

# Client Substantiation File

A toolbox to help you prepare for an audit

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# What is it?



## **A tool to help you prepare for your audit**

We work together with the entities we audit to make sure your audit goes as effectively and efficiently as possible.

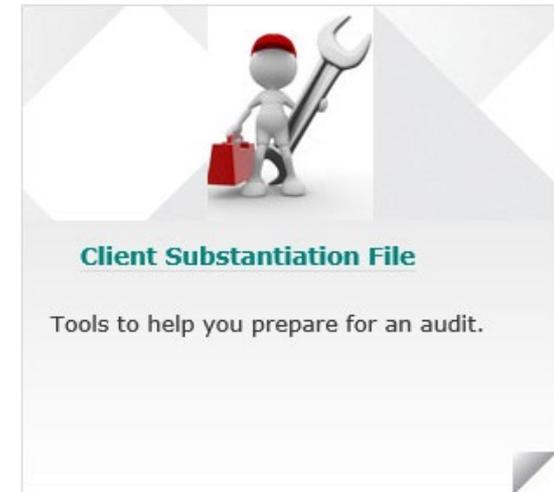
We've put together this tool box to help you prepare the information you will need to provide to us so we can complete the work that needs to be done.

# Where do you find it?

It's on our website [www.auditnz.govt.nz](http://www.auditnz.govt.nz)

We have made it electronic so that its easy to use and easy to update with new information

Look out for the following icon on the bottom right hand side



# Why is preparation important?

When your entity is fully prepared it helps your auditor complete the audit efficiently and effectively.

You get maximum  
value

There are less  
queries

Auditors can focus  
on important issues

# How is it structured?

This tool contains background information and guidance on specific topics including the responsibilities of management and your auditors.

Download document

[Information request \(Word\)](#)



We've included some documents to assist you and your auditor:

- information requests;
- checklists;
- questionnaires; and
- templates.

# Information requests

- This information we would like you to prepare in advance.
- Starting this early will give you time to get all the information together.
- This can be given to your audit team in advance or with the draft financial statements.
- Your audit team can give you more details of what they will need and when they will need it.

# Questionnaires

By answering these questionnaires you'll be gathering the information your auditors will need to complete some of their work.

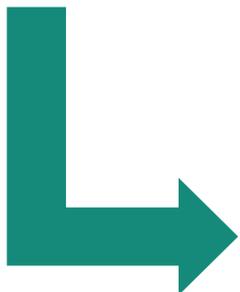
Simple in design

Easy to answer

Can include  
additional  
information

# Questionnaires

The questionnaires are multiple choice and quick to use



## Understanding your journals system

The questions below are designed for your auditor to get a better understanding of your system over journals which will assist in the risk identification process and ensure that the procedures performed are relevant to your organisation

1 Do you use automatically reversing journal entries?

- Yes
- No

If no, how does the client ensure that the journals requiring reversal have been reversed?

2 Is it possible to match the journal with the reversing journal?

- System identified which shows which journals are reversals, but not the original journal it reversed
- System identifies which journals are reversals and which journals they are reversing
- Client can run a report which excludes the original journal and the reversal
- No
- Other

Explain how we could match the original journal with the reversing journal

# Templates and checklists

Templates can help you when you are preparing your financial statements to collate your information and to support what you have reported.

The checklists will help you perform a final check on some documents to ensure that your preparation process is sufficient .



# Purpose of the lead schedule

The lead schedule is a summary and index of the make-up of financial statement line items and related note disclosures.

The lead schedule shows what general ledger accounts are included in each financial statement line item and thus ties the general ledger back to the financial statements.

The lead schedule is also used to explain significant movements between the current year and the prior year/budgeted amounts.

# Financial statement checklist

There is a high level checklist to help make sure that your financial statements are free of basic errors.

## Financial statements checklist



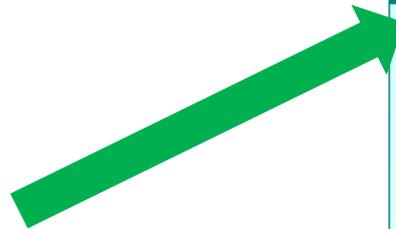
*Client Substantiation File.*

Ref	Qualitative aspects of the financial statements	Checked
1	Ensure that note numbers on the face of the financial statements correspond to the numbers in the notes.	
2	Ensure that the financial year end date is correct in titles and column headings and that a consistent format has been used.	
3	Check the mathematical accuracy of the total amounts in the financial statements and other tables in the annual report by adding up all columns and rows that have total values.	
4	Ensure that the statements are named correctly named and match the contents page.	
5	Ensure that the values on the face of the financial statements correspond to the values in the corresponding note.	

# How does it work?

This section of the website is divided into different topics as shown on the contents page

The how to use this tool section will explain the purpose of the client substantiation file and explain the layout and contents.



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# Lets take a closer look

If you click on understanding the journals system, there is an explanation on why this is important to your auditor

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## Understanding the journals system



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Journals are used to capture transactions into an accounting system in different ways and may often have different characteristics. Journals can be:

- used to record transactions into the accounting records;
- used to correct errors of previous entries;
- routine and used for transactions that occur regularly; and
- non-routine as they are used to capture less frequently encountered transactions.

Journals by nature have higher risk associated with them as inappropriate journals can be posted to the accounting system. It is important that there are robust processes and controls around the processing of journals. There must cover who can initiate and approve journal entries. Incorrect or inappropriate journals can be used to manipulate the accounting records and will result in errors being present in the financial statements.

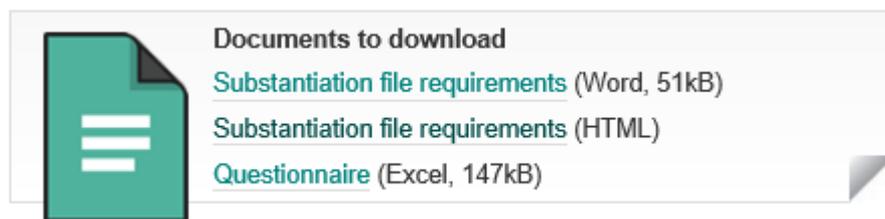
It is important that the auditor gets a sufficient understanding of the system over journals. A proper understanding will also allow the auditor to identify any risks areas in the journals system and which journals to focus their audit procedures.

It is also important that the auditor receives a complete list of all journals processed for the year. This is needed to ensure that all journals are considered when selecting journals to test.

We have included a [journals questionnaire](#) (Excel, 147kB) for you to complete in order for your auditor to better understand your journals system and the risks associated with it. This will help the auditor to focus their attention on which journals to test. The questionnaire may also give you an indication of any areas in your journal system that need attention.

# Documents available

You can download the information requests and questionnaires from the associated page. Look out for the icon on the top right hand side of each page:



Substantiation file requirements – This will be list of information that your auditor will need.

Questionnaire - This will be specific questions that you auditor will need you to answer so we can understand your processes.

# Discussion with your auditor



Have early discussions with your auditor about what information they will be needing from you.

This will help both parties to understand what's needed. Please do ask if you are unsure or need further clarity.

# Where to from here?

- 1 • Have a discussion with your auditor
- 2 • Read through the website
- 3 • Compile the information needed
- 4 • Send it to your auditor

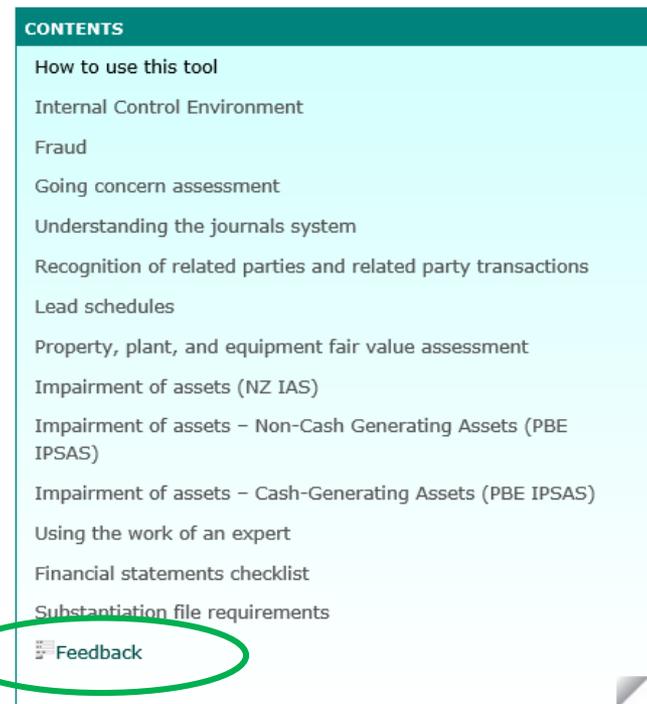
# The future

This is a developing resource and we will continue to add further information, templates, questionnaires etc.

We want to make sure that it is up to date and it helps you to get prepared for your audit.

# We welcome feedback

Tell us what you think and let us know if you have any areas for improvement.



A screenshot of a table of contents with a teal header. The items listed are: How to use this tool, Internal Control Environment, Fraud, Going concern assessment, Understanding the journals system, Recognition of related parties and related party transactions, Lead schedules, Property, plant, and equipment fair value assessment, Impairment of assets (NZ IAS), Impairment of assets – Non-Cash Generating Assets (PBE IPSAS), Impairment of assets – Cash-Generating Assets (PBE IPSAS), Using the work of an expert, Financial statements checklist, Substantiation file requirements, and Feedback. The 'Feedback' item is circled in green.

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Just click on the link on our website page and submit your feedback.

Ask your auditor any specific questions about your audit.