The AuditNet® Monograph Series

Audit Working Papers

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AuditNet 2003

Preface

The Auditor's Guide to Internet Resources, 2nd Edition grew out of my desire to establish

an online electronic communication network for auditors. Before online services, bulletin

boards and the Internet many auditors were operating without the benefits of peer

collaboration and information sharing on a major scale. The Internet, founded on the

principle of sharing and communication, changed the interaction model between auditors.

Auditors can now post messages in online discussion forums, upload and download audit

work programs, checklists, surveys, questionnaires and other audit related material in

warp speed. Small one-person audit shops can now communicate with others and feel like

they are not paddling upstream with one oar when it comes to having access to audit

resources. My vision of an online information communication network for auditors has

become a reality with AuditNet as the foundation.

The AuditNet Monograph Series or AMS provides auditors with guidance on different

aspects of the audit process and other relevant topics to help them do their jobs. New

auditors will seek these guides to learn some of the basics of auditing while experienced

auditors may use them as a "refresher". Each guide focuses on a specific subject.

If you have an idea for additions to the AMS please send a proposal via email to

editor@auditnet.org.

Introduction

Workpapers represent an important component of the professional competence of internal auditors. Significant findings, logical analysis, and solid conclusions are rendered useless without clear documentation. Workpapers are the foundation for the audit report, therefore, time spent on developing skills in workpaper preparation represent an investment in the audit process.

There must be a uniform, logical method of filing and arranging audit working papers to ensure maximum use of the material, facilitate the control and review of files and preparation of the audit report. Consistency in the preparation and organization of audit workpapers is an integral part of a well-performed audit. Workpaper numbering systems must be flexible enough to meet the needs of most audits as well as providing uniformity required for review and control purposes.

Workpapers should be clear, concise, and understandable. The auditor should keep in mind that other people may examine and refer to the files including external auditors or peer reviewers. The workpapers should not need additional information and stand-alone. Anyone reviewing the workpapers, without referring to documents outside of those included in the workpapers and without asking questions, should be able to tell what the auditor set out to do, what they did, what they found and what they concluded.

Professional Standards on Working Papers

In the conduct of audit engagements by internal and external auditors, practices relating to the preparation of internal audit working papers vary among internal audit groups. Guidance regarding working papers is found in the professional standards of all the major accounting and audit associations including but not limited to the Institute of Internal Auditors (IIA), the American Institute of Certified Public Accountants (AICPA), the Comptroller General of the U.S. (GAO) and international professional organizations.

For example the following represents the Government Auditing Standards guidance on Audit Working Papers:

Example of Working Paper Standard from GAO

4.34 AICPA standards and GAGAS require the following:

A record of the auditors' work should be retained in the form of working papers.

4.35 The additional working paper standard for financial statement audits is:

Working papers should contain sufficient information to enable an experienced auditor having no previous connection with the audit to ascertain from them the evidence that supports the auditors' significant conclusions and judgments.

4.36 Audits done in accordance with GAGAS are subject to review by other auditors and by oversight officials more frequently than audits done in accordance with AICPA standards. Thus, whereas AICPA standards cite two main purposes of working papers-- providing the principal support for the audit report and aiding auditors in the conduct and supervision of the audit--working papers serve an additional purpose in audits performed in accordance with GAGAS. Working papers allow for the review of audit quality by providing the reviewer written documentation of the evidence supporting the auditors' significant conclusions and judgments.

4.37 Working papers should contain

a. the objectives, scope, and methodology, including any sampling criteria used;

b. documentation of the work performed to support significant conclusions and judgments, including descriptions of transactions and records examined that would enable an experienced auditor to examine the same transactions and records[6]; and

c. evidence of supervisory reviews of the work performed.

[NOTE 6: Auditors may meet this requirement by listing voucher numbers, check numbers, or other means of identifying specific documents they examined. They are not required to include in the working papers copies of documents they examined nor are they required to list detailed information from those documents.]

4.38 One factor underlying GAGAS audits is that federal, state, and local governments and other organizations cooperate in auditing programs of common interest so that auditors may use others' work and avoid duplicate audit efforts. Arrangements should be made so that working papers will be made available, upon request, to other auditors. To facilitate reviews of audit quality and reliance by other auditors on the auditors' work, contractual arrangements for GAGAS audits should provide for access to working papers.

Therefore the standards your organization follows will dictate specific guidance on the preparation, storage and review of working paper. The information provided in this monograph should be used as a supplemental guide to the polices procedures and standards followed by your audit organization.

General Guidelines for Working Papers

Working papers should provide:

Documentation of information obtained about the area being reviewed;
Authoritative support for findings and recommendations contained in the audit report;
Uniformity to the audit process;
A means of evaluation - both in performance reviews and quality assurance reviews; and
A guide for subsequent audits.
General guidelines for the preparation of working papers are:

Completeness and Accuracy - Workpapers should be complete, accurate, and support observations, testing, conclusions, and recommendations. They should also show the nature and scope of the work performed.

Clarity and Understanding - Working papers should be clear and understandable without supplementary oral explanations. With the information the working papers reveal, a reviewer should be able to readily determine their purpose, the nature and scope of the work done and the preparer's conclusions.

Pertinence - Information contained in working papers should be limited to matters that are important and necessary to support the objectives and scope established for the assignment.

Logical Arrangement - Working papers should follow a logical order. See the Organization section, below:

Legibility and Neatness - Working papers should be legible and as neat as practical. Sloppy workpapers may lose their worth as evidence. Crowding and writing between lines should be avoided by anticipating space needs and arranging the workpapers before writing.

Organization and Indexing of Working Papers

For routine audits and special projects, the structure of working papers should follow the standard format established for the department.

An example of a standard format groups audit work into the following major sections:

Reporting
Record of Audit Findings
Administrative
Planning
Internal Control Review
Testing

This structure presents the final product of an audit project - the report - first, followed by supporting details of findings, summary administrative information about a project, then work supporting the finding and recommendations presented in order it was performed.

Electronic Format: Workpapers will be maintained in an electronic format to the maximum extent practical. For example, written summaries of interviews can be maintained in word processing files, flowcharts in flowcharting or word processing files, and financial or data analysis in spreadsheet files. All members of the audit team should maintain all electronic workpapers in the subdirectory created for the audit project on the network drive. All files are to be maintained in one directories corresponding to the hard copy of the workpaper folders.

At the end of the audit project, the in-charge auditor should verify that all workpapers are filed in the proper directory. The audit technician will then create 2 backup copies of the audit project subdirectory on retrievable media.

Note: All created documents should have the electronic file name as a footer at the bottom right side of the paper.

Working Paper Arrangement: Workpapers should be organized in a logical and uniform manner. The indexing system should be designed to follow the chronological sequence of execution of an audit. It is adaptable to both single location or multi-location audits. The planning/survey working papers are filed before the audit report and the audit working papers. Location 1 is filed before location 2, etc. To provide uniformity, all workpaper files must be organized in the following format:

Ø	Workpaper #'s indicated but not used should be listed on index as not used
Ø	Each section should be placed in separate binder

Indexing: Workpaper numbers will correspond to the Audit Program Section and numbers to provide sufficient cross-referencing. Workpapers supporting other

workpapers should be arranged with one summary or lead workpaper, followed systematically by the supporting workpapers. Each supporting workpaper should reflect the same reference number as the lead workpaper, but with additional sequential numbers to identify the workpaper (i.e., 100.1. 100.2).

Workpaper Identification and Preparation: Workpapers should be prepared in accordance with these guidelines:

Ø   Upper right hand corner of all workpapers must include:

Prepared By: _____
Date: _____
Reviewed By: _____
Date: _____

Ø   Headings should include the following:

¨   Line 1: Audit Department Name
¨   Line 2: Audit Project Title and Number
¨   Line 3: Workpaper Phase and Description

Ø   Lower right hand corner of hard copy should include index number in red.

Ø   The source of the information on a workpaper should be clearly stated at the bottom of the workpaper.

Ø   For testing workpapers, the objective, summary of work performed, and conclusions should be stated on the workpaper or on a cross-referenced lead work sheet.

Ø   For interview workpapers, the purpose, discussion, and conclusions should be stated on the workpaper or on a cross-referenced lead work sheet.

Ø   Workpapers should be organized in a logical manner and include a table of contents or index.

Ø   Source documents should be included in the workpapers. Auditors should copy only relevant data and include samples of documents to facilitate the reviewer's understanding of what the auditors did.

General requirements for working paper are:

Paper Size Audit work should be presented on 8 1/2" x 11" paper.
Whenever possible, working papers and exhibits should be placed in a binder so the information on the page can be read without turning the binder.

Items with information presented in landscape format should usually be mounted on 8 1/2 x 11 with the excess width folded at the right.

Single-page exhibits with information presented in portrait format can be placed in a binder as an individual working paper. However, if more than minor analysis of the information on the exhibit is needed, the exhibit should be mounted on left hand side of 14-column ledger paper with the analysis summarized on the right of the 14-column. This 14-column presentation should also be used for multi-page exhibits in portrait format.

Headings Each working paper should have a descriptive, 4-line heading of:
Name of audit department,

(area audited),

(as of date or review period)

(description of test/ item on the page)

Initials/Date Each working paper should be dated and initialed by the preparer; the reviewer should mark the working paper to show that it has been reviewed and approved.

Tickmarks Tickmarks are used to simplify documenting work done and conditions found, usually during fieldwork. A legend that defines each tickmark should be provided and located near the tickmarks used. If the tickmark legend is not on the working paper where the tickmarks are used, the working paper should be referenced to the tickmark legend. Tickmarks should be concise and should adequately explain the results of the audit procedure performed. It should be evident as to whether or not an error or weakness was noted. Items tested should never be left blank,. either the results of the test should be documented, the attribute should be marked as not applicable, or an explanation should be provided as to why the test could not be performed. Explanations should be provided to show why items marked "N/A" are not applicable

W/P Numbering Each page in the working paper should be given a unique reference number that identifies its location. The number assigned should begin with a capital letter that matches the section of the working papers where the page will be filed (e.g. planning working papers will start with the letter D), followed by a dash and a number that allows the page to be filed in a logical sequence. If a w/p continues for multiple pages, or if there are exhibits supporting a working paper, subsequent pages and the exhibits should have the same letter and first number identifier followed by a lower case letter or by a period and another number.

For example the first page of the Planning Memo is numbered D-1 with subsequent pages of the memo numbered D-1a, D-1b etc. or D-1.1, D-1.2, etc. Or, in the Internal Control section, the first control narrative would be numbered E-2 and subsequent pages of the narrative would be numbered E-2a, E-2b... Exhibits supporting information contained in the narrative would also be numbered E-2.1, E-2.2, etc. The second control narrative

would be numbered with an E-3 sequence. This approach provides a way to logically link related w/p's and gives enough flexibility for pages to be added as needed.

Avoid numbering pages X-1, X-2, X-3... (where X is any letter identifier) when the pages contain related information.

Content For every audit program step, working papers should contain a summary of the results of work performed and a conclusion about these results.
For internal control and workflow evaluations, conclusions should address the adequacy of the system or process. That is, whether the design of the system contains the features needed to provide reasonable assurance that management's objectives will be met. The conclusion should appear at the end of the control narrative.

Conclusions about test work should address whether or not the expected controls or processes identified in the review of internal controls or work flows are in effect. If there is room, the summary and conclusion can be placed on the working paper that documents the test work. Otherwise, a lead sheet that contains the summary and conclusion for the audit step should be prepared.

In both cases, the conclusion should identify the overall significance of any weaknesses or exceptions found.

Information that is protected by privacy laws should not be included in the working papers. Personnel records and student records are protected by privacy laws. When we review these type of records in an audit, names, social security numbers, and other identifying information should be expunged from the working papers.

Avoid including multiple copies of an item in the working papers or any item that is not needed to support the work performed and the findings and conclusions in the audit report.

Memos to Future Auditors Memos to future auditors should be placed in the Administration section of the w/p's. A copy should also be place in the departmental file for the area audited or the area that is affected by the memo.

Control and Access: Workpapers should be protected and controlled during the audit and subsequent to completion. Reasonable procedures for safe custody should be followed. Procedures should be established for maintaining electronic audit workpapers. Included in the appendix is Paperless Audit Guidance from the U.S. Army Audit Agency.

Reviewing Working Papers - Notes, Comments and Checklists

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Why review working papers?

Regardless of the form they take - electronic or paper - the review of working papers by the audit team leader (and/or others), and the documentation of that review, provide visible and tangible evidence that the performance standard 2340 - Engagement Supervision - has been complied with. The IIA Practice Advisory 2340-1 provides guidance on how this standard can be implemented. These notes and comments, however, provide some highlights and additional considerations.

Working papers are reviewed for a number of reasons including:

- ✓ ensuring that audit work has been carried out in compliance with TB and IIA standards for internal audit;
- ✓ ensuring conformity with departmental or audit group policies and procedures both for audit work and the preparation of working papers;
- ✓ ensuring consistent application of performance standard 1220 - Due Professional
- ✓ Care - and professional judgment;
- ✓ confirming that intended audit work has been completed;
- ✓ confirming that the evidence gathered and analyses performed support the conclusions reached;
- ✓ confirming that the necessary consultations with auditee management were carried out, recorded and that differences were resolved; and,
- ✓ ensuring that all significant risks, issues, observations and concerns raised (including possible irregularities) during the audit have been dealt with appropriately.

A very important secondary result of the review of the working papers prepared by auditors is the opportunity it provides for on-the-job-training or the identification of future training and development needs.

When are working papers reviewed?

Working papers should normally be reviewed by the team leader or supervisor as they are completed by the auditors and most certainly once the audit field work has been completed. There may be a secondary review by a peer at the end of the audit and

additional reviews as part of the overall quality assurance program of the internal audit group.

Note: The auditor team leader should arrange for a review of working papers prepared by themselves by a more senior auditor.

Working papers may also be reviewed by staff of the Office of the Audit General should they have cause to wish to rely on the audit work performed.

Documentation of the Review - Review Notes

During the review of working papers, the reviewer should physically indicate that the papers have been reviewed. This is normally done by placing the initials of the reviewer and the date of the review on the paper - electronic working papers usually provide a similar feature.

Any questions the reviewer has concerning the material reviewed should be documented as "review notes" to be answered by the author of the working papers. The responses should also be documented. Most audit shops have standard approaches to dealing with review notes. Again electronic working papers usually have facilities for dealing with review notes.

Standards for Working Papers

Internal audit groups should have standards for the format and arrangement of working papers (hardcopy and/or electronic) and should address such things as:

- ✓ the requirements for headings and identifiers;
- ✓ organization of the file; and;
- ✓ indexing and cross referencing requirements

This allows auditors to concentrate on the content of the papers and the recording of essential information rather than struggling with format concerns.

Standards should also address:
- ✓ the requirements for permanent files - office files vice working files
- ✓ the retention requirements
- ✓ the safeguarding of working papers
- ✓ requirements for clean-up at the end of an audit
- ✓ requests for information under the provisions of the Access to Information Act.

Characteristics of Working Papers

In general working papers should be:
- ✓ Neat and uniform in layout (standards and automation will help)
- ✓ Accurate
- ✓ Clear, concise, simple and understandable
- ✓ Summarize where possible.

Relevant to the audit objective or criteria and material - think economically, ask the following:

- ✓ Is this stuff important or crucial to my conclusions and /or findings?
- ✓ Do I need a complete copy of the directive?
- ✓ Do I need this transaction listing?
- ✓ Do I need this schedule?
- ✓ Is the material useful for future audit work?

Complete - ask the following:

- ✓ Are there any obvious unanswered questions?
- ✓ Are all loose ends tied up?
- ✓ Have I answered all the review notes?
- ✓ Logically arranged

The Test of a Good set of Working Papers

Could another auditor, who had nothing to do with the assignment, step into the assignment in mid-stream and carry on with the work?

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Reviewing working papers at the end of the planning phase of the audit

Key Considerations	WP Reference	Notes
Have we adequately documented the key systems and controls?		
Have we documented the key management interviews?		
Have we adequately documented our consideration of previous internal and external audit or other review work?		
Have we documented our consideration of senior management and/or central agency concerns?		

	WP Reference	Notes
Have we adequately documented our assessments of controls and/or risks?		
Have we adequately documented the issues to be considered?		
Have we documented the logic of our decisions to include or exclude issues?		
Have we documented the disposition of the issues considered?		
Have we documented our interviews with auditee management on the intended audit plan?		
Have we documented the results of any discussions we have had with our own management team, the audit committee or clients?		
Do the working papers contain a copy of our final audit plan?		
Do the working paper contents, format and cross-referencing conform to our standards for working papers?		

Reviewing working papers at the end of the conduct phase of the audit

Key Considerations	WP Reference	Notes
Do the working papers contain copies of our audit programs?		
Have we documented the key management interviews?		

Have we adequately documented the execution of our audit programs?		
Have we adequately documented any subsequent analysis of the results of carrying out the audit programs?		
Have we adequately documented the discussions with supervisory staff or management on our initial results?		
Have we documented all of our observations and conclusions?		
Have we documented the methods used to develop recommendations?		
Have we documented our interviews with auditee management on the intended audit observations and recommendations?		
Have we adequately documented the disposition of all of the audit observations and the logic behind those dispositions?		
Have we documented the results of any discussions we have had with our own management team, the audit committee or clients in relation to the audit results?		
Were all review notes addressed?		
Do the working paper contents, format and cross-referencing conform to our standards for working papers?		

Reviewing working papers at the end of the reporting stage of the audit

Key Considerations	WP Reference	Notes
Have we included a copy(ies) of the draft report in the working papers?		
Have we included a copy(ies) of any other reporting mechanisms in the working papers? (e.g. management letters, DECKs, etc.)		
Have we adequately documented any non-written reporting mechanisms used? (e.g. briefings, discussions etc.)		
Have we documented review notes or other feedback provided by our audit management team on our reporting mechanisms?		
Have we included copies of any management responses or feedback we received on our reporting efforts?		
Have we adequately documented the reasons for any changes made to our reporting instruments? This includes the disposition of audit observations subsequently dropped from the report.		
Have we included copies of the management action plan?		
Have we documented the assessment of the quality of the management action plan?		
Have we documented the consideration of the audit results by the audit committee?		

Have we documented any audit follow-up considerations?		
Do the working papers contain a copy of our final audit report?		
Do the working paper contents, format and cross-referencing conform to our standards for working papers?		

Appendix

Examples of Working Paper Guidelines/Standards

Example 1 The University of Texas System Audit Office

The University of Texas System Audit Office
Workpaper Instructions

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Workpapers

Workpapers are the record of the auditor's work and the link between fieldwork and the auditor's report. They are the documentation of the results of the audit and the basis for the auditor's conclusions.

Binder Guidelines

Workpapers should be organized in the following binders:
- Administrative and Report
- Audit Tests
- Follow-up (acceptable to include follow-up in the Audit Tests binder)

Binder organization should be adapted to each individual engagement. Binder thickness should not exceed 1 1/2 inches.

Numbering Guidelines

Administrative and Report:

Quality Assurance Checklist	Series A
Audit Engagement Control Sheet (AECS)	Series A
Engagement letter	Series B
Minutes of entrance conference	Series B
Listing of items needed for the audit	Series B
Minutes of exit conference	Series B
Other correspondence	Series B
Planning memorandum	Series C
Customer survey forms	Series D
Engagement time summary	Series E
Audit Report	Series F
Summary of Audit Results and Potential Recommendations	Series G

Audit Tests: Series - Numeric starting with 1
Audit program

Test of controls
Test of account balances

Follow-up   Series - Numeric (after audit tests)

Each binder should have an index of all binders for the audit.

*Workpaper Guideline*s

Each workpaper within each individual binder must contain the following:

- Heading [three parts-**audit** (Office of Finance), **description of workpaper** (debt payment expenditure testing), **audit year** (FY 1998). Audit year for financial audits is the period under audit and the year the audit began for non-financial audits.
- Initials of preparer and date workpaper was prepared (top right corner)
- Initials of each reviewer and date reviewed (top right corner)
- Page number
- Source(s) of data
- Filename (network filename not your hard drive filename)

Additional items to be included on each workpaper as appropriate:

- Purpose statement*
- Scope statement
- Procedures statement
- Results statement
- Conclusion statement
- Tick marks indicating work performed
- Tick mark legend reference
- Cross-references and additional work references
- Summary memo reference

*While it is not necessary to include a purpose statement on each workpaper, each workpaper must have a purpose. If the purpose is not evident, it is a good idea to state the purpose on the workpaper. The purpose could be a reference to an audit program step.

General Guidelines:

- Organize workpapers from the reviewer's perspective (logical flow, concise, etc.)
  - ⇒ Working paper sequence should follow the audit program.
  - ⇒ Each workpaper series should document testing of a specific area (i.e., department, process or account balance).
- Organize workpapers from the most summarized to the most detailed information
  - ⇒ An example in financial auditing is as follows:

Balance Sheet	←	Schedule of Temporary Investments	←	DEFINE accounting screen copy
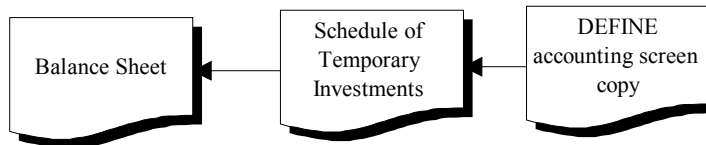
  - ⇒ In financial audits a control sheet (list of accounts and dollar amounts audited) should be located in the front of the Audit Tests binder. The supporting schedules and testing should be documented in subsequent

- Avoid long narratives; use bullet points, flowcharts, etc. to convey information
- Avoid repeating information that is already in the audit program, planning documentation, or elsewhere in the workpapers
- Reference differences/exceptions/findings in the workpapers to the Summary of Audit Results and Potential Recommendations

Tick Mark Guidelines:
- Write tick marks in red
- Use symbols to indicate attribute testing performed (Note: Use letters when several test are performed).
- Use numbers to explain particular items on the workpapers
- Use notes at the bottom of the workpaper to describe general items relating to the entire workpaper.
- Use circled numbers when summarizing amounts not aligned on workpapers
- Use circled numbers with arrows to internally cross reference a number within a workpaper
- Define tick marks or reference tick mark legend at bottom of page
- Use standard tick marks to indicate footing and crossfooting, amounts tied to the general ledger and the AFR.

Standard tick marks:

PBC	-	Prepared/provided by client
G/L	-	Agreed to the general ledger
AFR	-	Agreed to the Annual Financial Report
PBIA	-	Prepared by component internal audit
^ <	-	Footed, crossfooted
Rx	-	Recalculated by System auditor

Workpaper Term Glossary

Conclusion: Provides an answer to the question/goal identified in the purpose statement and reflects the auditor's assessment of the results of the procedures performed. The conclusion drawn may be carried directly the Summary of Audit Results and Potential Recommendations and the audit report if deemed a material finding. [NOTE: The results statement and the conclusion statement may be combined into one paragraph.]

Cross-reference: A tick mark reference (workpaper page number) indicating that a number included on one workpaper agrees with or was obtained from another workpaper. This is done using the "to-from" technique.

Filename: This workpaper reference should include the name of the component directory, any sub-directory, and specific filename (with appropriate extension). It is not necessary to list "i:\users\audit\work" since all of our files should be stored in this location.

Heading: Should be three lines as follows:
- Name of organization or function/department being examined; for component work use name of component (i.e., HSCSA. UTA); for System work use the name of the System function (i.e., PUF, Winery, WTO).
- General description of workpaper (i.e., MSRDP Collection Process, Bookstore Cash Receipt Testing)
- Audit year for financial audits is the period under audit and the year the audit began for non-financial audits.

Page Number: An alpha numeric series consisting of a capital letter and a number with a hyphen in between (i.e., A-1, X-7, B-27). If for some reason a workpaper must be inserted into a numbered series, a lowercase letter can be used to identify this workpaper (i.e., X-7a). The workpaper number should be written in red pencil at the bottom right-hand corner of the workpaper.

Purpose: This statement provides an explanation of why the workpaper was prepared. The purpose should directly correspond to an audit program step or reflect the auditor's desire to provide additional important information. The phrase "for informational purposes only" should be used sparingly as it does not provide a complete description.

Procedures: An outline of the specific steps performed, such as interviewed, traced, vouched, agreed whatever/whomever. Procedures should identify any sample chosen, the sample size, and the method for choosing the sample.

Reference: A tick mark on one workpaper indicating another workpaper which has information supporting or relating to the first workpaper.

Results: A summary of what was identified during the procedures performed (testing, interviewing, observing).

Scope: The period of time and/or specific process included in the information contained in the workpaper.

Source: The name, title and department and document (as appropriate) from which the information was obtained.

Tick mark (tm): A symbol used to indicate work performed, a letter used to indicate further explanation, or a number used for identifying a summation process. Tick marks (the mark itself) should be written in <u>red</u> pencil. The description or explanation should be in <u>black</u> pencil (**not** red pencil, **not** ink).

Tick mark Legend: A list of tick marks; utilized when more than one workpaper includes the same tick marks or if the tick marks needed to explain a workpaper cannot reasonably fit on the testing workpaper. The tick mark legend can include the purpose, scope, source, procedures, result, conclusion, etc. Reference the tick mark legend to all applicable workpapers (for example, include at the bottom of each applicable workpaper the phrase "See tml at wp F-3"). If you use a tick mark legend: it should fold-out (to the right) so that the reader can see the legend when they are viewing each workpaper and no tick marks should be explained on the individual workpaper(s).

Workpaper (wp): A document prepared or obtained by an auditor which provides relevant evidence in support of an audit program step. Additionally, the document can serve as the basis for conclusions, and recommendations contained in the audit report. Each workpaper becomes an integral part of the set of workpapers (administrative, audit areas, follow-up, report) that support the entire audit project.

Example 2 Old Dominion University Internal Audit

Old Dominion University
University Auditor

AUDIT WORK PAPERS

Introduction

According to the IIA's Standards for the Professional practice of Internal Auditing (the Standards), work papers should record the information obtained and the analyses made and should support the bases for the findings and recommendations. Work papers serve to:

- provide the principal support for the internal audit report;
- aid in the planning and performance of current and subsequent audits;
- document that audit objectives have been achieved;
- facilitate third party interviews;
- provide a basis for evaluating the internal audit department's quality assurance program;
- provide support in circumstances such as insurance claims, fraud cases, and lawsuits;
- aid in the professional development of the staff;
- demonstrate the internal audit department's compliance with the Standards.

Standardized audit working papers such as questionnaires, audit programs, and other forms improve the efficiency of audits and facilitate delegation of audit work. The director of internal auditing is responsible for establishing and enforcing policies for the types of working paper files maintained, stationery used, indexing, and other related matters and for creating working paper retention policies.

This section of the manual describes the characteristics of, and makes recommendations for, preparing complete, well-organized working papers for use by the Old Dominion University Internal Audit Department.

General Work Paper Standards

All working papers should have certain basic qualities and characteristics. These are described below:

(1)   Completeness and Accuracy - Work papers should contain sufficient information to support the observations, conclusions, and recommendations included in the audit report. The information should be factual and objective.

(2)   Clarity and Conciseness - Work papers should be easy to follow and not require supplementary oral explanations. The information they contain should readily explain their purpose, the nature and scope of the work, and the preparer's conclusions. All work papers should generally be able to stand on their own, with their purpose, source of information and conclusions evident. Occasionally, work papers may not stand on their own, such as when part of a group of work papers linked together. In such cases, this linkage should be clear.

(3)   Pertinence - Information in work papers should be restricted to items that are important and relevant to the scope, objectives, and findings.

(4)   Legibility and Neatness - The design of work papers should reflect the type and amount of information they will contain. Anticipating these needs helps avoid having to crowd information. Sloppy working papers may lose their worth as evidence.

(5)   Logical Arrangement - Work papers should present information logically through the design of individual working papers and the order of filing.

Content of Working Papers

The specific design and content of working papers will depend on the nature of each audit. However, regardless of the nature of an engagement, the working papers should document the following aspects of the audit process:

*   Planning
*   Examination and evaluation of the adequacy and effectiveness of the system of internal control
*   Auditing procedures performed, information or evidence obtained, and the conclusions reached
*   Review of audit work performed
*   Reporting
*   Following up.

 Refer to related chapters of this manual for information on the recommended content of each of these sections of the working papers.

Work papers should be maintained in a three-ring binder during the performance of an audit. Once the audit is complete, they should be placed permanently in a clasp binder(s). Each binder should be labeled to identify its content, as well as the area

audited, the project number, the date of the audit, the total number of binders, and any other pertinent information.

Work papers may take on several forms. Most work papers will be generated through the use of Word, Word Perfect, Excel, Quattro Pro, etc. (or any other applications the Department may use). Any work papers thus generated should be maintained on diskette, grouped by audit, for storage (this way, work paper or spreadsheet formats can be used again later). The printed worksheet should indicate the file name. Back-up copies of electronically generated work papers are advisable. Other work papers may consist of documents, reports, and schedules obtained from the auditee or other sources.

Preparation Techniques

Auditors should use the following techniques for preparing working papers. These are considered minimum standards; enhancements are encouraged.

Descriptive Heading

Each work paper should have a heading, indicating the department or entity being audited, the contents or purpose of the work paper and the date or period being examined. Adequate headings help each work paper to "stand alone" and reduce the chances of lost or misfiled pages. For conformity, the department has developed a standard heading to be used by all auditors (see example work paper, Policy C-13.1).

Dates and Initials

 The auditor who prepares a work paper should initial and date it to affix responsibility for work performed. The supervisor or in-charge who reviews the working papers should also date and initial the work paper. The initials are placed in the right hand side of the standard heading (see Policy C-13.1). If the standard heading is not used, such as on work papers provided by the auditee, the initials should always be in the upper right-hand corner.

Indexing and Page Numbers

Each work paper should contain a unique page number that identifies its location in the filing sequence and should be referenced to the related audit program step. Page numbers may incorporate the number of the audit program step or may relate to the binder in which they are filed. The work paper number is placed on the right side of the standard header (see Policy C-13.1). If the standard heading is not used, such as on work papers provided by the auditee, the work paper number should always be in the upper right hand corner.

Proper numbering of work papers helps to keep them filed in logical sequence. Referencing working papers to the related audit program step reduces the chance of having unnecessary, irrelevant working papers in the completed audit binders.

Tickmarks and Other Symbols

All tick marks or symbols used in the working papers should be explained. This includes the use of 'N/A' (explain why the procedure or test does not apply), marked out exceptions or findings (explain how they were corrected), as well as tick marks used to document, on a abbreviated basis, work done and conditions found. When more than one page is required to complete a work paper, the tick mark legend may appear on the front or back page of the work paper and is not required on all pages.

Cross-Reference System

Work papers should be referenced to related and supporting working papers. This helps make them easy to follow and eliminates the need for duplicate or unnecessary attachments. Cross-referencing should go in both directions.

Attachments

Any item may be placed in the working papers as an attachment as long as it is relevant and adds necessay information. Examples are sample documents, auditee-prepared forms, schedules, reconciliations, etc. If included, the attachment should be labeled to indicate its significance and its source. Ideally, the attachment should be placed immediately behind the related work paper and cross-references should link the pages.

Purpose, Sources and Conclusions

Each summary working paper should indicate the purpose or objective of the test performed, the source(s) of information, and the auditor's conclusion. If work papers are among a series providing support for a summary work paper, then the purpose, source and conclusion can be noted on the summary work paper for all supporting work papers (unless the auditor feels it necessary to document these items on the supporting work papers).

> **Purpose** - the purpose or objective of the test performed (such as referencing the objective and step in the program).

> **Sources of Information** - The source of information used, such as the individual interviewed or who provided a document or schedule, the location of a series of files reviewed, the policy or procedure referred to, etc. This sort of information helps validate audit findings and eases the planning process for future audits of the same area.

Conclusions - The summary of the results of the analysis or test work performed on a work paper. The conclusion should state the significance of the problems found (if any) and the auditor's opinion of the system or function tested.

Organization of Work Papers

The audit work papers should be filed in a logical order of presentation. The work papers are to be ordered according to a standard format, grouped into different sections based on the objectives outlined in the audit program. These sections are labeled A, B, C, etc.

Work papers within each section should be labeled with an identifying page number. Page numbers should be in the format of the Section letter and then a consecutive number. For example, the first work paper in the B Section would be B-1; the second, B-2; and so on.

A single document with multiple pages should be labeled per this example: a five-page document is labeled as B-1, the first page of this document is B-1, 1 of 5; the second is B-1, 2 of 5; and so on.

The following is the suggested format to be used by the Old Dominion University Internal Audit Department.

Section A - Reporting

Section A is referred to as the Reporting Section. All items relating to the communication of audit results are placed in this section. Items typically included in this section (and should generally be placed in the following order) are:

- Index of all work papers
- Transmittal letters and distribution information
- Final Audit Report, including the Executive Summary and Management's Responses
- Communications with auditee and draft report

Section B - Planning and Preliminary Survey

Section B contains all documentation from the planning and preliminary survey phase of the audit. This section contains items including engagement letters, internal control questionnaires, flowcharts or narratives of controls or systems and other information gathered using the preliminary survey program (see Policy C-6.1). Documents prepared or gathered for this section should follow the basic order of the preliminary survey program.

<u>Section C - Administration</u>

Section C consists of various audit administration documents. This section contains the approved audit program, the original audit budget and any budget revisions, audit status reports and audit completion checklist.

<u>Sections D Through Z</u>

These sections are the actual fieldwork objectives as specified in the approved audit program. If any preliminary testing of internal controls is necessary, these would normally be documented in Section D. Each field work section should generally be ordered as follows:

-     Objective Summary
-     Documentation of fieldwork from each audit step. Preferably , this will be in the order of the steps in the program, unless another order is deemed preferable based on the fieldwork.

<u>Review Process</u>

All working papers should be reviewed to ensure they properly support the audit report, the work is objective, and all necessary procedures were performed.

The University Auditor (Director of Internal Audit) has ultimate responsibility for working paper review, but may delegate the task to other members of the staff. The review should be conducted at a level of responsibility higher than the auditor who performed the work.

Supervisory review should, at a minimum, take place at two different points during the audit:

-     after the planning and preliminary survey is complete;
-     after fieldwork is complete.

For larger jobs, there should also be interim reviews while fieldwork is in process (such as after several objectives of many are complete). Interim reviews make for the most efficient correction of working paper deficiencies.

The reviewer should date and initial each working paper to show his/her review.

Reviewers should make a written record (review notes) of questions arising from the review process. When clearing these notes, care should be taken to ensure the working papers provide adequate evidence that questions raised in the review process were resolved.

A final review of the work papers is performed using an Audit Work Paper Checklist (see Policy C-13.1). The majority of the checklist is completed prior to the issuance of the audit report with the remainder of applicable questions completed before the work papers are filed permanently.

Ownership, Custody, and Retention

Work papers are the property of the University. They should generally be in the custody of the internal audit department and accessible only to authorized individuals.

 The University Auditor (Director of Internal Audit) may give members of management or independent outside auditors access to working papers. This type of access is necessary to substantiate audit findings, to allow management to use audit's work for other business purposes, and to permit coordination of audit efforts. Before releasing working papers to parties outside of the organization, other than the external auditors, the director of internal auditing should obtain the approval of senior management and legal counsel.

Audit Reports will be retained for a minimum of five years after audit completion or until the next audit is performed and then destroyed. An exception will be made for special audit projects in that they will be maintained for a minimum of five years unless an alternate retention period is specified by the Director.

The University's Records Manager will be contacted for guidance in records disposal so they documents will be disposed in accordance with Commonwealth policies.

Example 3 U.S. Army Audit Agency Paperless Audit Guidance

U.S. ARMY AUDIT AGENCY

PAPERLESS
AUDIT
GUIDANCE

♦ BACKGROUND INFORMATION   ♦ REVIEWING WORKPAPERS

♦ MICROSOFT OFFICE FUNDAMENTALS ♦REFERENCING

♦ STARTING A PAPERLESS AUDIT   ♦ STORING FILES

♦ INDEXING WORKPAPERS   ♦ ASSISTANCE

♦ SUPPORTING INFORMATION

BACKGROUND INFORMATION

Purpose

AICPA field work standards and the General Accounting Office's Government Auditing Standards (Yellow Book) require auditors to maintain their work in the form of workpapers. Paperless audit techniques comply with auditing standards by providing a logical means for storing the results of auditors' work. The purpose of this guide is to explain the benefits of paperless audit and provide guidance on procedures to follow. This guide isn't intended to replace current workpaper guidance contained in U.S. Army Audit Agency Regulation 36-72 (Audit Working Papers). Instead, the guide is meant to supplement the regulation.

Benefits

Paperless audit techniques provide many benefits compared to traditional methods of documenting work via paper. Much of the information gathered and created by Agency auditors is automated. Paperless audit procedures provide a logical method for storing

automated information. Further, information contained in paperless workpapers is more accessible to the entire audit team. This facilitates sharing of information between audit team members and faster review of workpapers, particularly when the audit team consists of personnel from multiple offices.   Information such as audit guides and workpapers are readily available. Finally, paperless audit procedures reduce supply expenses through use of less paper and related materials.

Common Misconceptions

A common misconception that many auditors have about paperless audit is that they need to scan every hardcopy document obtained during the audit (to create an electronic document for storage in paperless workpaper files). Scanning documents—particularly large documents such as standing operating procedures—can be impractical and inefficient. Instead, auditors should use scanning prudently. For instance, auditors should only scan pertinent pages of a document or documents that are very short (less than ten pages). Another alternative is to create a set of paper files, indexed in the same manner as paperless audit files, that auditors use to store only hardcopy attachments to workpapers.

Another common misconception is that information can be lost or destroyed. But, procedures used by Agency servers to "back-up" stored information reduce the likelihood of losing data.

Establishing Paperless Audit Files

For all Agency audits, the USAAA Help Desk establishes paperless audit files on the server of the office to which the Auditor-in-Charge (AIC) is assigned. The Help Desk can establish files at an office other than the AIC's, upon request. All members of the audit staff have read/write privileges in the audit workpaper files. Other Agency personnel receive "Read-Only" access. The number for the Help Desk is (703) 681-6001 (DSN: 761).

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MICROSOFT OFFICE FUNDAMENTALS

Before discussing paperless audit procedures, it's important to understand a few basic fundamental Microsoft Office procedures. They include:

- Personalizing Your Computer
- Mapping to the Workpaper Drive
- Hyperlinking and Bookmarking

Personalizing Your Computer

Personalizing your computer is simply saving information identifying you on your computer. It's important to personalize your computer so others can identify you as the creator or reviewer of any document.

To personalize your computer:

- In Microsoft Word, select Tools.
- Click "Options" and select the "User Information" tab.
    - Fill in the boxes with your name and initials.

Mapping to the Workpaper Drive

As mentioned earlier, the Agency Help Desk establishes paperless audit files at the office to which the AIC is assigned. If you work in this office, your computer is already mapped to the office server. The workpaper files reside on the server (on the "W" drive). If the workpaper files are located in a different office, you'll need to map to that server.

To map to the server at another office:

- Open Microsoft Windows Explorer and Under Tools select "Map Network Drive." This screen will appear:
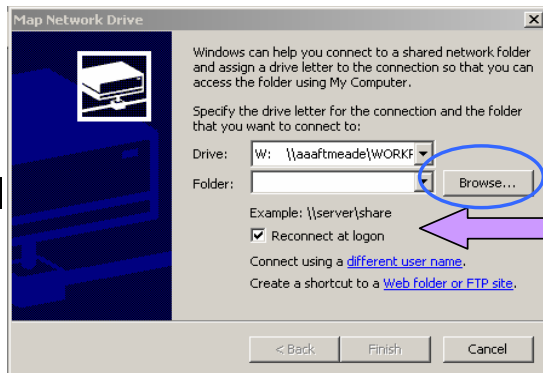
Tip: To re-establish your connection to the workpaper drive each time you log onto the server, check the "Reconnect at logon" box.

- In the Drive Box, select the drive letter you want (select any open drive).
- Then click the BROWSE button.
- Click on the "+" sign next to USAAA (see below).
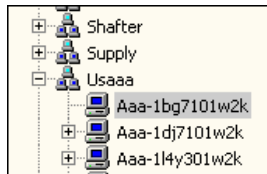
-            Then scroll down and click on the <u>workpaper drive</u> of the field office you need.
- Click OK and then click FINISH.

<u>Hyperlinking and Bookmarking</u>

Hyperlinking is a simple way to connect one document to another. When you insert a hyperlink, it embeds itself in the first document and makes a path to a second document. Clicking on the hyperlink in the first document opens the second document. Understanding how to use the hyperlinking function is necessary in order to ensure proper cross-referencing of paperless audit documents.

The following is one way to **hyperlink** to another Microsoft Office <u>document</u>, <u>spreadsheet</u>, <u>slide presentation</u>, or <u>database</u>:

- In the document, highlight the text to be hyperlinked.
- Under <u>Insert</u>, click "Hyperlink."
- Click on the BROWSE button.
- Select the file that connects with the hyperlink.
- Make sure the file name is in the File Name Box and click OK.

When you hyperlink to a document, you may want to go a specific spot in the document when you click on the link. For example, when a report is hyperlinked to a workpaper (for cross-referencing) you may want to go to the section that contains the specific statement of fact, number, or dollar value. In Microsoft Word, you can use a bookmark to do this.

To insert a **bookmark**:

- In the document you plan to hyperlink to, place the cursor where you want your reader taken.
- Under <u>Insert</u>, click "Bookmark."
- In the Name Box, type in a name for the bookmark (Note: No spaces are allowed in the bookmark name and the first character must be a letter.)
- Click ADD.

To hyperlink to a specific bookmark in a **Microsoft Word** document:

- Follow the same procedures for adding a hyperlink, except before you click OK, click BOOKMARK and choose the appropriate bookmark (see example below).
- Then click the OK button.

Select Place in Document ? X	
Select an existing place in the document:	
□ Bookmarks	
ambitious	
systems	
OK Cancel	
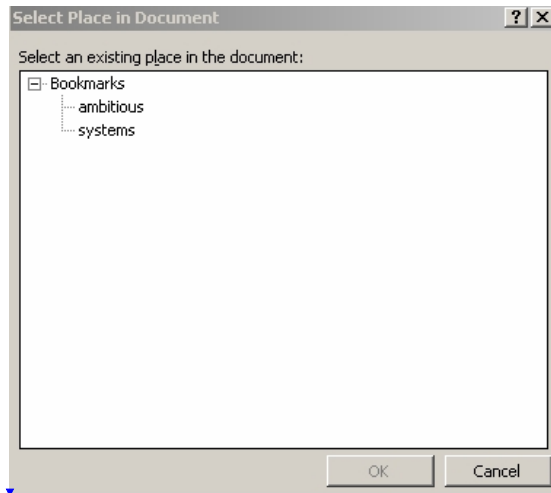
- When you return to the hyperlink screen, click the OK button.

You can also hyperlink to a specific cell in a **Microsoft Excel** spreadsheet.

To do so:

- Open the spreadsheet that the hyperlink will direct the reader to.
- Click on the specific cell you want the spreadsheet to open to.
- In the upper left hand corner, in the Name Box, delete the cell name and type in a new name for that cell (see example below).

Microsoft Excel - Mar 01 PBG.xls

File Edit View Insert Format Tools Data Window Help

bookmarkA   = ZZDF

	A	B	C	D	E	F	G
1	AMSCO	MDEP	Organization	Remarks	2002	2003	2004
2	12101800000	VLCA	LOGSA	Start Bottom Line	0.00	0.00	0.0
3				24 Oct 00 AMC PBG			
4				AMSCO Total	0.00	0.00	0.0
5				SAG (121) Total	0.00	0.00	0.0
6							
7	12201100000	ZZDF	LOGSA		0.00	0.00	0.0
8		ZZSF	LOGSA		0.00	0.00	0.0

- Press ENTER to save the name. Save the document and close it.
- In the Word document, highlight the hyperlink and go under Insert, then click "Hyperlink."
- In the File Name Box (the hyperlink path is already there), type in "#" then the name of your cell, without spaces, at the end of the hyperlink name. The hyperlink path will appear as follows:

  \\aaaftmeade\WORKPAPERS\FY_00Assignments\L0-999c\07-Background\07a_Supporting Documents\H-02 Match of LIDB and RIDB for 10th mtn.xls**#bookmarkA**

- Click OK.

Clicking the hyperlink will open the Microsoft Excel spreadsheet to that specific cell. When you're finished, always check your hyperlinks to ensure that they work correctly.

To Hyperlink to a specific **Microsoft Power Point** chart you would follow the same procedure as used in the above example except you would hyperlink to a selected Microsoft Power Point presentation instead of a database.

- In the Microsoft Word document, highlight the words/phrases with which you would like to associate the hyperlink
- Under Insert, click on hyperlink.
- The Insert hyperlink box will appear.
- Browse the files and find the Microsoft Power Point chart that you would like to link to.
- Double Click on that file and it will appear in the box.
- Go to the very end of the link and type # and the specific page of the chart (no spaces). The hyperlink path will appear as follows:

\\aaaftmeade\WORKPAPERS\FY_01Assignments\L1-999c\07-Background\07a_Supporting Documents\Readiness Charts\RIDB LIDB Redesign Status.ppt **#5**

- Click OK.

When referencing to a **Microsoft Access** database it's critical that the auditor hyperlink to the specific table or query whenever possible.

To hyperlink to a specific query or table in a Microsoft Access database:

- In the Microsoft Word document, highlight the words/phrases with which you would like to associate the hyperlink
- Under Insert, click on hyperlink.
- The Insert hyperlink box will appear.
- Browse the files and find the database that you would like to link to.
- Double Click on that file and it will appear in the box.
- Go to the very end of the link and type "#" then type "query" or "table," (depending on which you need to hyperlink) immediately following the "#" (no spaces).
- After typing "query" or "table," leave a single space, then type in the **EXACT** name of the query or table that you are linking to. The hyperlink path will appear as follows:

    \\aaaftmeade\WORKPAPERS\FY_01Assignments\L1-999c\07-Background\07a_Supporting Documents\First Cav Final Analysis.mdb**#table cost of pll 360**

- Click OK.

When you click on the highlighted hyperlink, the specific query or table will open.

Tip: Always be sure to check whether hyperlinks work after insertion.

STARTING A PAPERLESS AUDIT

Creating Workpaper Folders

When the audit starts, a member of the audit staff should contact the Agency Help Desk to set up the audit workpaper folders. When the Help Desk sets up the workpaper folders, they'll also set permissions for those folders. These permissions will allow only members of the staff to modify or save documents in the folder. Therefore, your files are protected from accidental (or intentional) tampering.

When contacting the Agency Help Desk to set up the folders, you should provide the following information:

- Assignment number.
- Staff.
- Requested location of paperless audit folders.

<u>Files and Folders</u>

All folders are organized in a hierarchical structure. Folders are first broken down by Fiscal Year. Then by audit assignment number.
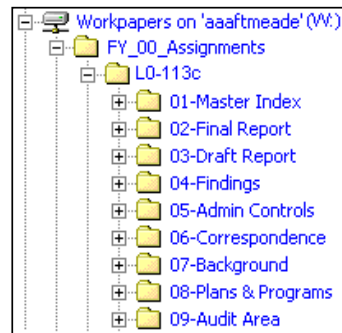
There are eight standard workpaper files for each assignment:

01 Master Index	05 Administrative Control
02 Final Report	06 Correspondence
03 Draft Report	07 Background
04 Findings	08 Plans and Programs

In addition to these files, auditors also maintain audit workpaper files for each area. These files contain all workpapers and supporting information related to a particular audit segment. These files are numbered sequentially starting at File 09 (to name the audit segment folders, right-click on the folder and select "Rename").

Using Templates

Your computer contains Microsoft Office templates for the following documents:
(i) folder index, (ii) independent referencer certification, (iii) master index, (iv) QA checklist, (v) review sheet, (vi) memo for record, (vii) audit guide, and (viii) PSSC.

   To open a template:

- In Microsoft Word, select File, then "New."
- Select the "Paperless Audit" tab.
- Click on the icon for the template you want.
- Save the template to a file in your computer.

All templates are also available on the Agency intranet.

Posting Completed Workpapers

Post completed workpapers in the workpaper folder for review by supervisors and sharing among audit team members. It's a good idea to keep your workpapers on your computer until completed. This will avoid the confusion caused by supervisors reviewing unfinished workpapers. Even after you've moved workpapers to the workpaper drive, we recommend keeping a copy on your hard drive. One way to do this is to create two separate folders on your computer—name one "Posted Workpapers" and the other "Unposted Workpapers."

   One way to create a new folder follows:

- In Microsoft Word, click "Open."
- Click the "Create New Folder" Icon located in the upper right-hand corner.
- In the File Name Box, type "Unposted Workpapers."
- Click OK.
- Follow the same procedures for the "Posted Workpapers" folder.

Using Audit Guides

An audit guide sets forth the detailed steps necessary to accomplish the objectives of the audit. The audit guide also serves as a useful tool for monitoring the status of audit work.

The templates saved on your computer, contain a sample audit guide, shown below.

The workpaper (W/P) column in the audit guide shows the workpaper(s), which answers each audit step. Auditors should hyperlink each audit step to the purpose section of the corresponding workpaper, as shown below. To do this, follow the bookmarking procedures mentioned earlier

To make the hyperlink open the audit guide to the corresponding step, click the BOOKMARK button in the dialog box for hyperlinking and choose the corresponding bookmark name for that audit step.

INDEXING WORKPAPERS

The primary purpose of an indexing system is to facilitate the referencing of workpapers. A good indexing system also facilitates the conduct of an audit and assists auditors in making sure that

others can readily locate the support for audit results when needed.

When numbering workpapers, you should start with the workpaper letter, followed by a consistently-used character (such as an underscore, dash, or space), followed by a minimum 2-digit number (and any sub-letters), followed by another character or space and the workpaper title. This ensures workpapers appear in logical order. An example is shown above.

Once you finalize the workpaper, copy it to the appropriate folder.

SUPPORTING INFORMATION

Supporting information is material that validates the data auditors put in their workpapers. Supporting information can take various forms. The procedures for handling each follow.

Electronic Documents

Electronic documents are a form of supporting information. They can be stored in four ways:

- In a workpaper folder. You may establish a separate subfolder under the audit segment folder for each workpaper with supporting documents. Auditors may then place documents supporting those workpapers in the appropriate folder.

  For example: create folder, "H01 Supporting Documents" in the Audit Area folder and put all supporting documents for corresponding workpapers in the folder.

- In the Background file. Standard file 07 contains background information. You may establish multiple folders under the background file to handle various types of supporting information (such as, original command databases, briefing charts, etc.). Number and name the folders logically to maintain organization.

  For example: create folder "07c_Supporting Documents" and then name your supporting documents so they are clearly identified within that folder.

- In the audit segment folder itself. This technique for handling information is similar to that used with traditional paper workpapers. Essentially, the supporting information will be stored in the paperless audit file for the particular audit segment that the workpaper relates to. When using this method, you should give each supporting document a logical name that includes the workpaper number, identifies the document as an attachment, and describes the document.

  For example: H_01_ATT_GCSS-ArmyProgramContract.doc

- Embedding in the workpaper. You can embed an electronic document into the workpaper. We discuss how to embed documents later.

> **Tip**: Be careful not to embed large documents because they make opening the workpaper from a remote location difficult.

Original Command Databases

You should store original command databases in the background file (File 07). It's important to save original command databases in case you change data through analysis. Original databases require a separate subfolder (for example: File 07a Original Command Databases). Again, you should number and name these folders logically. This will make cross-referencing from workpapers to original data easy.

Auditor Analyses of Command Databases

You can handle analysis of original command databases in any of the four ways discussed previously in the section entitled "Electronic Documents."

E-mails

E-mails are a form of testimonial evidence. You may store e-mails as a separate attachment to a workpaper or embed into a workpaper.

Hard-Copy Documents

Affix hard-copy documents in a folder or binder and number them to correspond to the workpaper. If you choose to scan the documents, treat them as an attachment to an electronic workpaper.

When cross-referencing, the automated workpaper, itself, should always be considered to be page 1 (regardless of the length). Any hardcopy attachments to the workpaper would start at page 2 and so on.

Inserting Supporting Documents

You can insert Microsoft Excel spreadsheets, Word documents, and scanned documents into workpapers as supporting documents.

To do so:

- Under <u>Insert</u>, click "Object."
- Click "Create from File" tab if you are inserting an existing document (if you are creating a document to insert, click "Create New" tab).
- For inserting an existing document, click the BROWSE button and select the file name.
- To display the document in the workpaper as an icon, select the "Display as Icon" check box.
- Click OK.
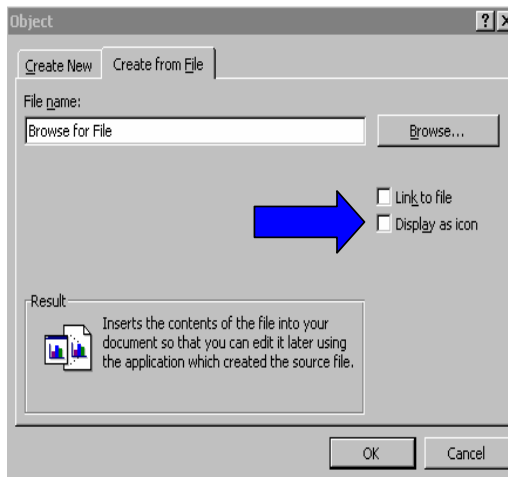
You can embed a document into a workpaper using the same procedures for inserting objects. Once you embed the document into a workpaper, you can double-click on it and it'll open in the program it was created (for example: Microsoft Excel).

REVIEWING WORKPAPERS

Reviewers can use three methods for reviewing workpapers:

- Review sheet.
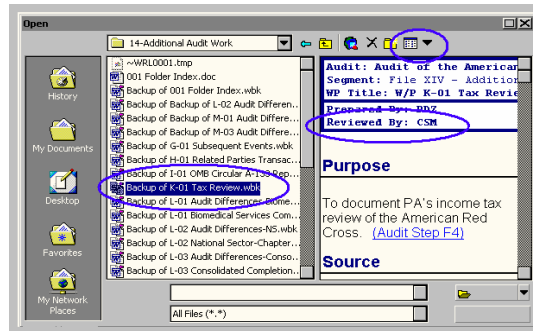- Comment cards.
- Track changes feature.

<u>Review Sheet</u>

The review sheet is a standard automated template. It's located under the "Paperless Audit" tab (see "A01 Review Sheet").

One way to see if a workpaper has been reviewed:

- Open Microsoft Word and click File, then "Open."
- Click on the down arrow next to the Preview Button located in the upper-right hand corner and make sure it's set on "Preview."
- Then highlight a workpaper and its contents will be previewed to the right.

Comment Cards

Comment cards are "hidden" comments the reviewer has made on the workpaper. When a reviewer inserts a comment, Microsoft Word highlights the text in yellow. When you place the cursor on the highlighted area, the comment "pops up" in a box above the section.

To Insert:

- With the workpaper open in Microsoft Word, highlight the word, sentence or section corresponding to the comment.
- Then select insert and click "comment."
- The Comment Text Box will appear at the bottom of the screen.

- In the Comment Text Box, type in your comment.
- Click CLOSE.

Tip: If you personalize your computer, your initials will appear before each of your comments.

Track Changes Feature

The track changes feature makes it simple to review workpapers electronically especially if the reviewer is in a remote location.

To Use:

45

- Under <u>Tools</u>, select "Track Changes," then "Highlight Changes."
- Check the box labeled "Track Changes While Editing."
- Click OK.
- Then begin making changes (an example of changed text appears below).

Although the track changes feature allows you to accept or reject changes (by right-clicking on the changed text), you shouldn't use this feature in order to keep a record of the reviewer's comments.

REFERENCING

Cross-Referencing

Cross-referencing consists of identifying the location of data that supports statements of fact or figures made in audit reports, workpapers or other supporting information. All cross-referencing done by auditors should be two-way. That is, when cross-referencing an audit report to the supporting workpapers, you should annotate (in the narrative or margin of the audit report) the location of supporting data in the workpapers and, conversely, annotate in the supporting workpapers, the report paragraphs that relate to the workpapers. Cross-referencing ensures that all pertinent facts in key audit documents are properly supported.

To cross-reference using paperless audit techniques, in the document you're referencing (for example, the audit report), type in the location of the supporting information (for example, the specific workpaper). In the supporting information, annotate the location of that you're referencing to (this makes it easier for the reviewer to locate the pertinent information). Then, using the procedures discussed earlier, hyperlink the referenced information.

When cross-referencing, the automated workpaper, itself, should always be considered to be page 1 (regardless of the length). Any hardcopy attachments to the workpaper would start as page 2 and so on. Here's an example:

Reference in Draft Report:

In FY 00 and 01, Army Materiel Command provided an additional $3.8 million to cover increases in development costs resulting from schedule delays. File XVIII, H-11 Customers provided an additional $4 million over the life of the initiative to develop new functionality. File XVIII, H-01 Thus, the total funding received by the Support Activity for the initiative was about $32.9 million.

Reference in Supporting Workpaper:

> Based on a series of discussions with the above sources and a review of the EA and funding flows, I determined that the $3.8M provided during FY 00 and FY 01 was in addition to the original amount forecast and funded for LIDB development. Summary Report p. 22.

> **TIP**: To the extent practical, cross-referenced reports should contain direct references to the actual supporting documents in lieu of references to summary workpapers. This practice helps minimize independent referencing time by eliminating the need for the independent referencer to trace references from the summary workpapers to the supporting documents.

Independent Referencing

The independent referencer is a senior auditor (GS-12 or above) not associated with the audit under review who verifies the accuracy of the data in the draft audit report (and final report, if necessary) by tracing the data to supporting documentation in the workpaper files. Independent referencing ensures audit reports objectively and accurately communicate the results of the audit. While there are some differences in the mechanics of documenting the independent referencer's review and comments, the basic independent referencing policies and procedures outlined in USAAA Regulation 36-85 still apply in a paperless environment.

Automated workpaper files must contain evidence showing that an independent referencer completed the referencing, and the independent referencer and the Audit Manager resolved all discrepancies and disagreements.

The independent referencer should initial each fact and figure verified in the report, as required by USAAA Regulation 36-85. Referencers can do this by inserting a comment card over each reference. In addition, the referencer should initial each fact and figure in the supporting workpaper evidencing they reviewed the support using the same procedures. The referencer should document all reviewer's questions or comments that arise from review of the report on an automated review sheet (discussed earlier). The referencer should index questions or comments to the appropriate page of the audit report so the Audit Manager can readily determine what the referencer is questioning.

> **Tip**: It's a good idea to get your independent referencer "read/write" privileges from the help desk before they start the independent referencing.

The Audit Manager or designee from the audit team (Auditor-in-Charge or Staff Auditor) will make corrections to the audit report or provide the necessary support in the workpapers to respond to the referencer's questions. Audit Team members should document actions taken in response to each comment in the review sheet. Once satisfied with actions taken, the referencer should place their name in the appropriate location in

the post-reviewed section of the review sheet. Audit Team members should ensure that the review sheet is saved in paperless audit files in either the Draft or Final Report Files. An example of a completed review sheet is shown below:

USAAA Review Sheet

Audit: **Follow-Up Review of Audit Recommendations in Audit Report AA 98-170 (L1-112S)**

Segment: File #2 – Final Report

Reviewer's Name: Anthony L. Rosati	**Date: 14 August 2001**
Post Reviewed By: ALR	**Date: 15 August 2001**

All actions required by auditor have been completed.

Working Paper Reference	Reviewer's Comments	Auditor's Actions
W/P H-01	Not all references from the Workpaper to the Draft Report are noted in the Workpaper	Corrected RBS

To complete the process, both the Audit Manager and the referencer should complete and sign a hardcopy of the Certification Document (USAAA Form 371). We suggest that Audit team members scan the completed document and store it in paperless audit files with the review sheet.

STORING FILES

Storing Data

To prevent storage overload:

- Place large supporting documents in subfolders.
- Request electronic copies of documents.
- Use binders to store large hard copy documents.

Winzip

Winzip is a program used to compress data in order to minimize the space required for storage or transmission.

To Use:

- Go to Windows Explorer and open the folder that contains the files you would like to ZIP (compress).
- To highlight a select number of files, control-click each file.
- To highlight all files, click the first file and then shift-click the last file you want to include.
- Then right-click on the highlighted files and select "Add to ZIP."
- Click the NEW button.
- In the File Name Box, name your file
- Click OK, and then click the ADD button.
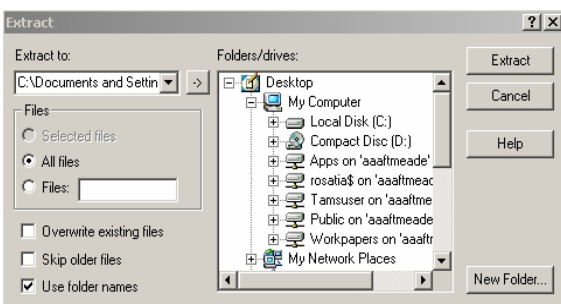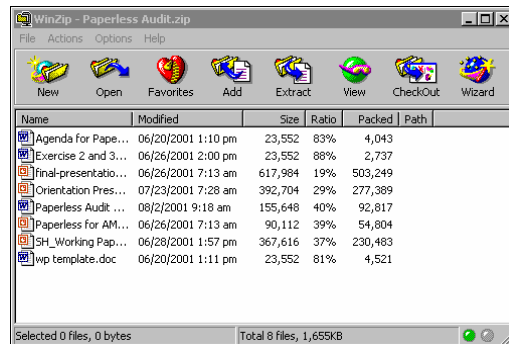
To Unzip:
- Right-click the file and select "Extract to."
- Then click on the folder you would like to put the files in (Make sure the folder name is in the "Extract to:" box).
- Then click the EXTRACT button.