

RETIREMENT VILLAGE AUDIT

A retirement village is designed for people over 55 who can live independently in their own homes while enjoying the shared facilities and benefits of village living. In contrast, residents who live in residential aged care facilities (including nursing homes) require a level of daily care for their health and safety.

Residents will usually pay a weekly village fee. However, these typically just cover the costs of maintaining facilities, landscaping, gardening, etc. ... In addition, operators can charge premium fees for higher-quality rooms.



AUDIT PROCEDURES



- Obtain an understanding of the entity.
- Discuss items with the relevant person to obtain clarification or further information.
- Conduct Risk assessment procedures
- Develop an Audit plan considering various factors such as the size of an entity, the identified level of risk, the availability of required records, and the complexity of issues that arise during the audit.
- Review the control of cash and bank
- Ensure all incomes and expenses accrued were concerning the proper cut-off period.
- Determine the effectiveness of any internal control procedures.

Initial Procedure to start a file: Loading Trial balance into CaseWare.

- **Source document:** We need a Trial balance for CY. If the PY balance is not already loaded in the CaseWare work paper, we need that PY Trial balance too.
- After receiving the Trial balance calculate the net movement and upload it to the CaseWare work paper by necessary steps.

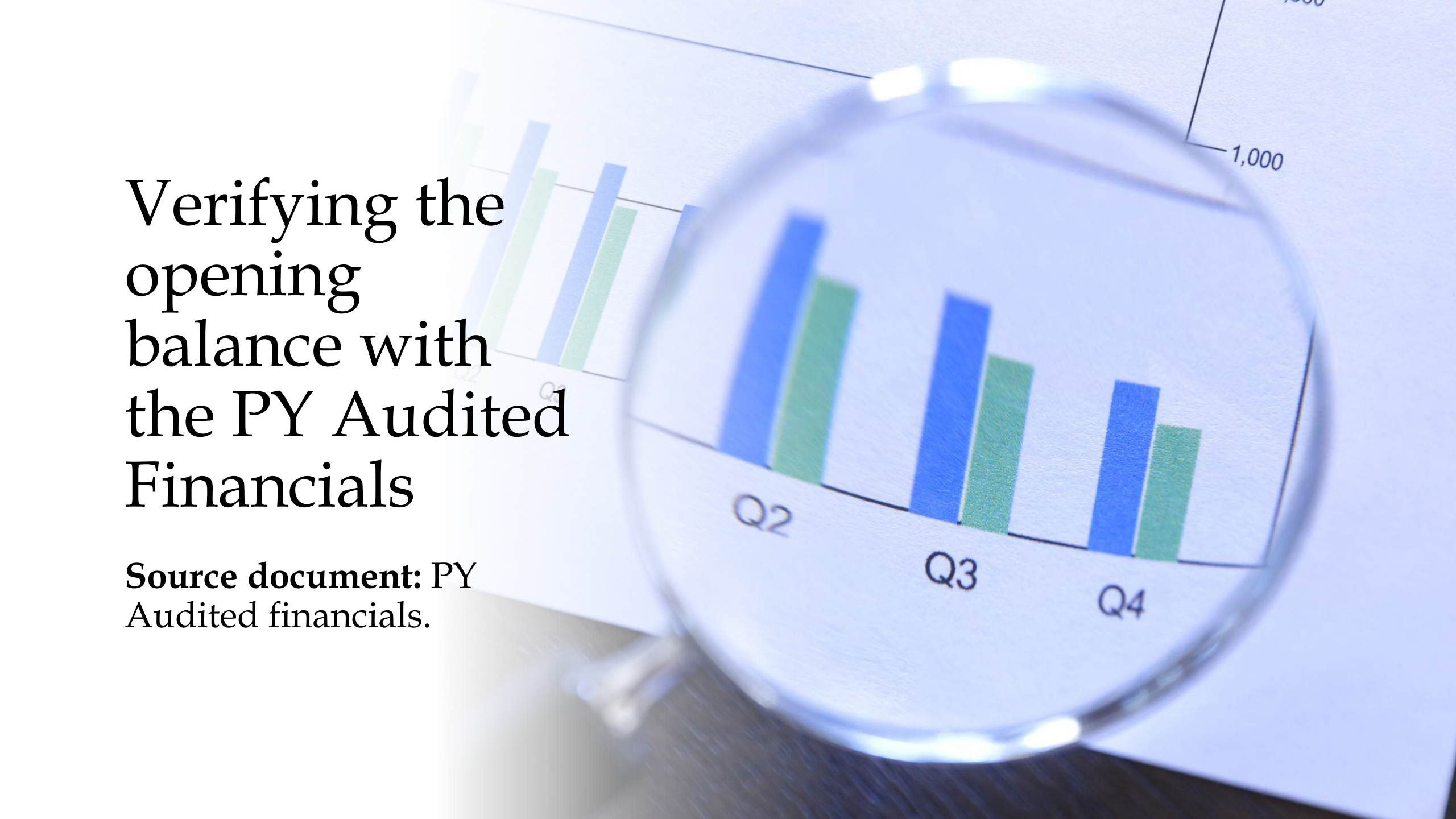


Mapping the unassigned account.

After the Trial balance is uploaded to the CaseWare there maybe we are having unassigned accounts. Which means a new account in the CY. We need to be assigned it depending on the nature of that account.

Verifying the opening balance with the PY Audited Financials

Source document: PY Audited financials.





Independence Questionnaire.

- This questionnaire has been designed to assist auditors with the application of the independence requirements of both the Corporations Act 2001 and APES 110 'Code of Ethics for Professional Accountants'. The completion of this questionnaire will assist the auditor in identifying potential independence issues. The Corporations Act 2001 components of the following checklists have been derived from the Corporations Act 2001 website.
- Each member of the team, including the engagement partner, should complete a copy of the independent questionnaire.

Setting Materiality.

- This document is designed to assist users with the determination of “Overall Materiality” (and if required "Specific Overall Materiality”) for the financial report. Overall materiality is based on the auditor’s professional judgment as to the highest number of misstatements or omissions that, if exceeded, could reasonably be expected to influence the economic decision of users.
- After uploading the Trial balance into the CaseWare this Materiality document will automatically pull the numbers from CaseWare.



General Ledger Completeness Testing

- **Source documents:** CY Trial balance, PY Trial balance, and PIVOT of CY general ledger.
- This testing will help us to ensure GL is complete before sample selection.
- This testing works in a formula like Opening balance + Transactions in CY = CY balance.

General Journal Review.

- Source document: CY General ledger.
- This testing will help us to review the general ledger for high-risk transactions relating to classification between Capital Repairs & Capital Maintenance.
- For example: While scrutinizing the General ledger if any expenses look like need to be capitalized, we can raise a query for the invoice. After receiving the invoice, we need to examine the invoice and then we may come to a decision like capitalize the expenses or not.

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Cash and Bank	• Bank Statement for the year-end & subsequent bank statements. • Bank Reconciliation Statement • Bank Confirmations	• Obtain Source documents • Match Reconciliation ending balance with statement ending balance and General Ledger balance • Please confirm whether there are any outstanding cheques or deposits in transit that are there in the bank reconciliation. • And then, have a look at the subsequent month's bank statement and if any unusually large amount is noted, raise a query to the client asking for a supporting document for the transaction.
Income received in Advances	Supporting bills	Check whether any amounts were received from members (as per Policy agreement) in advance and if they are properly presented in financials as per IAS 1 Presentation of Financial Statements.

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Accounts Receivable	• Aged receivable detailed and summary listing for the year-end. • Subsequent month bank support. • If the receivables are exceeded over 90 days, then we need the collectability status for the same.	• Obtain the above source document. • Match the Aged receivable listing ending balance with the General Ledger balance. If any material variance is noted find the reason for it and update the client about the variance. • As per the materiality levels the AR testing template goes through a certain number of samples, to be tested. • Select the samples and raise a query for an invoice or supporting document and subsequent bank support to check whether the amount has been received or not.
Prepayments	• Prepayment reconciliation for the year-end. • Supporting invoices.	• Obtain the above source documents. • As per the supporting invoices provided calculate the prepaid period from the year end. Calculate the per day amount by dividing it by the total number of days accordingly. • Then multiply the prepaid number of days by the per day amount and match it with the General Ledger balance. If any material variance is noted find the reason for it and update the client about the variance. • Ensure its presentation as per IAS 1 Presentation of Financial Statements

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Accounts Payable or Trade Payables	Aged payable detailed and summary listing for the year-end.	• Obtain the above source document. • Match the Aged Payables listing ending balance with the General Ledger balance. If any material variance is noted find the reason for it and update the client about the variance. • Search for unrecorded liabilities in the audit test that auditors perform to verify if the payables are understated due to the liabilities having not been recorded. This type of audit test is usually performed to respond to the risk of understatement of liabilities. a) Select a materiality threshold for review of invoices - to review all invoices over this value (i.e., specific performance materiality or performance materiality). b) Obtain all unpaid invoices as of the testing date. Review invoices for any liabilities relating to the audited FY. Reconcile recorded liabilities. Process adjustments were required. c) Obtain all invoices paid from the balance date as of the testing date. Review invoices for any liabilities relating to the audited FY. d) Reconcile recorded liabilities. Process adjustments were required. e) Assess the coverage obtained overvaluation and the need for further testing (e.g., supplier statement testing).

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Accruals	Accrual reconciliation for the year-end	• Recalculate material accruals based on source reports/documents. Investigate any material variances. • Identify expense accounts that give risk to accruals (i.e., invoiced after the service has been provided) and assess if an accrual is required. Process adjustments where necessary. • Compare prior year accruals with current year accruals and assess if any accruals are unrecorded as of the balance date.
Revenue	• contract agreement. • Resident revenue statement or invoices. • Payment support.	• Obtain the above source documents. • Select a sample of revenue contracts according to the materiality level. • Select 5% of contracts for second + year clients or 10% of contracts for first-year clients. Select at least one old, one new, and the rest by random number generator • Select a month to test for payment to the bank. • After receiving the samples, with the use of revenue reconciliation work paper perform the test. • Ensure the entity follows IFRS 15 Revenue from contracts with customers. • Conduct a SAR (Substantive analytical review) on Recurrent charges • Select a month to test for payment to the bank and review the invoice. • Extrapolate the revenue for 12 months and compare the balance with the TB balance. If any material variance is noted find the reason for it and update the client about the variance.

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Expenses	Agreements or Supporting (if any)	Split the total expenses into three classifications. 1. **Repairs and Maintenance** **2**. **Other** and **3**. **SAR**. **Repairs and Maintenance and Other.** • Select a sample of **R&M** and **Other** invoices by utilizing the Substantive Sample Sizes Worksheet (R&M Expenses) and selecting a sample. • Select a month to test for payment to the bank. • Review invoices as per worksheets including Repairs versus maintenance **SAR (Substantive Analytical Review)** • Select a sample of SAR expenses by GL review. • Review invoices as per worksheets. • Extrapolate the expenses for one year and compare the expense balance with the GL balance.
Employee Benefit Expenses	Payroll policy, Employment agreements, Employee payments bank supporting	• Obtain Source documents. • Ensure employee payments were made as per payroll policies. • Recalculate annual leave and long service leave provisions and verify they correspond with ledger balances and enquire if material differences arise. • Enquire about the payroll software, its accessibility by authorized persons, and internal control. • Ensure that the accounting policy is in accordance with IAS 19 Employee Benefits.

SECTION-WISE AUDIT OF RETIREMENT VILLAGE

Particulars	Source Documents	Audit Procedures
Depreciation	• Fixed Assets register • Depreciation schedule • Assets purchase invoices (If any improvement happened in CY).	• Ensure whether depreciation has been calculated from the date, the asset is available for its usage. • Ensure depreciation calculation is in accordance with IAS 16 PPE. • Check whether depreciation has ceased for a particular asset that was sold.
Loan	• Loan statement. • Confirmation. • Amortization schedule.	• Check whether it's a short-term or long-term loan by verifying the loan agreement. • Ensure accounting policies as per IFRS 9 Financial instruments were followed. • Compare the loan statement ending balance to the general ledger balance. • Recalculate the interest and principal payments paid in the amortization schedule and verify with the general ledger.
Finance Costs	• Financial agreements • Bank payments	• Obtain source documents. • Verify whether it's a short-term loan or long-term loan financial liability. • Check interest payments' corresponding conditions as per financial agreements. • Ensure accounting policies are in accordance with IFRS 9 Financial Instruments.

Thank You!