



Exposure Draft CAAS - 340
Cost Audit and Assurance Standard on
Audit Documentation

The following is the exposure draft of **Cost Audit and Assurance Standard (CAAS 340)** on “**Audit Documentation**”. In this Standard, the standard portions have been set in ***bold italic*** type. This standard should be read in the context of the background material, which has been set in normal type.

1. Introduction

The purpose of this Standard is to provide guidance to the members in preparation of Audit Documentation in the context of the audit of cost statements and other cost related information.

2. Objective

The objective of this standard is to guide the members to prepare documentation that provides:

- a) A sufficient and appropriate record of the basis for the Cost Auditor’s Report; and*
- b) Evidence that the audit was planned and performed in accordance with CAASs and applicable legal & regulatory requirements.*

3. Scope

This Standard deals with the cost auditor’s responsibility to prepare audit documentation for the audit of cost statements and other cost related information. The specific documentation requirements of other CAAS’s do not limit the application of this CAAS. Laws or regulations may establish additional documentation requirements.

4. Definitions

The following terms are being used in this standard with the meaning specified.

4.1 Audit: *An audit is an independent examination of financial and other related information of an entity whether profit oriented or not, irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon.*

4.2 Audit documentation: *Audit Documentation means the material including working papers prepared by and for, or obtained and retained by the Cost auditor in connection with the performance of the audit.*



4.3 Audit file: *Audit file means one or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.*

4.4 Audit working papers: *Audit working papers are the documents which record all audit evidence obtained during audit. Such documents are used to support the audit work done in order to provide assurance that the audit was performed in accordance with the relevant Cost Audit and Assurance Standards.*

4.5 Cost Auditor: *“Cost Auditor” means an auditor appointed to conduct an audit of cost records, under sub-section (2) of section 233B of the Companies Act and shall be a cost accountant within the meaning of The Cost and Works Accountants Act 1959. “Cost Accountant” is a cost accountant as defined in clause (b) of sub-section (1) of section 2 of The Cost and Works Accountants Act, 1959 (23 of 1959) and who holds a valid certificate of practice under subsection (1) of section 6 and who is deemed to be in practice under subsection (2) of section 2 of that Act and includes a firm of cost accountants.*

4.6 Engagement Partner: *Engagement partner means the partner or other person in the firm who is a member of the Institute of Cost Accountants of India and is in full time practice and is responsible for the engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.*

4.7 Engagement Team: *Engagement team means all personnel performing an engagement, including any experts contracted by the firm in connection with that engagement.*

4.8 Firm: *Firm means a sole practitioner, partnership including LLP or any other entity of professional cost accountants as may be permitted by law and constituted under The Cost and Works Accountants Act & Regulations.*

5. Requirements

5.1 Timely Preparation of Audit Documentation:

Cost Auditor shall prepare audit documentation on a timely basis.

5.2 Form, Content and Extent of Audit Documentation:

1. The Cost Auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand.



2. The Cost auditor shall prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit.
3. The Cost Auditor shall not delete or discard audit documentation of any nature before the end of its retention period.
4. Working papers shall include the Cost auditor's reasoning in all significant matters which require the exercise of judgment, together with the Cost auditor's conclusion thereon. In areas involving difficult questions of principle or judgment, working papers shall record the relevant facts that were known by the Cost Auditor at the time the conclusions were reached.
5. To improve audit efficiency, the Cost Auditor may utilize schedules, analysis and other documentation prepared by the entity. In such circumstances, the Cost Auditor needs to be satisfied that those materials have been properly prepared
6. Unless otherwise specified by law or regulation, audit documentation is the property of the Cost Auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the Cost Auditor or of his personnel.

6. Application Guidance and Explanatory Notes

6.1 Audit Documentation helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalised.

6.2 The form, content and extent of audit documentation depend on factors such as:

- The size and complexity of the entity.
- The nature of the audit procedures to be performed.
- The identified risks of material misstatement.
- The significance of the audit evidence obtained.
- The nature and extent of exceptions identified.
- The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.
- The audit methodology and tools used.

6.3 Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:

- Audit programmes.



- Analyses.
- Issues memoranda.
- Summaries of significant matters.
- Letters of confirmation and representation.
- Checklists.
- Correspondence (including e-mail) concerning significant matters.

6.4 The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.

The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

6.5 Working papers ordinarily include the following:

- Process Flow Chart
- Machine Down Time Analysis
- Root Cause analysis of Down Time
- Utilities Consumption Analysis & trends, relationship with technology used
- Spare Parts Consumption Analysis
- Details of Process modifications carried out and their impact on cost of production
- Capital Expenditure incurred during the year and its impact on installed capacity & operational cost implications
- Cost Centre-wise allocation of expenses and system there on, Reconciliation with Financial Accounts
- Non-moving Stocks, Group-wise consumption and stocking patterns
- Raw Material-wise, Source-wise landed cost analysis
- Major consumables consumption analysis
- Handling Losses of major raw materials & Coal both during receipt and also in storage etc.

6.6 In principle, compliance with the requirements of this CAAS will result in the audit documentation being sufficient and appropriate in the circumstances. Other CAASs contain specific documentation requirements that are intended to clarify the



application of this CAAS in the particular circumstances of those CAAS. The specific documentation requirements of other CAAS do not limit the application of this CAAS. Furthermore, the absence of a documentation requirement in any particular CAAS is not intended to suggest that there is no documentation that will be prepared as a result of complying with that CAAS.