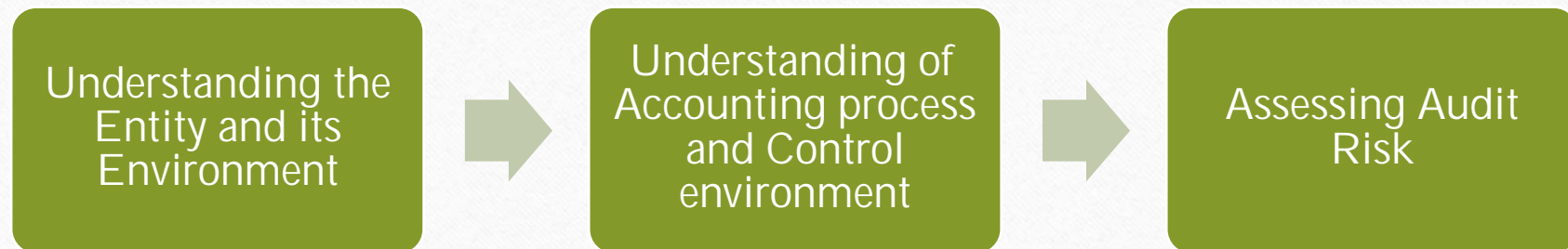


Documentation under Pre Audit Stage

- **Pre-audit documentation mainly comprise of the acquisition of the papers necessary for the Audit purpose such as:**
 - Appointment letter from the appointing body
 - Engagement letter
 - Correspondence letters with the previous auditors;
 - Sharing responsibilities with the other auditors (i.e. Joint-Auditors)

Planning Stage

- **Audit Planning:** Planning an audit involves establishing the overall audit strategy for the engagement and development of an audit plan.



Documentation under Planning Stage

- **Planning stage documentation mainly comprise of:**

- **Audit Plan/Program:** The audit plan converts the audit strategy into a more detailed plan.

The audit plan shall include the following:

- (a) A description of the nature, timing and extent of planned risk assessment procedures;
- (b) A description of the nature, timing and extent of planned further audit procedures at the assertion level;
- (c) Other planned audit procedures required to be carried out for the engagement to comply.

Documentation under Execution Stage

Execution stage is core ground work process under which Auditor needs to obtain sufficient & appropriate audit documentation

Documents included in Execution stage are as under:

Audit Sampling Documents: The Auditor has to document the design, selection of items for testing and evaluation of the results of the Audit Sample.

External Confirmation: The Auditor is required to document the details of the external confirmation sent and results of the external confirmation.

Documentation under Execution Stage

- **Going Concern documentation:** The Auditor should document the risks or the event which can affect the going concern & the conclusion reached by him.
- **Other Auditor Works:** The Principal auditor needs to document the scope of the component auditor/internal auditor, the competency of the component auditor/internal auditor.
- **Accounting Estimates documentation :** The documentation shall include possible management bias and auditor's conclusion regarding the reasonableness of the accounting estimates and disclosure of significant risks.

Documentation under Conclusion Stage

Conclusion stage involves issuance of report by the auditor and presenting his view/conclusion on the audit performed. At this stage document involves:

➤ **Evaluation of Misstatements Identified during the year**

The audit documents shall include the list of trivial misstatements, list of misstatements accumulated during the audit and whether they have been corrected by the management and if not, the impact on the financial statement.

Documentation under Conclusion Stage

➤ **Forming an opinion and Reporting on Financial Statements**

The auditor has to maintain adequate documents for the various opinion arrived like the emphasis of matters, qualified opinion or whether the financial statement are free from any material misstatements.

➤ **Management Representations:** The auditor has to maintain adequate documents in form of Management Representation letters as and when required during the course of audit and at the time of conclusion of audit.

General Guidelines for Audit Documentation

- **Clarity and Understanding**
- **Completeness and Accuracy**
- **Pertinence**
- **Logical Arrangement**
- **Legibility and Neatness**
- **Safety**
- **Initials and Date**
- **Summary of Conclusions**

Documentation of Compliance of SQC

S. No.	Particulars
A.	Engagement Documentation
B.	Audit Planning and Risk Assessment
C.	Audit Sampling and Other Selective Testing Procedures
D.	Materiality
E.	Audit Evidence
F.	Quality Control, Ethical Requirement & Independence

Audit Documentation — SA 230

Segregation of documents: Permanent vs. Current Audit File

Per SA 230 - Audit Documentation, all documents are segregated into Permanent Audit File (PAF) and Current Audit File (CAF):

PERMANENT AUDIT FILE (PAF)

Documents NOT restricted to one time period — extend to subsequent audits also

- ▶ Engagement letter
- ▶ Communication with previous auditor
- ▶ Memorandum of Association
- ▶ Articles of Association
- ▶ Organization structure
- ▶ List of directors/partners/trustees
- ▶ Auditor's assessment of inherent risks & controls
- ▶ Control risk assessment and reasons (if high)

CURRENT AUDIT FILE (CAF)

Documents relevant for THAT time period of audit only

- ▶ Internal audit functions and conclusions
- ▶ Audit Programme
- ▶ Conclusions w.r.t use of work of other auditor
- ▶ Non-compliance of laws & regulations (if any)
- ▶ Schedules/Notes
- ▶ Working papers for every significant area
- ▶ Risk assessment documentation
- ▶ Communication with those charged with Governance

Assembly of Working Files — 60-Day Rule

All working files must be assembled within 60 days of the audit report date

Inherent Risk Assessment

Document auditor's assessment of inherent risks & controls. If high — state reasons.

Control Risk Assessment

Document control risk assessment. If high — explain reasons.

Changes in Risk

Document any change in above assessments and reasons for the same.

60

DAYS

from Audit Report Date

Internal Audit Functions

Document internal audit functions and the conclusions drawn from them.

Use of Other Auditor's Work

Conclusions with respect to use of work of other auditor.

Non-Compliance Issues

Non-compliance of laws and regulations, if any, must be documented.

Schedules & Notes

All schedules and notes supporting the audit opinion.

Audit File Structure — Key Components

A layered approach ensuring complete documentation



ETHICS – What does the word prompt to you?



The time is
always right
to do
what is
right.

- Martin Luther King, Jr.



What are ETHICS

Ethics: science of morals in human conduct

Professionals shall be free from interests incompatible with objectivity, integrity and impartiality

It is a state of mind and extends beyond the legal requirements

PROFESSIONAL ETHICS – Why needed?

Practice of
professional
ethics



largely a matter of conscience and the
determination of members to
distinguish between what is right and
what is wrong

Note - Various professional bodies have introduced Ethics guidelines that their members shall adhere to.

Ethical Requirements — Part B(II)

Policies & Procedures for Practice Units (PU)

The Peer Review Manual mandates Practice Units to establish robust ethical frameworks covering:

Independence & Ethics Partner

Designated partner responsible for all aspects of independence and ethics of PU partners and professional staff.

System for Services Evaluation

Identifying all services performed for each client and evaluating whether any impair independence.

Regular Ethics Updates

PU must regularly update itself with changes in professional ethics and independence standards/requirements.

Personnel Checks

Checks to ensure all personnel follow independence and ethics policies of the PU.

Independence Communication

Maintaining prohibited-entity lists and making them available to personnel for self-evaluation.

Safeguards & Mitigations

Policies to mitigate self-interest, self-review, advocacy, and familiarity threats to independence.

Independence — Key Checks & Safeguards

Financial interests, rotation, fees, and conflict-of-interest controls

Financial Interests

PU must not have any financial interests in audit clients, their owners and officials.

Gifts & Hospitality

Policy requiring personnel to declare the acceptance of gifts & hospitality from clients/owners.

Audit Assignment Limits

Number of audit assignments must not exceed limits under Companies Act and ICAI guidelines.

Section 144 – Prohibited Services

PU cannot render services listed in Section 144 of Companies Act 2013 to its audit clients.

Rotation Policy

PU must have a policy to rotate senior personnel from assurance engagements after a certain length of service.

Annual Independence Declaration

PU to obtain annual independence declaration from all personnel.

NOC for New Clients

For new clients, ensure No-Objection Certificate (NOC) obtained from outgoing auditor.

Fee Below Minimum Scale

If fees accepted below ICAI minimum scale, reasons must be documented and justified.

Ethical Standards - Review Procedures

Independence, integrity, and professional conduct checks



Qualifications

Understand the qualification of the Practice Unit (PU)



Independence Safeguards

Obtain list of policies/safeguards followed by PU to protect themselves from threats to independence



Business Relationships

Whether PU has any business relationship with clients other than ordinary business relationship



Substantial Interest

Whether PU or his relative have any substantial interest in audit clients affecting Independence



Withdrawal Instances

Instances wherein PU has withdrawn from engagements to protect its independence



Conflict of Interest

Measures taken in case of conflict of interest — either within the partners or with the clients



Code of Ethics

Whether internal policies and practices adhere to the Code of Ethics issued by ICAI



Professional Ethics

Steps followed by PU to comply with professional ethics — integrity, confidentiality, objectivity



Misconduct Check

Understand whether PU has been alleged with professional misconduct at any point in professional career



Long-Term Association

Determine whether any long-term association with a client has been established which might pose a threat



Number of audit clients within limits specified under Companies Act and ICAI guidelines



Self-Review Threat

When Financial Statements are prepared by PU, measures undertaken to overcome self-review threat

Key Takeaways

1. Ethics Partner Mandatory

Every PU must designate an Independence and Ethics Partner responsible for all ethical and independence aspects.

2. Comprehensive Independence Checks

PU must evaluate financial interests, rotation, fee structure, and conflict-of-interest for every engagement.

3. Standards Compliance is Non-Negotiable

Adherence to SA, Standards on Auditing, Guidance Notes, and ICAI notifications is reviewed and verified.

4. SA 230 — Documentation Standards

All audit files must be classified into PAF (permanent) and CAF (current) as per SA 230 requirements.

5. 60-Day Assembly Rule

All working files must be assembled within 60 days of the audit report date — no exceptions.



Choice is with us ... always !

Thank You