

13. DOCUMENTATION AND WORKING PAPERS

13.1 The Need for Documentation and Working Paper Files

Auditors must have a strong commitment to high professional standards in the collection and documentation of evidence to support the audit work. Audit supervisors must ensure that a high quality of documentation is always maintained.

The auditor's documentation, in the form of audit files, is referred to as the "Working Papers". The audit files should be complete in themselves. Reference to external sources of evidence is not normally considered sufficient. Therefore the auditor should keep extracts of the relevant external documentation in the working paper file. Working papers are usually maintained in three categories:

1. Permanent file;
2. Current file;
 - Planning File
 - Working Papers File
 - Evaluation and Reporting File
3. Briefing file.

Permanent files typically contain information that can be useful to the auditor for several assignments at the audit entity, whereas current files usually contain the supporting documentation for a specific audit.

Each current file should be kept for a specified time after the completion of the audit, after which it should be archived in accordance with DAGP records management policies. The permanent file remains permanently within DAGP but is updated each time an audit is conducted within the area to which it applies.

In addition, the auditor should maintain a briefing file for the section within the Annual Report covered by the particular audit. The briefing file contains extracts from the other files to provide complete, but concise, support for all contents included in the Annual Report. This is used to provide support to the Auditor General and other officials of DAGP when appearing before the PAC. All statements contained in the Annual Report should be cross-referenced to the specific evidence that supports each statement, including background description, financial information, facts and statistics.

13.2 The Purpose of Working Paper Files

Working paper files are maintained to:

- Provide evidence to support all matters included in the audit report;
- Demonstrate adherence to auditing standards and procedures;
- Aid supervision of the work;
- Facilitate review of work performed; and
- Assist in planning the subsequent audit assignment (with background information, key issues identified in previous audits, and matters for follow up).

The Quality of Working Paper Files

Good working papers contribute to the efficiency and effectiveness of the operations of DAGP. By contrast, poor working papers can:

- Reduce the likelihood of including all pertinent findings in the audit report;
- Lead to inaccurate/incomplete findings and erroneous conclusions in the audit report;
- Hinder the review of the audit work and supervision of the audit;
- Compromise the audit as a whole; and
- Endanger DAGP's reputation.

Every auditor has a professional responsibility to maintain high quality working papers. The working papers are the ultimate evidence of the quality of the auditor's work.

13.2.1 Standards and Characteristics of Proper Working Papers

Audit offices normally have a records management manual describing the structure, use, review, maintenance, storage and disposal of working papers. The filing systems, filing codes, rules for access and safekeeping should be defined and the auditor should comply with these standards.

There should be standards regarding the form and content of working paper files. The existence of standards helps to ensure uniformity in filing material, which makes it easier for a new auditor on the assignment, or a more senior auditor conducting a review of the files, to access the information on file.

DAGP's documentation standards require the auditor to ensure that all audit evidence, including the process used to obtain it and the conclusions derived from it, are properly documented in audit working papers.

As well as evidence to support the audit report, the files should also include material on:

- The audit plan (including risk assessments and other rationale for audit scope decisions, and audit programmes);
- The management of the audit (including assignment of responsibilities, scheduling and budgeting of the work, minutes of team meetings, changes to audit programme, checklists, list of personnel interviewed, notes on all interviews, meetings and physical inspections);
- Evidence of reviews of audit files and audit work;
- Audit work even if not included within the audit report (such as evidence of evaluations of internal controls);
- All correspondence relating to the audit; and
- Any other material that explains the decisions, activities and results relating to the audit.

All follow up work should be cross referenced to the audit working papers.

13.2.2 Form and Content of Working Paper Files

Current File. The Current working paper file should include:

- Information concerning the government programme(s), the industry, economic environment and legislative environment within which the entity operates.
- Evidence of the planning process including audit programmes and any changes thereto.
- Evidence of the auditor's understanding of the accounting and internal control systems and programme performance.
- Evidence of inherent and control risk assessments and any revisions thereof.
- Analyses of transactions and balances.
- A record of the nature, timing and extent of audit procedures performed and the results of such procedures.
- Evidence that the work performed by junior auditors was supervised and reviewed.
- An indication as to who performed the audit procedures and when they were performed.
- Copies of communication with experts and other third parties.
- Copies of letters or notes concerning audit matters communicated to or discussed with the entity.
- Copies of the auditor's report.

Permanent File. The permanent audit file includes information that will be of continuing importance to the audit activity in the particular area of audit. This may include:

- Copies of relevant government legislation, regulations, guidelines and other rules affecting operations.
- Role of entity, Vision and Mission Statements, most recent corporate plan.
- Copies of the Estimates, kept up-to-date.
- Copies of long-term contracts/leases.
- Loan agreements, schedules of amortisation for debts and special assets.
- Extracts of minutes.
- Reports to management and management's response.
- Organisation charts, telephone book and building layout and/or locations of operation.
- Chart of accounts.
- Summary of accounting principles used by the organisation.
- Special remuneration conditions for senior officers.

Policies and procedures manuals may be in the permanent file if they are brief or, alternatively, a copy should be in the auditor's bookcase or filing cabinet.

Every working paper should clearly show:

- The name of the audit entity and audit area;
- A description of the contents;

- The period covered by the audit;
- The date the work was performed;
- Initials of the preparer;
- An appropriate index;
- Cross-references to schedules, documents, notes that support the working paper and cross-reference of all points in the final audit report to the working paper support;
- The source from which the information or explanation was obtained;
- The extent of audit work done;
- Conclusions drawn from work done;
- An explanation of any “tick marks” that appear on the working paper; and
- The date and initials of the reviewer.

Working papers should be neat and easily readable. The auditor should:

- Write legibly or type notes (eventually files will most likely be kept electronically);
- Avoid crowding on a page;
- Write on one side of the working paper;
- Use correct grammar, spelling and punctuation;
- Spell the names of individuals or organisations correctly;
- When appropriate, identify the titles of persons referred to;
- Never use “white out” or correction tape to change information;
- Avoid derogatory terms to characterise personnel or procedures; and
- Remove all non-evidential matter from files on the completion of the assignment (rough drafts, etc.).

13.3 Custody and Maintenance of the Working Paper Files

Working paper files are confidential and are the property of DAGP. Material should not be removed from the files without the specific authority of the responsible Audit Manager.

The auditor is responsible for their custody and safekeeping at all times until they are placed in official archives. Working papers are not for general disclosure. Where they are to be shared with other auditors, or other bodies, the following guidelines should be respected:

- No copies of working papers should be given or shown to members of the audit entity;
- Working papers should not be made available to third parties except in special circumstances;
- Where DAGP is prepared to provide access to working papers by third parties, normally, the consent of the audit entity should be obtained first;
- Files and papers should be reviewed before they are made available;
- DAGP should at all times retain control over the papers and documents and inspection should take place under the supervision of a representative of DAGP;

- Where DAGP is asked to produce working papers in connection with legal proceedings, or investigations by government bodies, for example under a court order, legal advice should be obtained before producing them; and
- Where DAGP is required to produce original papers or documents in legal proceedings, copies should be retained.

Access to audit files should be controlled and the storage area should be secure.