



# Documenting Audit Results

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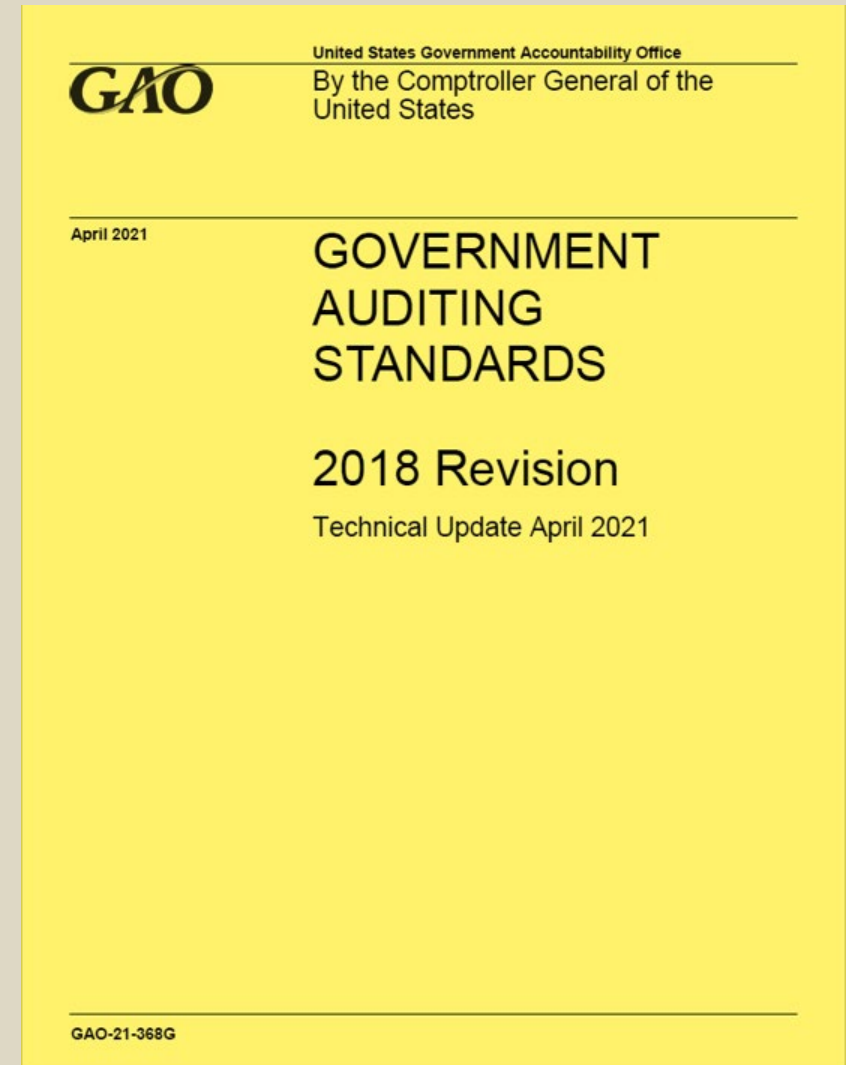
# Course Objectives

- Identify documentation requirements in professional standards.
- Understand purpose, structure, content, and format of workpapers.
- Recognize the types of evidence that may be used to support audit findings.

# STANDARDS – Audit Documentation

## Government Auditing Standards, December 2018 Revision, Yellow Book

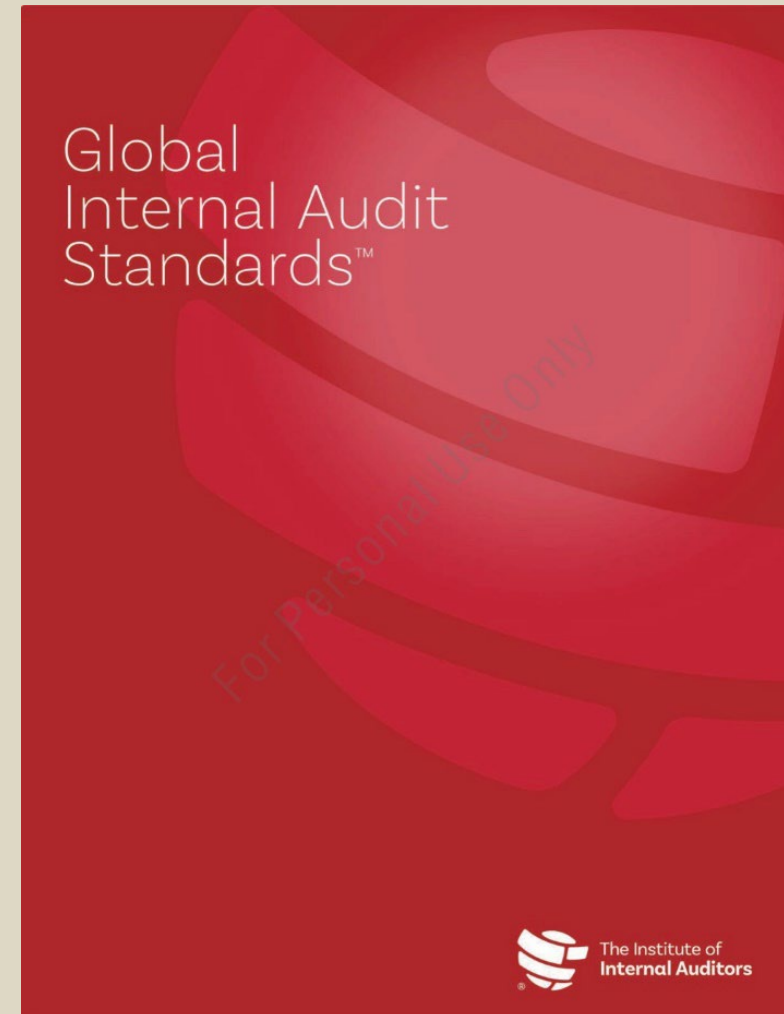
- 8.132 - Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit.
- Work papers serve as the audit evidence of what we did and found.



# STANDARDS – Engagement Records

## International Professional Practices Framework (Red Book)

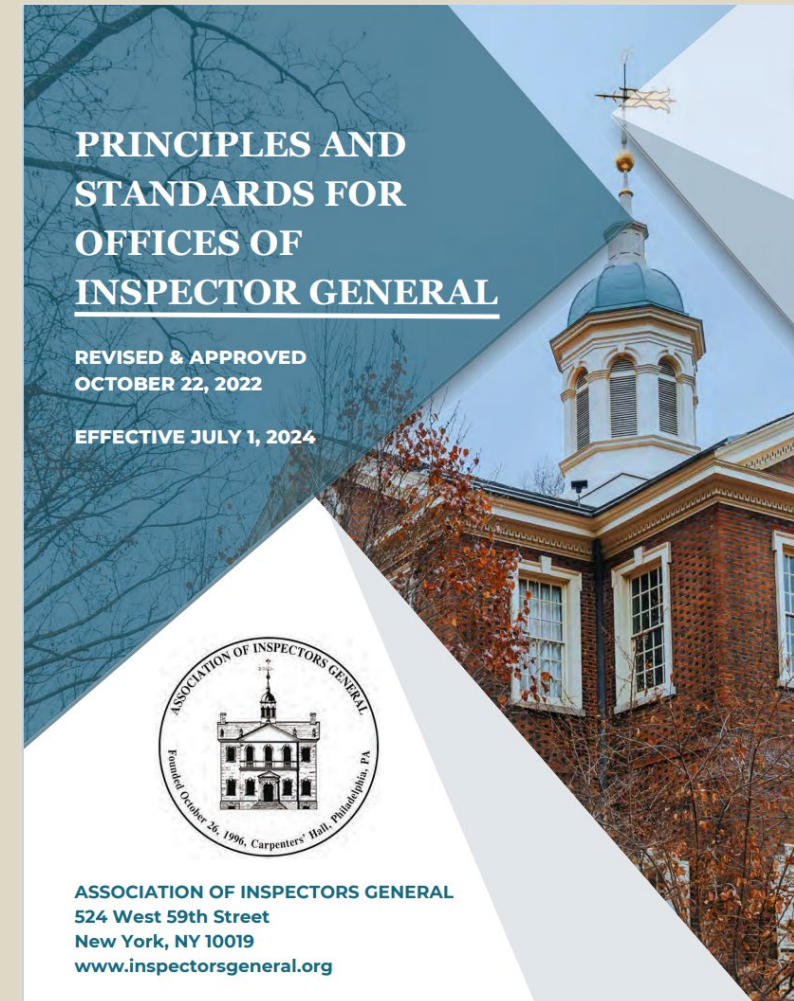
- 2330 - Internal auditors must document sufficient, reliable, relevant, and useful information to support engagement results and conclusions.
- Work papers serve as the audit evidence of what we did and found.



# STANDARDS – Data Collection and Analysis

## Principles And Standards For Offices Of Inspector General, 2014 Edition (effective until 7/01/24)

- **Quality Standards for Investigations** – Information and data gathered during an investigation should be carefully documented and organized relative to case objectives.
- **Quality Standards for Inspections, Evaluations, And Reviews** – Information and data obtained about the organization, program, activity, or function being examined should be consistent with the inspection, evaluation, or review objectives, carefully documented and organized, and lead to a reasonable basis for conclusions.
- **Quality Standards for Audits** – Audits should be done in accordance to generally accepted auditing standards. (International Professional Practices Framework (IPPF) 2017 Edition, Red Book) or (Government Auditing Standards, December 2011 Revision, Yellow Book)



# Performance Audit Focus

This training focuses on performance audit standards and primarily cites to Chapter 8 of the 2018 Government Auditing Standards. Similar citations exist for financial statement audits and attestation engagements.

# Why Do We Prepare Work Papers?

- 8.90 – Obtaining sufficient, appropriate evidence

Auditors must obtain **sufficient, appropriate evidence** to provide a reasonable basis for addressing the audit objectives and supporting their findings and conclusions.

# Why Do We Prepare Work Papers?

- 8.132 – Auditors must prepare audit documentation related to planning, conducting, and reporting for each audit. Auditors should prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection to the audit, to understand from the audit documentation the nature, timing, extent, and results of audit procedures performed; the evidence obtained; and its source and the conclusions reached, including evidence that supports the auditors' significant judgments and conclusions.
- 8.133 – Auditors should prepare audit documentation that contains support for findings, conclusions, and recommendations before they issue their report.



# Why Do We Prepare Work Papers?

- Provide support for the auditor's findings and conclusions
- Document whether audit objectives are achieved
- Document the auditor's compliance with the Audit Standards
- Provide a means of assigning and coordinating audit work
- Aid in supervising and reviewing audit work



# Why Do We Prepare Work Papers?

- Aid in planning and conducting future audits
- Basis for evaluation of peer reviews
- Provide support for circumstances such as insurance claims, fraud cases, criminal trials, and lawsuits
- Aid in the development of the auditing staff

# What Are Work Papers?

Documentation that contains sufficient information to allow an experienced auditor having no previous connection with the audit to ascertain the evidence that supports the auditor's conclusions and judgment.

# Types of Work Papers

## Planning

### Typical Content :

- Policies and Procedures
- Laws or Regulations
- Industry standards and statistics
- Historical data
- Examples of Documentation Used in Process
- Flowcharts of Process (as documented)
- Flowcharts of Process (based upon observation)
- Analysis of Internal Controls (Strong, Weak, Absent)

### Work paper includes:

- **Purpose**
- **Source**

(It is within this section of the workpapers that the various **CRITERIA** are usually documented.)

## Correspondence and Meetings

### Typical Content:

- Summaries of Meetings/Interviews/Phone Discussions
- Relevant Emails

### Work paper includes:

- **Purpose** (May be evident in the format of the workpaper)

(It is within this section of the workpapers that the **CAUSES** for the various audit findings are typically noted, as they are usually confirmed in discussions with the auditees/process owners.)

## Testing

### Typical Content:

- Data Sets Used as Population
- Sampling Methodology
- Spreadsheets to document testing
- Supporting data for exceptions noted during testing
- Projection methodology if applicable

### Work paper includes:

- **Purpose**
- **Source**
- **Scope**
- **Population**
- **Sample**
- **Methodology**
- **Testing Results**
- **Performed By and Verified By**

## Reporting

### Typical Content:

- Draft versions
- Version Shared with Auditee
- Final Report

## Miscellaneous

### No Typical Content

### Workpaper includes:

- **Purpose**
- **Source**

# Characteristics of Good Work Papers

- Comply with Audit Procedures Manual
- Logical organization
- Complete and accurate
- Provide clarity and understanding
- Relevant
- Legible and neat
- Timely
- Uniform (Consistent)
- Assembled in an orderly fashion

# Preparation Techniques and Formatting

- **Work Paper Identification Data:**
  - Standardized work papers may improve the efficiency of an audit.
  - A template for standard work papers may be developed or automated work paper software can be used.
  - Each work paper should contain the audit title and audit assignment number.
  - The work paper should include identification of the preparer and reviewer, date, identification number, any references to other workpapers.

# Preparation Techniques and Formatting

- Each work paper should contain:
  - Purpose Why
  - Source Obtained From
  - Scope Time Frame
  - Results and/or Conclusions.



As applicable, include the elements of criteria, methodology, conditions, cause, effect, and recommendations in the appropriate section.

# Purpose

This explains why auditors are doing the audit work and what they are trying to accomplish. Working papers prepared to support audit survey or verification, should be directly related to an audit program step.



# Source



- This portion of a working paper tells the reader where the auditor obtained the information.
- Auditors should provide enough detail to permit an independent reviewer to find the source of the information recorded on the working paper without assistance.
- If source information is from a computer system, diskette, or tape, the working papers should explain the origin, contents, use, and reference numbers of the media used.

# Scope

## GAGAS 8.10

Scope is the boundary of the audit and is directly tied to the audit objectives. The scope defines the **SUBJECT** matter that the auditors will assess and report on, such as a particular program or aspect of a program, the necessary documents or records, the **PERIOD OF TIME** reviewed, and the **LOCATIONS** that will be included.

# Results/Conclusions

- Answers the purpose for which the auditor prepared the working paper.
- Provides a detailed description of the outcome of tests or analyses and related discussions in the working papers.
- The results section is particularly useful when relating information on the work papers to tests, analyses, and discussions recorded in supporting documentation or in separate work papers.

# Types of Evidence

- Physical



- Documentary



- Testimonial



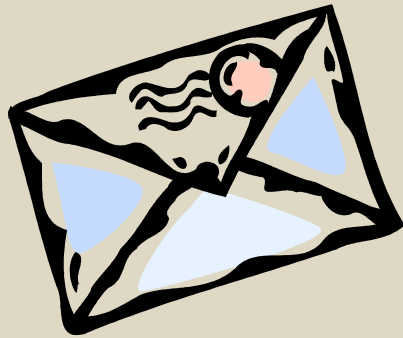
# Physical Evidence

- Is obtained by the auditor's direct inspection or observation of people, property, or events.
- Such evidence may be documented in:
  - memoranda,
  - photographs and/or videos
  - drawings, charts,
  - maps, or
  - physical samples.



# Documentary Evidence

- Already existing information such as letters, contracts, accounting records, invoices, and management information on performance.



# Testimonial Evidence

- Obtained through inquiries, interviews, focus groups, public forums, or questionnaires.



# EVIDENCE

- 8.90 – Auditors must obtain **sufficient, appropriate evidence** to provide a **reasonable** basis for addressing the audit objectives and supporting their findings and conclusions.

Work 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 auditor's significant conclusions and judgments.



# APPROPRIATENESS

- 8.102 – Appropriateness is the measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence used for addressing the audit objectives and supporting findings and conclusions.
- 8.91 – In assessing the appropriateness of evidence, auditors should assess whether the evidence is relevant, valid, and reliable.



# Relevant Evidence

Evidence is relevant if it has a logical relationship with, and importance to the issue being addressed. *(8.102a)*

# Valid Evidence

Validity refers to the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, validity refers to the extent to which evidence represents what it is purported to represent. *(8.102b)*

# Reliable Evidence

Reliability refers to the consistency of results when information is measured or tested and includes the concepts of being verifiable or supported. *(8.102c)*



# SUFFICIENT

- 8.99 – Sufficiency is a measure of the quantity of evidence used to support the findings and conclusions related to the audit objectives.
- 8.92 – In determining the sufficiency of evidence, auditors should determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions to the extent that would persuade a knowledgeable person that the findings are reasonable.



# PROFESSIONAL JUDGMENT

- 3.111 – Using the auditor’s professional knowledge, skills, and abilities, in good faith and with integrity, to diligently gather information and objectively evaluate the sufficiency and appropriateness of evidence is a critical component of GAGAS engagements.
- 8.101 - The greater the audit risk, the greater the quantity and quality of evidence required. Stronger evidence may allow less evidence to be used.

# Sources of Information

The auditor's approach to determining the sufficiency, competence, and relevance of evidence depends on the source of the information that constitutes the evidence. Information sources include:

- Data Gathered By Auditors
- Data Gathered By Auditee
- Data Gathered By Third Parties

Data from any of these sources may be obtained from computer-based systems.

# Data Gathered By Auditors

- Auditor's own observations and measurements. Includes:
  - Direct Observation 
  - Structured Interviews 
  - Computations 
  - Questionnaires 

*The design of these methods and the skill of the auditors applying them are the keys to ensuring that these data constitute sufficient, competent, and relevant evidence. When applied to determine cause, auditors are concerned with eliminating rival explanations.*

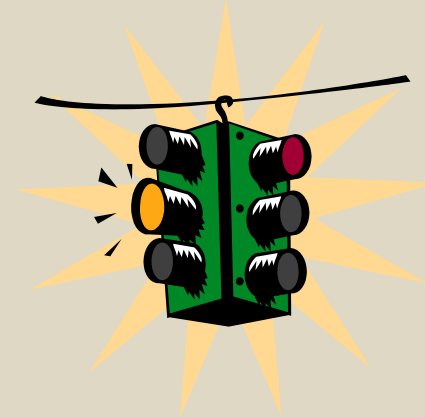


# Data Gathered By Auditee

- May be used as evidence
- Determine validity by test of data
  - Tests should include completeness and accuracy (8.98)
- Nature and extent of testing depends on the significance of the data to support findings
- What if there are errors?

# Errors In Auditee Data?

- Seek evidence from other sources
- Redefine audit objectives to eliminate need
- Use data, but indicate in report the limitations and refrain from making unwarranted conclusions or recommendations





# Questions? Comments?

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