

IAPS 1005 – Small Entity Considerations

Para #	Paragraph	Comment by Reference to Redrafted ISA 230
29	<p>The auditor may have an in-depth understanding of the entity and its business, because of the close relationship between the auditor and the owner-manager, the size of the entity being audited, or the size of the audit team and the audit firm.</p> <p>However, that understanding does not eliminate the need for the auditor to maintain adequate working papers.</p> <p>Working papers assist in the planning, performance, supervision and review of the audit, and they record the evidence obtained to support the audit opinion.</p>	<p>Similar guidance already in ISA 315.</p> <p>Unnecessary – dealt with by objective of the ISA.</p> <p>Covered by para 2.</p>
30	<p>The discipline imposed by the requirement to record the reasoning and conclusions on significant matters requiring the exercise of judgment can often, in practice, add to the clarity of the auditor's understanding of the issues in question and enhance the quality of the conclusions. This is so for all audits, even in the case of a sole practitioner with no assistants.</p>	<p>This is incorporated into para 7(c) (the requirement to provide an understanding of significant judgments) and A8 regarding documentation relating to use of professional judgment. In any event, this para doesn't address an SME consideration only.</p>
31	<p>Different techniques may be used to document the entity's accounting and internal control systems, depending on their complexity. However in small entities the use of flowcharts or narrative descriptions of the system are often the most efficient techniques.</p> <p>These can be kept as permanent information and are reviewed and updated as necessary in subsequent years.</p>	<p>See para A14-A15. Further guidance is also included in ISA 315.</p> <p>Covered by 4th bullet of 2.</p>
32	<p>Paragraph 11 of ISA 230 provides examples of the contents of working papers. These examples are not intended to be used as a checklist of matters to be included in all cases.</p> <p>The auditor of a small entity uses judgment in determining the contents of working papers in any particular case.</p>	<p>Examples of audit documentation are also provided in para A3. However, it seems unnecessary to emphasize that examples are not intended to be a complete checklist (otherwise we would need to do so for all lists of examples in the ISAs).</p> <p>Unnecessary.</p>
33	<p>Nevertheless, the auditor of a large or a small entity, records in the working papers:</p> <p>(a) The audit planning;</p> <p>(b) An audit program setting out the nature, timing, and extent of the audit procedures performed;</p>	<p>Already covered by the requirements of the ISA.</p>

Para #	Paragraph	Comment by Reference to Redrafted ISA 230
	(c) The results of those procedures; and (d) The conclusions drawn from the audit evidence obtained together with the reasoning and conclusions on all significant matters requiring the exercise of judgment.	