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Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: MS	Date: 6/3/14	Ref: B3
Reviewed by: AM	Date: 11/3/14	

CLIENT MEETING MINUTES continued

Issues	Reference	Reviewers initials and comments
<p><u>Preliminary analytical review</u> <u>Brief details of expectations.</u></p> <p><i>Turnover</i> <i>Turnover during the year is expected to be up by 2-3% due to menu price increases. Gross profit should also show slight improvement as some efforts have been made to achieve better rates with certain major suppliers notably the brewery. Both of these are reflected in the management accounts.</i></p>	B8	AM 11/3/14
<p><u>Reporting Deadlines</u> <i>No pressing deadlines.</i></p>		AM 11/3/14
<p><u>Other issues</u></p> <p><i>Revaluation of freehold property has been carried out during the year by a reputable firm of Quantity Surveyors in Manchester. The valuation should be obtained directly from the QS and not from the client.</i></p> <p><i>A copy of the external valuation of property and monthly reports from stock-taker are to be obtained and reviewed. This should be obtained directly from the stock-taker and not from the client.</i></p>	F8 IA8	AM 11/3/14

Completed by: MS	Date: 6/3/14	Ref: B4
Reviewed by: AM	Date: 11/3/14	

PRELIMINARY ANALYTICAL REVIEW

Ratio	Prior Period	Expected level for current period	Draft figures for current period	Comments
Gross profit % <u>Gross profit</u> x 100 Turnover	62%	63%	63%	<i>We expected that there would be an improvement on the prior year due to securing better terms from the major supplier the brewery. This expectation was supported by the most recent contract between the parties.</i>
Net profit % <u>Net profit</u> x 100 Turnover	12.4%	13%	13.4%	<i>As for gross profit margin.</i>
Debtors days <u>Trade Debtors</u> x 365 Gross credit sales	62 days	65 days	64 days	<i>Some room for improvement here but in line with what we would expect based on our knowledge of this sector. Typically 60 to 70 days is the norm. Slight improvement has been shown over past 6 years.</i>
Creditors days <u>Trade Creditors</u> x 365 Gross purchases	27 days	30 days	28 days	<i>Company policy is to pay on 30 days so this is in line with our expectations.</i>
Stock turnover <u>Trade purchases</u> Stock	8.95	9.00	8.91	<i>In line with patterns over previous years. Our expectation is based on our knowledge of the client and the sector.</i>
Current ratio <u>Current assets</u> Current liabilities	0.93	1.00	0.99	<i>Reflects improved efforts at stock turnover and tighter cash controls over past year. Still cause for some concern though.</i>
Quick ratio <u>Current assets-Stock</u> Current liabilities	0.44	0.50	0.47	<i>As with the current ratio, some improvement is expected as a result of tighter cash controls and conscious efforts to improve liquidity. Still room for further improvement.</i>

Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: MS	Date: 6/3/14	Ref: B4
Reviewed by: AM	Date: 11/3/14	

PRELIMINARY ANALYTICAL REVIEW continued

Ratio	Prior Period	Expected level for current period	Draft figures for current period	Comments
Any additional ratios which are important to this business				<i>There are no other annual ratios. KPIs are monitored weekly by management e.g. covers served, average spend per cover and gross profit margin for food and for beverages. These are worryingly down in the first two months after the year-end.</i>

Preliminary conclusion

In the light of the above results, there are no areas of particular concern arising out of the preliminary analytical review of ratios. However, the KPIs after the year-end do give some cause for concern for future trading levels and this needs further investigation in our going concern section.

Prepared by: M Smart

Date: 6/3/14

Reviewed by: A Mills

Date: 11/3/14

Completed by: MS	Date: 6/3/14	Ref: B5
Reviewed by: AM	Date: 11/3/14	

ASSESSMENT OF RISKS AT THE ASSERTION LEVEL

Objective : To form an assessment of the specific audit risks in each area of the audit, by assessing the risk inherent in the item being audited, the risk of misstatement due to weaknesses in the client's internal controls, and indicators that the item may be misstated, due to the results of the preliminary analytical review. Having considered the impact of each of these three factors, each area of the audit may be assessed as low, medium or high risk.

Audit area	Inherent risk (likelihood of material misstatement)	Control risk	Analytical review	Assertion level risk (L/M/H)	Justification	Transfer to schedule of significant risks on PAF 13 (Y/N)
Tangible fixed assets ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	Low Low Low Low Low Medium Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Medium Low	<i>Major issue is the property revaluation during the year which is very significant and obviously material.</i>	Yes
Other investments ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	<i>Fairly straightforward area. Nothing of concern in it.</i>	No
Stock ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Medium Low Medium Medium Medium Medium Medium	<i>High value, easily sellable stock makes it not a low risk area. There are No issues with analytical review and controls seem reasonable but the nature of the stock does have an impact.</i>	Yes
Debtors ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	Low Low Low Low Low Low Low	<i>Relatively straightforward area. No problems in the past and the controls appear reasonable.</i>	No

Completed by: MS	Date: 6/3/14	Ref: B5
Reviewed by: AM	Date: 11/3/14	

Audit area	Inherent risk (likelihood of material misstatement)	Control risk	Analytical review	Assertion level risk (L/M/H)	Justification	Transfer to schedule of significant risks on PAF 13 (Y/N)
Bank balances and cash ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Although this is a cash business, the actual banking facilities are relatively straightforward and the controls thereover fairly robust.</i>	No
Creditors and accruals ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off	<i>Low</i> <i>Low</i> <i>Medium</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Medium</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>The importance of understatement of liabilities makes completeness more risky than the other assertions. The analytical review and controls work does not indicate any problems.</i>	Yes
Long Term Loans ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Occurrence ➤ Cut off	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>:Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Relatively straightforward area with no real concerns.</i>	No

Completed by: MS	Date: 6/3/14	Ref: B5
Reviewed by: AM	Date: 11/3/14	

ASSESSMENT OF RISKS AT THE ASSERTION LEVEL continued

Audit area	Inherent risk (likelihood of material misstatement)	Control risk	Analytical review	Assertion level risk (L/M/H)	Justification	Transfer to schedule of significant risks on PAF 13 (Y/N)
Provisions for liabilities and charges <ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p style="text-align: center;">Low Low Medium Medium Low Low Medium Low</p>	<p style="text-align: center;">Low Low Low Low Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low Low Low Low Low</p>	<p style="text-align: center;">Low Low Medium Medium Low Low Medium Low</p>	<p><i>A difficult area, particularly for this type of business. The controls in place seem reasonable but there are a number of inherent uncertainties particularly surrounding laws and regulations and contingencies.</i></p>	Yes
Capital and Reserves <ul style="list-style-type: none"> ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Cut off 	<p style="text-align: center;">Low Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low Low</p>	<p><i>Relatively straight forward area. No real concern.</i></p>	No
Taxation <ul style="list-style-type: none"> ➤ Completeness ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p style="text-align: center;">Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low</p>	<p style="text-align: center;">Low Low Low Low</p>	<p><i>Nothing complex in the company's affairs. Controls seem fine. Should be straightforward.</i></p>	No
Income <ul style="list-style-type: none"> ➤ Existence ➤ Completeness ➤ Valuation and accuracy ➤ Cut off ➤ Classification 	<p style="text-align: center;">Low Medium Medium Medium Low</p>	<p style="text-align: center;">Low Medi um Medi um Medi um Low</p>	<p style="text-align: center;">Low Medi um Low Low Low</p>	<p style="text-align: center;">Low Medium Medium Medium Low</p>	<p><i>The fact that this is a cash business, notably the wine bar element make this a higher risk area. The controls look fine, but the issue in any cash business will be what isn't recorded.</i></p>	Yes

Completed by: MS	Date: 6/3/14	Ref: B5
Reviewed by: AM	Date: 11/3/14	

Audit area	Inherent risk (likelihood of material misstatement)	Control risk	Analytical review	Assertion level risk (L/M/H)	Justification	Transfer to schedule of significant risks on PAF 13 (Y/N)
Expenditure ➤ Existence ➤ Occurrence ➤ Completeness ➤ Ownership ➤ Classification ➤ Cut off ➤ Accuracy and valuation	<i>Medium</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Main concern is validity of expenditure i.e. is the expenditure for a proper purpose.</i>	Yes
Payroll ➤ Existence ➤ Completeness ➤ Classification ➤ Accuracy and valuation ➤ Cut off	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Main concern in this type of business would be the use of cash income to pay wages and this is something that we are conscious of. However, we haven't had problems with this client in the past nor do we expect to this year.</i>	No
Related Party Transactions ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Accuracy and valuation ➤ Cut off	<i>Medium</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Medium</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i>	<i>Completeness of related party transactions under ISA 550 must always be considered a significant risk unless you can demonstrate otherwise.</i>	Yes

Completed by: MS	Date: 6/3/14	Ref: B6
Reviewed by: AM	Date: 11/3/14	

MATERIALITY SUMMARY

	Percentage (see below) %	Expected results	Materiality level
Turnover	2	£1,939,305	£38,786
Gross assets	2	£2,283,435	£45,669
Profit/(loss) before tax	10	£260,001	£26,000
Adjustment for unusual items		-	
Adjusted profit/(loss)	10	£260,001	£26,000

	This year	Last year
OVERALL INITIAL AUDIT MATERIALITY SET AT	£45,000	£38,000

This has been set towards the upper level as no problems have been encountered in the past and both gross assets and turnover are deemed equally important indicators in our professional judgment in this business. When setting materiality we are mindful of the level that an experienced external investor would be influenced by any mistakes or errors in the accounts. We are also mindful that the going concern position requires improvement.

Clearly trivial error level (as per ISA (UK and Ireland) 450) * 2% x materiality = £900

These are amounts that require no further investigation. We have deemed that 2% is a reasonable level for this client.

Materiality Ranges:

Range of turnover / gross assets only (£)	Percentage to be applied	Materiality limits (£)
0 - 750,000	3.0%	1 - 22,500
750,001 – 1,250,000	2.5%	22,501 - 31,250
1,250,001 – 2,250,000	2.0%	31,251 - 45,000
2,250,001 – 5,000,000	1.5%	45 001 - 75,000
Over 5,000,000	1.0%	Over 75,000

* Typically this may be set between 1 and 5% of materiality

Completed by: MS	Date: 6/3/14	Ref: B6.1
Reviewed by: AM	Date: 11/3/14	

PERFORMANCE MATERIALITY CALCULATION

The Clarity ISAs require a performance materiality assessment to be performed. The starting point for setting performance materiality in this audit programme is by dividing the materiality level on [B6](#) by a residual factor. It is used to help determine sample sizes. The residual factor is obtained from the table below:

		Financial Statement Level Risk PAF 11		
		LOW	MEDIUM	HIGH
Assertion Level Risk (B5)	LOW	1.1	1.2	1.3
	MEDIUM	1.2	1.3	1.4
	HIGH	1.3	1.4	1.5

$$\text{Performance materiality} = \frac{\text{Materiality}}{\text{Residual factor}}$$

It must be noted however that having done the calculation the auditor must exercise their professional judgment before deciding on the final level. The judgment should be based on understanding of the client, robustness of internal controls and previous experience etc.

Calculation of performance materiality					
Section	Materiality	Residual factor	Initial performance materiality level	Adjustment for professional judgment	Final Performance materiality level
Tangible fixed assets	£45,000	1.2 1.3	£37,500 £34,625	-	£37,500
Other investments	£45,000	1.2	£37,500	-	£37,500
Stock	£45,000	1.2 1.3	£37,500 £34,615	-	£34,615
Debtors and prepayments	£45,000	1.2	£37,500	-	£37,500
Bank balances and cash	£45,000	1.2	£37,500	-	£37,500
Creditors and accruals	£45,000	1.3	£34,615	-	£34,615
Long term loans and deferred income	£45,000	1.2	£37,500	-	£37,500
Provisions for liabilities and charges, contingent liabilities and financial commitments	£45,000	1.3	£34,615	-	£34,615
Capital, reserves and statutory records	£45,000	1.2	£37,500	-	£37,500

Completed by: MS	Date: 6/3/14	Ref: B6.1
Reviewed by: AM	Date: 11/3/14	

PERFORMANCE MATERIALITY CALCULATION continued

Section	Materiality	Residual factor	Initial performance materiality level	Adjustment for professional judgment	Final Performance materiality level
Direct and indirect taxation and deferred taxation	£45,000	1.2	£37,500	-	£37,500
Profit and loss – income	£45,000	1.3 1.2	£34,615 £37,500	-	£34,615
Profit and loss – expenditure	£45,000	1.3	£34,615	-	£34,615
Profit and loss – payroll	£45,000	1.2	£37,500	-	£37,500
Profit and loss – directors remuneration	£45,000	1.2	£37,500	£18,500	£19,000 *
Related parties	£45,000	1.3	£34,615	£18,500	£16,115 *
Directors transactions	£45,000	1.3	£34,615	£18,500	£16,115 *

* Deemed to be a sensitive area therefore further adjustment made

REVISION TO MATERIALITY AS THE AUDIT PROGRESSES

Document below any reasons for materiality to be amended during the course of the audit:

Initial materiality level	£45,000
Final materiality level	£45,000
Performance materiality level	As in table above
Clearly trivial error level	£900

Comments:

In making our assessment of performance materiality we reviewed the history of adjustments required in prior years. Our experience has shown that audit adjustments arising afterwards are minimal. We also note that traditionally there has always been a low volume of high value transactions during the year and that there is no history of significant internal control deficiencies therefore the possibility that the aggregate of individual uncorrected and undetected misstatements will exceed the overall materiality is small therefore performance materiality has been set in accordance with the standard table above.

Conclusion

The materiality and performance levels appear appropriate.

Prepared by M Smart Date 6 March 2014

Reviewed by A Mills Date 11 March 2014

Completed by: MS	Date: 6/3/14	Ref: B7
Reviewed by: AM	Date: 11/3/14	

SAMPLE SIZE CALCULATION

All items above the performance materiality level in any population must be chosen for every test performed.

If substantive (detailed) analytical review and/or tests of control have been performed on this population, and the results provide a high level of confidence in the financial statement assertion being tested, the sample sizes may be reduced.

When designing an audit sample, you must always consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn before deciding which items to select in the sample.

Balance Sheet Items Sample Size

Sample size = $\frac{\text{Residual Population (Balance being tested less items above performance materiality)}}{\text{Performance Materiality}}$

Note: If the table below gives a higher answer than the above, then the table below should be used.

		Financial Statement Level Risk PAF 11		
		LOW	MEDIUM	HIGH
Assertion Level Risk B5	LOW	10	12	15
	MEDIUM	12	15	17
	HIGH	15	17	20

Profit and Loss Sample Size

Sample size = $\frac{\text{Residual Population (Balance being tested less items above performance materiality)}}{\text{Performance Materiality}}$

Note: If the table below gives a lower answer than the above, then the table below should be used.

		Financial Statement Level Risk PAF 11		
		LOW	MEDIUM	HIGH
Assertion Level Risk B5	LOW	20	24	30
	MEDIUM	24	30	34
	HIGH	30	34	40

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

AUDIT STRATEGY MEMORANDUM

Issues	Reviewers initials and comments
<p><u>Type of engagement</u></p> <p>The audit was requested by the client. The audit will be conducted in accordance with ISAs (UK and Ireland). The accounts have been prepared in accordance with UK GAAP. The FRSSE has not been taken advantage of.</p>	AM 11/3/14
<p><u>Timing and nature of reporting</u></p> <p>The filing deadline with Companies House is 30 September 2014. There is standard UK audit reporting under the Companies Act. The Senior Statutory Auditor is Alun Mills.</p>	AM 11/3/14
<p><u>Reliance on internal control</u></p> <p>We have considered the design and implementation of the internal controls as required by ISA 315. We have not placed any reliance though on internal controls and feel that a fully substantive based approach is both the most effective and efficient approach in the circumstances.</p>	AM 11/3/14
<p><u>Results of previous audits</u></p> <p>The audit has always been relatively clean and few problems have been encountered. The client has always been receptive to our work which is reflected in their decision to have an audit carried out.</p>	AM 11/3/14

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

AUDIT STRATEGY MEMORANDUM continued

Issues	Reviewers initials and comments
<p><i>Impact on audit approach:</i></p> <ol style="list-style-type: none"> 1. Completeness of income – for a number of days, carry out till roll reconciliations by agreeing the figures on the till rolls to the summary schedules produced by the client and ensuring that the monies were lodged to the client’s bank account. Detailed analytical review also needs to be performed by comparing monthly sales against expectations and reviewing sales on certain key dates in the year. 2. Compliance with laws and regulations – work will need to be performed to ensure that no breaches of any central laws and regulations have occurred. This will include discussions with directors, review of relevant correspondence and source documents, inclusion in the representation letter of specific confirmations, review of legal correspondence for the period and consideration of the necessity for a solicitor’s letter. 3. Existence and valuation of stock – the requirements of ISA 500 on audit evidence will need to be considered carefully in this area. This will include the competence capabilities and objectivity of the stock-taker, obtaining an understanding of the work of management’s expert, the appropriateness of the expert’s work. Valuation of stock will be tested by review of purchase invoices and a review for old obsolete stock. Make sure that the stock valuation is obtained directly from the stock valuer and not via the client. 4. Completeness of creditors – examine the relationship with the key supplier of the wine bar i.e. the brewery and examine the relationship with any key suppliers of the restaurant, particularly Blue Moon Foods Limited which is a related party. See also 6 below. Supplier statement reconciliations will need to be carried out and a review of after date cash payments will be important. 5. Ownership and valuation of freehold property – consider valuation in light of requirements of ISA 500 above. Ownership will need to be agreed to the Land Registry website. Make sure that the property valuation is obtained directly from the valuer and not via the client. 6 Related party transactions – review expenditure to ensure it has all been correctly classified. Ensure transactions with Blue Moon Foods Limited are at arms length and on normal commercial terms. Ensure that the balances have been agreed in writing by the related party concerned and if possible agree them into the books and records of the related party. Review the nature of directors’ personal expenditure and test its completeness. Consider completeness of related party transactions in general. 7 Going concern – assess the company’s liquidity position and review current bank facilities. Review the latest management accounts and assess their impact. Review cashflow forecasts and the assumptions behind them and assess their reasonableness. Consider the impact of any sensitivity analysis. Assess the directors’ plans for future action and their reasonableness. 	<p>AM 11/3/14 – I agree with all the tests suggested.</p> <p>QA3</p> <p>N2</p> <p>IA6</p> <p>L4</p> <p>F8</p> <p>R3</p> <p>D4.1</p>

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

AUDIT STRATEGY MEMORANDUM continued

Issues	Reviewers initials and comments
<p><u>Immaterial areas</u></p> <p><i>Areas identified as low risk:</i> <i>Investments</i> <i>Cash and bank</i> <i>Debtors</i> <i>Capital & Reserves</i> <i>Payroll</i></p> <p><i>Suggested audit approach:</i> <i>Reduced level of substantive testing and smaller sample sizes in these areas. Testing will focus on key assertions only.</i></p>	<p>AM 11/3/14 <i>I agree with the areas identified as low risk.</i></p>
<p><u>Initial assessment of going concern</u></p> <p>The company has a reasonable level of shareholders' funds and has maintained a fairly consistent level of profitability over the last five years. However it does not have particularly good liquidity. Although it has a small level of net current assets at the balance sheet date it has had net current liabilities in the past.</p>	<p>AM 11/3/14</p>
<p><u>Nature, timing and extent of staff and principal involvement</u></p> <p>Budget is shown on B10. The work will be performed by appropriately trained staff i.e. a qualified manager and a part qualified experienced senior. Appropriate time has been allocated for partner control and review.</p>	<p>AM 11/3/14</p>

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

Summary audit approach					
Section	Assertions	Risk per B5 (H/M/L)	Tests of operational effectiveness? (Y/N)	Detailed Analytical Review? (Y/N)	Standard or tailored programme required?
Post balance sheet events and going concern	<i>Not relevant</i>	<i>Medium</i>	<i>No</i>	<i>No</i>	<i>Standard plus increased emphasis on cashflows and future prospects.</i>
Tangible fixed assets	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Medium</i></p> <p><i>Low</i></p>	<i>No</i>	<i>No</i>	<i>Standard</i>
Other investments	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and acclocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	<i>No</i>	<i>No</i>	<i>Key tests only</i>
Stock	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Medium</i> <i>Low</i> <i>Medium</i> <i>Medium</i></p> <p><i>Medium</i> <i>Medium</i></p> <p><i>Medium</i></p>	<i>No</i>	<i>Yes</i>	<i>Standard</i>
Debtors and prepayments	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	<i>No</i>	<i>No</i>	<i>Tailored -key tests only</i>

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

Section	Assertions	Risk per B5 (H/M/L)	Tests of operational effectiveness? (Y/N)	Detailed Analytical Review? (Y/N)	Standard or tailored programme required?
Bank balances and cash	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	No	No	<i>Standard</i>
Creditors and accruals	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Medium</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	No	No	<i>Standard</i>
Long term loans and deferred income	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	No	No	<i>Standard</i>
Provisions for liabilities and charges, contingent liabilities and financial commitments	<ul style="list-style-type: none"> ➤ Existence ➤ Ownership ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Medium</i> <i>Medium</i></p> <p><i>Low</i> <i>Low</i> <i>Medium</i></p> <p><i>Low</i></p>	No	No	<i>Standard</i>
Capital, reserves and statutory records	<ul style="list-style-type: none"> ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Cut off 	<p><i>Low</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i> <i>Low</i></p>	No	No	<i>Tailored -key tests only</i>

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

Section	Assertions	Risk per <u>B5</u> (H/M/L)	Tests of operational effectiveness? (Y/N)	Detailed Analytical Review? (Y/N)	Standard or tailored programme required?
Direct and indirect taxation and deferred taxation	<ul style="list-style-type: none"> ➤ Completeness ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i></p>	No	No	Standard
Profit and loss – income	<ul style="list-style-type: none"> ➤ Existence ➤ Completeness ➤ Valuation and accuracy ➤ Cut off ➤ Classification 	<p><i>Low</i> <i>Medium</i> <i>Medium</i></p> <p><i>Medium</i> <i>Low</i></p>	Yes	Yes	Standard
Profit and loss – expenditure	<ul style="list-style-type: none"> ➤ Existence ➤ Occurrence ➤ Completeness ➤ Ownership ➤ Classification ➤ Cut off ➤ Accuracy and valuation 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p>	Yes	Yes	Standard
Profit and loss – payroll	<ul style="list-style-type: none"> ➤ Existence ➤ Completeness ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Low</i> <i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	No	Yes	Standard
Related parties	<ul style="list-style-type: none"> ➤ Completeness ➤ Valuation and allocation ➤ Occurrence ➤ Classification ➤ Accuracy and valuation ➤ Cut off 	<p><i>Medium</i> <i>Low</i></p> <p><i>Low</i> <i>Low</i> <i>Low</i></p> <p><i>Low</i></p>	No	Yes	Standard

Completed by: MS	Date: 6/3/14	Ref: B8
Reviewed by: AM	Date: 11/3/14	

AUDIT STRATEGY MEMORANDUM continued

Briefing meeting

Date: 11 March 2014

Personnel on audit

Name	Role	Initials	Briefing attended Y/N
A Mills	Audit Engagement Partner	AM	Y
M Smart	Manager	MS	Y
K Dunne	Audit Senior	KD	Y

Briefing meeting notes:

The briefing meeting was held on 11 March 2014. The engagement partner, audit manager and audit senior were all present.

The following matters were discussed:

1. Key areas of the job and audit approach.
2. Fraud and error.
3. Sample sizes.

Discussion of significant risks and audit approach - Significant risks identified (see PAF 13):

- Misappropriation of income
- Pilgrage of stock
- Unrecorded liabilities
- Inaccurate valuation of freehold property
- Unrecorded related party transactions
- Loss of customers and damage to reputation if main chef should leave
- Breaches of central laws and regulations

Key controls in place to mitigate risks:

- Reasonable internal controls
- External stock-take
- Till roll reconciliations
- External stock take monthly
- Regular margin review
- External valuation of property
- Restrictive covenant and notice period
- Good terms and conditions
- Effective training of staff
- Formal policies and procedures

Audit impact:

- Key internal controls will be tested
- ISA 500 on audit evidence in relation to the expert's work will be important regarding the external stock take and revaluation of property
- Increased sample sizes will be used for work on completeness of income and completeness of creditors

- Close attention will be paid to ensuring that there have been no breaches of laws and regulations
- Key staff retention will be reviewed

Discussion of key audit areas and audit approach

The key areas referred to earlier in this memo were discussed and the approach to each area clarified.

Agreement of sample sizes

As a starting point the sample sizes will be taken from the standard table on B7. If necessary these can be increased if after performing the substantive tests they don't appear to provide sufficient audit evidence. They shouldn't be decreased in any circumstances without prior approval, unless the sample size indicated by the table is more than the number of items in the population.

Fraud and error

There are two types of fraud relevant to our work as auditors namely fraudulent reporting and misappropriation of assets.

In order to address these we will maintain an attitude of professional scepticism throughout the audit, recognising the possibility that a material mis-statement due to fraud could exist, despite our past experience and our lack of concern about the honesty and integrity of the directors.

In relation to error there are a large number of small transactions, so if errors arise they should normally be small. There are some manual processes e.g. transfer of till rolls to spreadsheets and these could result in error.

Although the culture is good within the company and internal controls are appropriate we must remain alert to potential management over-ride of controls.

Fraud - income

There are a large number of small cash transactions therefore if errors arise they should be small.

Major risks are pilferage of stock and misappropriation of cash income.

Controls appear adequate and our own analytical review work should help identify any significant variations.

It was agreed that we would ensure we were vigilant for fraud and error throughout our audit testing and that we would exercise our professional scepticism throughout the audit.

Fraud - related party transactions

The main issue here is completeness of individual transactions, undisclosed related parties and ensuring that any transactions are at arms length. There has never been any suggestion in the past of undisclosed or incorrect related party transactions, but we will remain vigilant and sceptical.

Fraud and error – other

It was noted that the other areas susceptible to fraud and error were

- Potential manipulation of property valuation;
- Journal entries, particularly manual ones and their potential use in manipulating the figures;
- Validity of expenditure including directors personal transactions and employees personal expenditure being made through the company;
- Existence of employees i.e. fictitious employees, particularly casual staff;
- Manipulation of stock value; and
- Theft of stock, particularly high value wine.

Audit approach to fraud and error

We will approach this area with rigour and scepticism and the audit approach will cover

- Completeness of income will be addressed in our work on sales completeness;
- Ensure appropriateness of accounting estimates;
- Ensure appropriate procedures are applied in relation to the stock-take;
- Review invoicing for functions held for directors and review invoices from Blue Moon Foods Limited;
- Remain alert throughout the audit for mis-accounting and inappropriate journals;
- Third party supporting documentation e.g. property valuation will be obtained directly from the third party rather than from the client; and
- Perform testing on existence of employees.

Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY

As a result of the issues considered during the planning and consideration of the risk register on the Permanent Audit File, note here any significant risks associated with the audit of this section:

The significant risk is the valuation of the property. There has been a revaluation during the year and an external valuation is present.

Record the audit steps to be adopted to ensure that the objectives have been achieved:

Assertion	Substantive procedures	Sample size (if applicable)	Ref/ Comments	Initials and date
Existence	➤ Carry out physical inspection of assets including both current year additions and assets purchased in previous years. Ensure that they are all being used in the business.	12	F3	KD 15/3/14
Rights and obligations (ownership)	➤ Agree ownership of freehold land to Land Registry website.	1	F4	KD 15/3/14
	➤ Inspect vehicle registration documents. If the documents are not in the name of the company, obtain written confirmation from the registered holder that the vehicle is owned by the company.	-	<i>The net book value of motor vehicles is below our calculated materiality level for the job, hence this test has not been deemed necessary.</i>	KD 15/3/14
Completeness	➤ Review other expense areas, for example repairs, and ensure that there are no capital items included.	-	<i>Reviewed the content of the repairs and renewals category for the entire year. It comprised a large number of small value items. I found no evidence of any capital items present.</i>	KD 15/3/14

Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY continued

Assertion	Substantive procedures	Sample size (if applicable)	Ref/ Comments	Initials and date
	➤ Pick a sample of fixed assets from the floor and agree these back to the fixed assets register.	12	F5	KD 15/3/14
Valuation and allocation	➤ Consider the assessments of risk and materiality performed at the planning stage, and document the impact of any changes in these assessments due to evidence coming to light since the planning was performed.	-	<i>No additional evidence has come to light. Assessments remain unchanged.</i>	KD 15/3/14
	➤ Agree opening balances to last year's accounts.	-	F2	KD 15/3/14
	➤ Obtain and check, or prepare, a lead schedule for the current year's figures.	-	F2	KD 15/3/14
	➤ Agree details of additions to supporting documentation.	12	F6	KD 15/3/14
	➤ Agree details of disposals to supporting documentation.	-	<i>There were no disposals during the year. Confirmed this by reviewing the cash received book for the period to ensure no disposal proceeds were evident.</i>	KD 15/3/14
	➤ Review depreciation and ensure that it is in line with accounting policy.	F2	<i>Depreciation calculations have been checked and appear correct.</i>	KD 15/3/14

Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY continued

Assertion	Substantive procedures	Sample size (if applicable)	Ref/ Comments	Initials and date
	<ul style="list-style-type: none"> ➤ Consider whether the depreciation rates are adequate to write assets off over their estimated useful lives. 	-	<p><i>The depreciation rates seem reasonable in comparison to other clients that we have in this industry sector. In addition over the last three years there have been no significant profits or losses on disposal of the assets which might indicate a problem nor are any fully depreciated items still in use.</i></p>	KD 15/3/14
Occurrence	<ul style="list-style-type: none"> ➤ No tests considered necessary in this area. 	-	-	MS 19/2/14
Classification and understandability	<ul style="list-style-type: none"> ➤ Ensure that all necessary information has been collected for the preparation of the statutory accounts. ➤ Enquire whether there are any capital commitments at the year end ➤ Obtain details of all assets acquired during the year under a finance lease ➤ Ensure that any items acquired have been correctly capitalised ➤ Calculate the NBV of all assets held under finance leases and ensure it is disclosed in the financial statements 	-	<p><i>Discussed with client and reviewed bank letter on K3.</i></p> <p><i>No capital commitments noted.</i></p> <p>F7</p> <p>F7</p> <p>F7</p>	KD 15/3/14

Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY continued

Assertion	Substantive procedures	Sample size (if applicable)	Ref/ Comments	Initials and date
	<ul style="list-style-type: none"> ➤ Where assets have been revalued, ensure that the historical cost information, i.e. original cost and accumulated depreciation, is available for disclosure purposes and that all other disclosures have been made. 	-	<i>Appropriate disclosure has been made in the financial statements.</i>	KD 15/3/14
Accuracy and valuation	<ul style="list-style-type: none"> ➤ For assets revalued during the year, inspect professional valuation or, if at directors' valuation, consider reasonableness and consider the requirements of ISA 500 specifically that relating to the use of management's expert. 	-	F8	KD 15/3/14
	<ul style="list-style-type: none"> ➤ Enquire whether any assets were scrapped during the year. 	-	<i>Discussed with S Bell director who confirmed verbally that no assets had been scrapped. This was supported by our other audit work in this section. A written representation was also obtained from the directors in this regard on A5.</i>	KD 15/3/14

Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY continued

Assertion	Substantive procedures	Sample size (if applicable)	Ref/ Comments	Initials and date
Cut-off	<ul style="list-style-type: none"> ➤ Review material transactions either side of the period end and ensure that they have been accounted for in the correct period. 	-	<i>No assets were purchased during the last 4 weeks of the financial year or the first 4 weeks of the next financial year. We reviewed the purchase day book and bank statements from 1 December 2013 to 31 January 2014 to confirm this.</i>	<i>KD 15/3/14</i>
	<ul style="list-style-type: none"> ➤ Where assets have been revalued, ensure that the historical cost information, i.e. original cost and accumulated depreciation, is available for disclosure purposes. 	-	<i>Appropriate disclosure has been made in the financial statements.</i>	<i>KD 15/3/14</i>
Accuracy and valuation	<ul style="list-style-type: none"> ➤ For assets revalued during the year, inspect professional valuation or, if at directors' valuation, consider reasonableness and consider the requirements of ISA 500 specifically that relating to the use of management's expert. 	-	F8	<i>KD 15/3/14</i>
	<ul style="list-style-type: none"> ➤ Enquire whether any assets were scrapped during the year. 	-	<i>Discussed with S Bell director who confirmed verbally that no assets had been scrapped.</i>	<i>KD 15/3/14</i>

Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: MS	Date: 6/3/14	Ref: F1
Reviewed by: AM	Date: 11/5/14	

TANGIBLE FIXED ASSETS – APPROACH SUMMARY continued

Planning conclusion:

Tangible fixed assets are a low risk area for all audit assertions but work on ownership and valuation of freehold property is important given its magnitude.

Prepared by: M Smart

Date: 6/3/14

Reviewed by: A Mills

Date: 11/3/14

Final conclusion:

No change in above assessment.

Prepared by: M Smart

Date: 6/5/14

Reviewed by: A Mills

Date: 11/5/14

Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: MS	Date: 6/3/14	Ref: F1.1
Reviewed by: AM	Date: 11/3/14	

TANGIBLE FIXED ASSETS –SAMPLE SIZE CALCULATION

Balance Sheet Items Sample Size

Sample size = $\frac{\text{Residual Population (Balance being tested less items above performance materiality)}}{\text{Performance Materiality}}$

$$\text{Sample size} = \frac{(1,959,368 - 1,764,000)}{34,615} = 5.6 \text{ (say 6)}$$

The table on [B7](#) indicates a minimum sample size of 12. Although the assertion level risk for valuation is medium this is purely because of the property revaluation and does not impact on the valuation of non property assets.

Completed by: KD	Date: 20/3/14	Ref: F2
Reviewed by: AM	Date: 11/5/14	

Fixed Assets Lead schedule

Balance	2012 £	2013 £	Adjustments Dr £	Adjustments Cr £	Adjusted 2013 £
	^	*			
Freehold property	648,000	1,764,000	-	-	1,764,000
Fixtures and fittings	59,275	89,905	-	-	89,905
Plant and equipment	92,176	87,463	-	-	87,463
Motor Vehicles	27,000	18,000	-	-	18,000

^ Traced and agreed to prior year audited accounts

*Traced and agreed to extended trial balance at 31/12/13

Balance	Freehold Property £	Fixtures and Fittings £	Plant & Equipment £	Motor Vehicles £	Total £
Cost/valuation					
At 1 Jan 2013 ^	900,000	86,500	179,020	36,000	1,201,520
Additions *	-	51,300	53,390	-	104,690
Disposals *	-	-	-	-	-
Revaluation *	900,000	-	-	-	900,000
At 31 Dec 2013 *	1,800,000	137,800	232,410	36,000	2,206,210

Balance	Freehold Property £	Fixtures and Fittings £	Plant & Equipment £	Motor Vehicles £	Total £
Depreciation					
At 1 Jan 2013 ^	252,000	27,225	86,844	9,000	375,069
Charge for year *	36,000	20,670	58,103	9,000	123,773
Depreciation on disposals *	-	-	-	-	-
Eliminated on revaluation *	(252,000)	-	-	-	(252,000)
At 31 Dec 2013 *	36,000	47,895	144,947	18,000	246,842

NBV at 31 Dec 2013	1,764,000	89,905	87,463	18,000	1,959,368
NBV at 31 Dec 2012	648,000	59,275	92,176	27,000	826,451

Completed by: KD	Date: 20/3/14	Ref: F3
Reviewed by: AM	Date: 11/5/14	

WORKING PAPER – FIXED ASSETS

	Ref.
<p>Test objective:</p> <p>To verify the existence of fixed assets.</p>	
<p>Work performed:</p> <p>Selected a sample of 12 items (as per planning section) from our records of fixed assets. I physically inspected each item to ensure it was in existence, that it was in use by the business and also to examine its physical condition to ensure there was no evidence of any permanent diminution in value.</p>	F3.1
<p>Risk: Low</p> <p style="text-align: right;">Sample size: 12</p>	
<p>Method of sample selection:</p> <p>There was only one item above the performance materiality of £37,500. One item was picked at random using a random number table (9th item on the list). The remaining ten items were selected based on their size (i.e. the next 10 largest below performance materiality). The items selected included both additions in the year and items brought forward from previous years.</p>	
<p>Summary and evaluation of results</p> <p>See attached working paper F3.1 for results.</p> <p>1 item, a motor vehicle was not on the premises as at the date of inspection. As an alternative test I confirmed that a vehicle registration document existed, the company's insurance policy covered the vehicle and there was evidence by way of an invoice from a relevant garage, that the vehicle had been serviced recently.</p> <p>There was no evidence of any permanent diminution in value of any of the assets tested.</p> <p>The sample selected comprised 98.7% of the total net book value of the assets of the company (excluding land and buildings).</p> <p>No errors were found and all items above the performance materiality level were included in the testing. Further assurance on existence will be obtained from our testing on F5 as these items will also be inspected.</p>	
<p>Conclusion (include comment on impact on report where necessary)</p> <p>Based on the work performed, in my opinion the fixed assets existed at the year-end.</p>	

Completed by: KD	Date: 20/3/14	Ref: F3.1
Reviewed by: AM	Date: 11/5/14	

Results of work on existence of fixed assets

From List to Floor

Year of purchase	Details	Category of Asset	Net book value at 31/12/13 £	Audit work
1999	Company's premises at 1Portland Way, Manchester	Freehold Property	1,764,000	^
2012	Wine Bar Lighting System	Fixtures and fittings	13,500	^
2010	10 Security cameras	Fixtures and Fittings	15,000	^
2012	2 Gilberto Ice Machines Serial number A43567gh and B511991bc	Plant and Equipment	19,950	^
2013	New carpets for winebar	Fixtures and Fittings	23,795	^
2013	3 Frigi Industrial Fridges	Plant and Equipment	17,895	^
2012	Audio system for wine bar	Plant and Equipment	12,500	^
2012	BMW 5 series LC06 GE4	Motor Vehicles	13,000	1
2013	1 New Lupo 65 Oven	Plant and Equipment	16,125	^
2012	60 Luxo chairs for restaurant	Fixtures and Fittings	8,385	^
2011	20 Egg chairs for winebar	Fixtures and Fittings	15,250	^
2012	Bar stock software programme	Plant and Equipment	15,000	^

^ Physically inspected at year-end and noted to be in existence and in use. No evidence of any permanent diminution in value found.

1. One item, a motor vehicle was not on the premises as at the date of inspection. As an alternative test I confirmed that a vehicle registration document existed, the company's insurance policy covered the vehicle and there was evidence by way of an invoice from a relevant garage, that the vehicle had been serviced recently.

Completed by: KD	Date: 20/3/14	Ref: F5
Reviewed by: AM	Date: 11/5/14	

WORKING PAPER – FIXED ASSETS

	Ref.
<p>Test objective:</p> <p>To support the completeness of fixed assets.</p>	
<p>Work performed:</p> <p>Inspected a sample of fixed assets as I walked round the client's premises. Physically inspected each item and noted it to be in use, with no evidence of permanent diminution in value. For each item checked to ensure that the item was contained on our records of fixed assets.</p> <p>Pick a sample of fixed assets from the floor and agree these back to the fixed assets register.</p>	F5.1
<p>Risk: Low</p> <p style="text-align: right;">Sample size: 12</p>	
<p>Method of sample selection:</p> <p>The items were chosen judgmentally ensuring that all categories of fixed assets were covered.</p>	
<p>Summary and evaluation of results</p> <p>See attached working paper F5.1 for results.</p> <p>All the items were found to be contained in the client's records. No errors were found.</p> <p>There was no evidence of any permanent diminution in the value of any of the assets. The sample selected was representative of the population.</p>	
<p>Conclusion (include comment on impact on report where necessary)</p> <p>Based on the work performed, in my opinion the fixed assets appear to be complete.</p>	

Completed by: KD	Date: 20/3/14	Ref: F5.1
Reviewed by: AM	Date: 11/5/14	

Results of work on completeness of fixed assets

From Floor to List

Year of purchase	Details	Category of Asset	Net book value at 31/12/13 £	Audit work
2009	Assorted wine racks	Fixtures and fittings	500	*^
2007	15 oil lamps	Fixtures and fittings	1,000	*^
2007	3 menu boards	Fixtures and Fittings	250	*^
2009	Lemo storage system	Fixtures and fittings	1,333	*^
2008	3 Persian Rugs	Fixtures and Fittings	2,500	*^
2008	5 Radio walkie talkies	Plant and Equipment	625	*^
2008	1 Telephone system – airpro	Plant and Equipment	2,100	*^
2009	1 Inspec Laptop Serial number asd45321hg	Plant and Equipment	375	*^
2008	1 Rintec Filing cabinet in office	Plant and Equipment	199	*^
2008	1 Tinco deep fat fryer	Fixtures and Fittings	125	*^
2009	1 Computer software – Promo plus	Plant and Equipment	725	*^
2009	1 Sony Plasma TV 42” screen Serial number 467890kli	Plant and Equipment	1,000	*^

^ Traced and agreed to the fixed asset records.

* Physically inspected at year-end and noted to be in existence and in use. No evidence of any permanent diminution in value found.

Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: KD	Date: 20/3/14	Ref: F6.1
Reviewed by: AM	Date: 11/5/14	

Results of work on additions to fixed assets

Fixtures and Fittings

Date of purchase	Details	Cost £	Audit work
30/06/13	New carpeting throughout winebar	27,995	~
15/10/13	30 new tables for dining room	7,480	~
25/06/13	New salad bar for restaurant	6,995	~
03/02/13	4 new Hand Dryers in Gents Toilets	4,110	~
13/11/13	20 new full sets of cutlery	2,995	~
01/02/13	Assorted flower pots	995	~

Plant and Machinery

Date of purchase	Details	Cost £	Audit work
13/08/13	3 Frigi industrial fridges	23,860	~
05/01/13	1 Lupo 65 oven	21,500	~
23/06/13	Airco Airconditioning unit	2,650	~
17/07/13	New terminal for restaurant	2,140	~
13/03/13	New Espresso machine	1,380	~
14/08/13	1 Pancel Desktop computer serial number 634521	1,200	~

~ Traced and agreed to the purchase invoice, noting the amount was correct, ensuring it was net of VAT, correctly made out to the company and that it was recorded in the correct period.

Completed by: KD	Date: 20/3/14	Ref: F7.1
Reviewed by: AM	Date: 11/5/14	

Results of the work on assets held on hire purchase and finance lease

Plant and machinery

Year of purchase	Details	Category of Asset	Cost of asset £	Depn in year £	Depn b/f £	Net book value at 31/12/13 £	Audit work
2013	3 Frigi Industrial fridgesr	Plant and Equipment	23,860	5,965	nil	17,895	Ω λ
2013	1 Lupo 65 oven	Plant and Equipment	21,500	5,375	nil	16,125	Ω λ
2012	Audio system for wine bar	Plant and Equipment	25,000	6,250	6,250	12,500	Ω λ
2012	2 Gilberto Ice Machines	Plant and Equipment	39,900	9,975	9,975	19,950	Ω λ
2013	Bar stock software programme	Plant and Equipment	30,000	7,500	7,500	15,000	Ω λ
			140,260 T	35,065 T	23,725 T	81,470 T	

Motor Vehicles

Year of purchase	Details	Category of Asset	Cost of asset £	Depn in year £	Depn b/f £	Net book value at 31/12/13 £	Audit work
2012	BMW 5 series LC06 GE4	Motor Vehicles	26,000	6,500	6,500	13,000	Ω λ

T totals checked

Ω Noted item correctly capitalised by agreement to schedule of additions on F6.

λ Traced and agreed to hire purchase/finance lease agreement noting name of company, recorded in correct period and cost correct, net of VAT.

Client: Eastlands Restaurant Limited	Year End: 31 December 2013
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Completed by: KD	Date: 20/3/14	Ref: F8
Reviewed by: AM	Date: 11/5/14	

WORKING PAPER – FIXED ASSETS continued

Conclusion (include comment on impact on report where necessary)

Based on the work performed, in my opinion, the valuation of the freehold property appears reasonable and the requirements of ISA 500 have been satisfied.