

**The Republic of the Union of Myanmar**  
**Office of the Union Auditor-General (OAG)**  
**Manual of the Audit Document System (ADS)**

**Preface**

1. In order to successfully implement the different stages of audit work, it is necessary to maintain the audit work papers in a systematic manner. This is one of the requirements of the international standards on auditing. The OAG Audit Guide Preparation Committee (OAGPC) has prepared and submitted a paper on the Audit Documentation System (ADS) that accords with the organizational set-up of OAG and matches up with the international standards on auditing.
2. Some staff members of OAG and of State/Division Audit Offices were provided with training in using ADS in September, 1993. Again similar courses were conducted under the auspices of the Audit Offices of Karen and Mon State as well as of Magwe, Mandalay and Ayeyawaddy Divisions.
3. In the audit of some organizations, the procedures contained in ADS were tested from October to December, 1993 by some regional audit offices and by central divisions of the head office under the supervision of the State and Division Audit Offices as well as of the Directors of OAG respectively.
4. The work paper files of those tests and reports thereon were reviewed by the Review Committee on ADS. This manual was issued after the shortcomings of the original paper were rectified in light of the findings of the review.
5. The contributions of the staff members involved in the preparation of ADS and staff members who had made a test of this system as well as those who had offered comments and advice thereon are gratefully acknowledged.
6. Comments and suggestions are invited in regard to the contents of ADS.

Khin Than Tin  
Director-General  
Office of OAG

## Chapter I

### Nature of Audit Work Papers

#### Audit Work Papers

1. Audit work means a process of searching and collecting evidence and information required for an expression of audit opinion on the accounts or operations audited. They can be viewed as audit work papers.
2. Audit work papers are used not merely as evidence concerning the audit report but also as a supporting tool of audit management. Aside from the information relating to the accounts and operations audited, verification done by the auditor should be recorded completely in the audit work papers. In cases where audit work papers need to be submitted to a court of law, the entries recorded therein must be not only complete but sound as well.

#### Types of Information in Audit Work Papers

3. The information that must be recorded in the Audit Work Papers may be divided into 3 types as follows:-
  - (a) Accounting/ Operating Information: This is the information that has been extracted and collected as regards the accounts or operations audited. Also the information that has been extracted by the auditor as necessary from the accounts, records, etc. submitted by the auditee; the information contained in the documents, which the auditee has prepared and submitted, and which the auditor has accepted and used as audit work papers; and the required information obtained from the outside person/ organization—all these encompass this type.
  - (b) Verification Information: This includes the information regarding the verification the auditor himself has carried out. Such data disclose audit methods and the extent of audit, in addition to the pre-preparation for audit work and audit work supervision. In other words, it shows how the information/ matters in sub-para (a) had been audited.
  - (c) Audit Findings and Conclusions: These are the data/particulars that are found out by auditing and audit conclusions, opinions and advice/suggestions that are based on those data/ particulars. In other words, they are the results derived from auditing the information/ matters in sub-para (a) above according to what has been described in sub-para (b).

4. In recording accounting/operational data in audit work papers the following requirements must be fulfilled:-
- (a) References to the data and their sources must be complete and precise.
  - (b) The source documents in which data are included shall be the types of documents that are officially approved and issued or documents that are legally presented.
  - (c) The status and class of the data shall be described separately.  
For example: - recomputed disclosures;  
- re-measured disclosures;  
- estimates of an technician/expert, etc. must be mentioned separately.
  - (d) In presenting the data that have been extracted and collected, the format and writing style must be precise and easy to understand.
  - (e) References and cross-references must be completely described in the relevant audit work papers relating to the data shown in other audit work papers that have direct bearing, the data that need to be checked in comparison with others, aggregate figures that are derived/copied and used, etc. In recording accounting and operational data, if requirement is incomplete, their usefulness will be diminished and doubt can be cast on their legal soundness. Moreover, delays can arise in carrying out checks by linking one piece of information with another as well as in preparing the audit report.
5. If those requirements are not met in full, the soundness and weightiness of audit findings will diminish in value; and especially when the need arise to review and scrutinize the standard of the audit work, it will be very difficult to explain how much adequate due professional care has been exercised by the auditor.
6. In recording the particulars of the audit work the following requirements must be fulfilled completely:-
- (a) The relevant audit objective (s) and audit procedures established in advance to achieve those objectives must be described precisely;
  - (b) Particulars checked practically must be described completely. (name of the checker, auditing technique, extent of audit, date of audit, etc.);
  - (c) Status of audit supervision must be described in full (field audit checks by audit management, record of audit work done, details of review of the audit report and directives and comments, etc.);

- (d) Selection of sampling methods in every case where necessary, reasons for using those methods, verification of explanations/representations, weighing by comparison the subject or the matters connected therewith, etc. must be described fully.
7. In recording the audit findings and conclusions of the auditor, if such requirements are incomplete, delays may occur in preparing and vetting the audit report.
  8. In recording the audit findings and conclusions in the audit work papers the following requirements must be satisfied completely:-
    - (a) The type and extent of differences, mistakes, and requirements must be precise;
    - (b) The main reason why differences, mistakes and requirements arise must be explained clearly;
    - (c) Describing the consequences of the arising of differences, mistakes and requirements being weighed must be reasonable and fair;
    - (d) The approval and explanations/representations of the responsible person/ organization must be complete; and
    - (e) The opinions, comments and conclusions of the auditor and audit management concerning the requirements to improve and take action must be recorded precisely and clearly.
  9. In recording audit findings and conclusions, if those requirements are incomplete, preparation of audit reports and review of audit reports can be delayed.

### **Types of Audit Work Papers**

10. The documents and papers that are accepted and used as the audit work papers, depending on the person who prepares and issues them, may be classified into 3 types as follows:-
  - (a) Records prepared by the audittee: This type includes the annual financial statements and attachments, copies of contracts/ agreements, reports, approvals, recommendations, explanations/representations, etc.;
  - (b) Records prepared by the auditor: This type consists of the audit program, extracts from and notes of the subject matter, account balances, checks of accounting entries, reconciliations, reviewing by comparison, recomputations, adjusting journals, consolidated statements of accounts, summarized account schedules, notes of physical verification, etc.

- (c) Records prepared by other organizations and persons: This type comprises approved replies, schedules of accounts issued separately and reports.

### **ADS Overview**

11. The ADS is comprised of 14 standard forms. Of 14 forms, ADS-04 is a general form that can be used for all matters. The remaining forms are specific forms designed to be used according to the relevant matters. Aside from ADS-11, all the remaining forms are included in the types of records prepared by the auditor. In general, those records will include particulars of accounts/ operations, details of audit checks and audit findings. The form of rubber stamp to be affixed to the documents and papers prepared by the auditees and other organizations/ persons that are accepted and used as audit work papers is specified by ADS-11. Documents and papers stamped with ADS-11 mainly include information regarding accounts and operations. The auditor must add to the records with his comments on those accounts/ operations and necessary cross-references.
12. Thus, ADS has been designed in such a way as to fulfill the requirements for recording audit work papers.

## Chapter II

### Audit Documentation System (ADS)

#### Introduction

1. Standard forms, methods of filling up forms, arrangements for using standard forms at different stages of audit work, and for maintaining audit work papers files that are to be employed in the audit operations of OAG are all rolled into one and named as the Audit Documentation System.

#### Different Stages of Audit Work

2. Different stages of planning for audit work, implementing the audit plan and reporting thereon, supervising, controlling, reviewing, evaluating, etc. involved in various operating phases—all this audit management work is referred to as different stages of audit work in this manual. In order to achieve the objectives of prescribing the ADS, audit work must be carried out in accordance with the methods and programs specified in this manual.

#### Objectives

3. The objectives of prescribing the ADS are as follows:-
  - (a) To record precisely and completely the methods and audit work undertaken at different stages;
  - (b) To completely collect sound audit evidence for audit findings, conclusions, audit opinions and recommendations;
  - (c) To collect and maintain operational records to support audit management in supervising and controlling audit work, reviewing its progress and evaluating performance; and
  - (d) To maintain complete records of audit work to be used for study, reference, and quotation in future audit work.

#### ADS Forms

4. ADS Forms are specified as follows:-
  - (a) ADA-01: Audit Program Lead Sheet;
  - (b) ADS-02: Audit Program;
  - (c) ADS-03: Sectional Program;
  - (d) ADS-04: Work Sheet;
  - (e) ADS-05: Presentation/Discussion Memo;

- (f) ADS-06: Half Margin Memorandum;
- (g) ADS-07: Confirmation From Debtors/ Creditors/ Bank;
- (h) ADS-08: Stock Count Record;
- (i) ADS-09: Cash Count Record;
- (j) ADS-10: Analysis of Fixed Assets and Depreciation/Impairment;
- (k) ADS-11: Rubber Seal To Be Stamped On The Documents Prepared By Audittees;
- (l) ADS-12: Audit Paragraph Sheet;
- (m) ADS-13: Audit Progress Sheet; and
- (n) ADS-14: Audit Performance Evaluation Sheet.

### **Use of ADS Forms at Different Stages of Audit Work**

#### **Pre-preparation for Audit Work**

5. At the pre-preparation stage of audit work survey and audit program formulation must be carried out. ADS-01, ADS-02, and ADS-03 must be used to prepare the audit program.
6. The audit program must be drawn up based on the initial survey records and instructions of audit management. ADS-01, 02, and 03 Forms must be filled up with fully and precisely in order to meet the following requirements for the audit program:-
  - (a) Clarity and precision in setting audit objectives and methods of achieving them for each case of audit to be undertaken;
  - (b) Adequate method and extent of audit for each audit objective; and
  - (c) Effective management and maximum utilization of audit resources.
7. The audit team must do the groundwork for drawing up the audit program. The different levels of audit management must provide guidance and supervision to ensure that the audit program meets the above requirements fully. Starting even with the pre-preparation stage, audit management needs to closely supervise, review and lay down guidelines for audit work to be undertaken. ADS forms have been designed to fully record the involvement of audit management in the preparation of the audit program.

#### **Modification of the Audit Program**

8. The audit program may require to be modified in the light of additional data found as well as of new events that occur when it comes time to practically carry out audit work according to the approved audit program. In such a situation the audit team and

audit management must work together in close coordination to timely modify the audit program in accordance with the requirement. Only then will it be possible to ensure the practicability of an audit program. Thus, that audit program can be used as a performance indicator in comparing the adopted audit program with the actual audit work done.

9. The audit program modification log has been incorporated in ADS-01 Form to precisely record the state of modification of the audit program.
10. Methods and instructions to draw up and modify the audit program are described in Attachment (A).

### **Evaluation of the Audit Program**

11. Generally it must be possible to draw up better and more precise audit programs year by year. In order to make them better, it is necessary to review, and evaluate the standard of the audit program vis-à-vis the actual performance and record it. It is arranged to record in ADS-01 (Continuation Sheet) the requirements for better improvement in drawing up future audit programs in the light of review and evaluation by audit management.

### **Audit**

12. In the audit program, an account head, or an activity, or an occurrence is regarded as one section of audit work. Assignment of duties among the audit team according to the audit work section is recorded in ADS-02. For each audit work section detailed plan to be carried out must be set forth. Each audit team member must carry out the audit work according to ADS-03 in regard to the audit work section, for which he takes the responsibility.
13. The respective audit team members must record precisely the details of the audit work actually done in the boxes set between the columns of ADS-03. By so doing, the program set and actual performance can be scrutinized by comparing them.
14. Each audit team member shall, once he has finished a section of audit, write up audit paragraphs and submit sectional group of work papers through different levels. Only after audit work papers for a section of audit have been submitted shall he continue to carry out the section of audit, for which he is responsible. It is only by this arrangement that audit paragraphs and audit work papers can regularly be submitted to audit management while audit is still in progress.
15. The sectional group of audit work papers shall be organized in the following sequence:-
  - (a) ADS-03: Sectional Program/ Work Papers Lead Sheet;

- (b) ADS-04; ADS-11 ( The forms that are used according to the subject-matter shall be included in appropriate sequence); and
  - (c) ADS-12 Audit Para Sheet.
16. It is by organizing the sectional audit work papers as mentioned above that the ADS Sectional Program shall become the audit work papers group lead sheet. The actual audit performance shown in juxtaposition with the program set down in that lead sheet, and references to the respective audit work paper page numbers, as well as audit management's appraisal of sectional audit performance shall all be recorded completely. On the last sheet of the sectional group of audit work papers (ADS-12 Audit Para Sheet), the summary of the sectional audit or audit paragraphs to be included in the audit report which are prepared by the audit team that has taken the responsibility to audit, and appraisal of and comments on them shall be recorded by audit management.
17. If, in the light of audit management's review and appraisal, supplementary audit needs to be undertaken again, the sectional group of audit work papers shall be handed back to the audit team concerned with definite instructions. The completed sectional group of audit work papers shall be entered in the audit work papers file that shall be maintained by the audit team leader. Moreover, details of sectional actual performance shall be put on record in the respective columns of ADS-02.
18. Instructions on methods of recording in the respective ADS-12 have been mentioned in Annex (b) as regards the use of audit findings in ADS-12 Audit Para Sheet and how they have been used.

### **Audit Report**

19. The audit team leader shall prepare the draft audit, in which the summary of audit paragraphs of completed sectional audit is incorporated. To speed up that work, the form of presenting the summary in ADS-12 shall be close to the form and style used in preparing the audit report.
20. The audit team leader shall arrange the draft audit and audit work papers in a systematic way and submit them to different levels of audit management. References to audit work paper page numbers as regards the paragraphs and information included in the draft audit report as well as cross-references between one audit work paper and another in the audit work papers file shall have been recorded precisely.
21. Audit management shall review the draft audit report and work paper file not merely to issue the audit report but also to evaluate the quality of audit performance. Such evaluation shall be recorded in ADS-13 and ADS-14.

## Organizing Work Papers

### Types of Audit Files

22. Audit files may be categorized as follows:-

Type of File	Objective
Permanent File	<ul style="list-style-type: none"> <li>- The auditee's organizational set-up and operational and management systems shall be continuously recorded and maintained.</li> <li>- The auditee's operations and historical financial data are to be gathered and maintained.</li> </ul>
Current File	<ul style="list-style-type: none"> <li>- The audit team's performance at different stages of audit and explanations, and audit management's directives, opinions, comments and decisions shall be grouped together and maintained.</li> <li>- Recommendations that emerge from audit and action taken by the Authority concerned.</li> </ul>
Year-wise Work Papers File	<ul style="list-style-type: none"> <li>- Method of audit for each audit activity, extent of audit, and source of information shall be recorded and maintained.</li> <li>- The auditor's opinion, recommendations, background information and documents are to be recorded and maintained.</li> </ul>
Year-wise Evaluation File	<ul style="list-style-type: none"> <li>- To maintain evaluation records of audit staffs and audit management staffs.</li> </ul>

### Permanent File

23. The permanent file shall be opened and maintained as follows:-

- (a) A permanent file shall be opened for each auditee;
- (b) That file shall be maintained at the office that is responsible for the audit of that organization;
- (c) The cover of the file shall be marked as follows:-

<b>Permanent File</b>
Division/Audit Office.....
.....
.....
(Name of the auditee and record No.*)

- (d) The following types of documents shall be maintained in the file:-
- (1) Objectives and policy documents of the organization;
  - (2) Organizational set-up and human resources;
  - (3) The functions of each department and section;
  - (4) Records, books, files, accounts, and documents, flow-charts of different processes of operations;
  - (5) Reports, notifications, and accounts regularly issued by departments and sections;
  - (6) Different stages of processes of operations/activities;
  - (7) Rules, regulations, directives, etc. or reference catalogues for them and extracts;
  - (8) Year-wise summarized financial and operational data and statements of accounts; and
  - (9) As per paragraph 32, Section 2 of this directive before “term-end” files (for which “the term” fixed for their maintenance has ended) are destroyed, records that are extracted therefrom and maintained.
- (e) Whatever changes there are in the above data shall be recorded in the file. In so doing, removing original data and substituting new documents therefor shall be avoided as much as possible. As regards the data, up to what date they are valid shall be noted. Any documents that come into existence afterwards (new developments) shall be cross-referenced thereto. It is especially important to not lose sight of changes in the operating system of the organization and to render historical facts complete.
- (f) Numbers shall be assigned to all the records in the file. The subject-matter
- \* included in the registration list of auditees indicates the Auditee Register No. used in APMS

be transferred systematically. The file hand-over note shall be included in the file. The record of accepting the hand-over note shall be included.

- (h) The head of the audit office\* shall take the responsibility to maintain the file. Its issue to any staff for audit purpose and its return to the head of office shall be done in a systematic way. In such issues and returns, both are responsible for checking to see if there is any missing number in the serial sequence of file pages.
- (i) The head of office shall take the responsibility to manage security, completeness and updating of records.
- (j) A list of permanent files shall be made and they shall be kept in good condition. Whenever there is change of the head of office, transfer of permanent files shall be made systematically together with the list.

**Year-wise Control File**

24. Year-wise control files shall be opened as follows:-

- (a) A year-wise control file for each audit assignment shall be opened;
- (b) The control shall be maintained by the office that carries out the audit;
- (c) The cover of the file shall be marked as follows:-

<b>Control File</b>
Division/AuditOffice.....
Name and registered No. of the auditee.....
Type of audit.....
Year of audit.....
Audit Code No. ....

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Note: \* Head of Office means Township/District Audit Officer for Township/District Audit Office, Assistant State/ Division Audit Officer concerned for State/ Division Audit Offices and Audit Officers concerned for Central Audit Divisions.

- (d) The following documents/ papers shall be maintained in the file;
  - (1) The detailed financial statements audited, or engagement letter/ letter of request for audit;
  - (2) Initial survey papers \*;
  - (3) Initial assessment papers\*;

- (4) Records of audit programs:
    - 4-1: ADS-01-Audit Program Lead Sheet
    - 4-2: Audit Program
  - (5) Record of audit reports issued (Office Note);
  - (6) Draft audit report and final audit report; and
  - (7) Record of monitoring the progress of action taken.
- (e) The head of audit office\*\*shall be responsible for maintaining the file. The issue of this file to any one of the staff members and its return to the head of office shall be done in a systematic manner.
  - (f) All the records in the control file shall bear continuous numbers. The table of contents referring to the subject-matter shall be shown.
  - (g) A list of control files shall be prepared to maintain the files. Whenever there is change of head of office, the hand-over of files must be made together with the file list systematically.
25. When audit findings are extracted, omitted, or changed in the draft audit report and final audit reports per the requirements, the reasons why shall be clearly stated in the audit report review and issue record (office note).
26. The audit report review and issue record is the office note with which the senior auditor submits the draft report. Different stages of processing the draft report involving review and issue of that draft report to the auditee for pointing out misstatement of facts (MOF) therein, review of replies concerning the draft report and issue of the final audit report shall be recorded completely by the staffs concerned in the office note.

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\* ADS forms are to be used as appropriate.

\*\* Head of Office means Township/District Audit Officer for Township/District Audit Office, Assistant State/ Division Audit Officer concerned for State/ Division Audit Offices and Audit Officers concerned for Central Audit Divisions.

### **Year-wise Work Papers File**

27. The year-wise work papers file shall be opened and maintained as follows:-
- (a) One work papers file shall be opened for each audit assignment;
  - (b) The file shall be maintained at the audit office that undertakes the audit assignment;

- (c) The cover of the file shall be marked as follows:-

<p><b>Work Papers File</b></p> <p><b>Central Division/Audit Office.....</b></p> <p><b>Name of the Auditee and its Registration No.....</b></p> <p><b>Type of Audit.....</b></p> <p><b>Audit Code No.....</b></p> <p><b>File No.....Page from.....to.....</b></p>
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- (d) The following papers shall be maintained in the file:-

- (1) ADS-02: Audit Program;
- (2) Sectional Work Papers Groups;
  - 2-1: Sectional Audit Program
  - 2-2: ADS-04—ADS-11(Only records necessary for the section audited shall be included.)
  - 2-3: ADS-12: Records of Audit Findings Paragraphs.

- (e) Records shall be made in the year-wise work papers file in the sequence described in Sub-paragraph (d) above. ADS-03 shall be the front record of a work papers group and ADS-12 the last record. Of the forms ranging from ADS-04 to ADS-11, the forms used as necessary shall be included in between in appropriate sequence. If ADS-02 (audit program) includes 20 sections, then there shall be 20 work papers groups. These work papers groups shall be arranged in serial section numbers and filed.

- (f) The actual audit undertaken, audit findings, sources of documents, conclusions, and paragraphs presented shall be entered in the work papers group by the person who has himself prepared the audit report. Review/analysis, directives, and appraisal in regard to those entries shall have been entered by audit management (audit officer, deputy director, and director) one after another according to respective sections.

- (g) Entries in the work papers shall be made neatly and clearly. In case of wrong entries, they shall be deleted by drawing a line through them. Correct entries shall be inserted close to them and signed by way of approval.

- (h) For every entry in the work paper the person who makes the entry shall put his signature in the specified place.
- (i) Every work paper has two page reference numbers: sectional page number and working papers file page number. Sectional page numbers from 1 to the last entered in the work papers group are sectional page numbers. While the audit is in progress, or the work papers groups are being reviewed at different stages, they cannot be grouped and filed. In such a situation sectional page numbers can be used as page reference numbers. When all sections have been checked and work papers groups reviewed, these work papers groups shall be arranged in serial numbers, grouped and filed as work papers. After being so filed, every page of the file shall be given serial numbers from start to finish. Those serial numbers shall be the work paper page numbers.
- (j) In referring to sectional page numbers, so as not to get 2 page numbers confused and mistaken, respective sectional numbers shall be mentioned together with page numbers. Also when referring to work paper page numbers, the code “WP” shall be mentioned in front of the page number. For example, if page No. 8 in the work papers group of section (12) is referred to, Section12/8 shall be mentioned. If the work paper page No. happens to be 135 to which it is referred, then it shall be mentioned as WP135.
- (k) If the page numbers are entered before they can be grouped together and made into the work papers file, sectional numbers shall be entered in pencil. Once they have been made into a work papers file, page number references shall be written in ink as work paper page numbers.
- (l) References to the sources of information extracted and grouped together, figures, and subject-matter/ matters, etc. shall be mentioned in the work papers. When referring to the source record, targets such as T1, T2, T3—R 1, R2, R3, etc. included in schedules 4 and 5 of the respective sectional work program/ work paper lead sheet(ADS-03) and related document numbers as well as that record/file/ book page numbers can be shown in combination so as to obtain a precise, clear reference thereby. For example, in the work papers in which extracts from goods issue vouchers marked R5 in schedule 5 of ADS-03 in regard to goods sent out to branches, the source of such extracts can be referred to as follows:-

**R5/76** ---It refers to “Obtained from page 76 of R5

**R5/IV 00790**----It refers to “Obtained from Voucher No.00790 in R5

**R5/Oct./84**---It refers to “Obtained from page 84 of R5 for October

- (m) If references to the record of source of significant data are complete, that record can be searched again and additional extracts made there-from easily in the future, if need be. In order to prove the soundness of the data obtained, references need to be precise and accurate. If the source record is not precise, it can be very difficult and time-consuming to search that record again, in case of need in the future.
- (n) The number of documents/papers in the work papers file shall be of an appropriate amount so that the file can be handled easily. If the documents/papers are too numerous, they can be separated into 2 or 3 files. (Normally a file shall contain no more than 20 sheets.)
- (o) If files are separated, file numbers and serial numbers of pages shall be mentioned on the cover of the file. For instance, if the work papers of an audit assignment are separated into 3 files, the covers of those files shall bear the following:-
- First File: File No. 1/3, Pages 1 to 200
- Second File: File No. 2/3, Pages 201 to 400
- ThirdFile: File No. 3/3, Pages 401 to 525
- (p) If separate files are kept for an audit assignment, the work papers file numbers shall be given to all work papers files starting with No. 1 right through one continuous sequence of numbers. They are to be marked in serial sequence of page numbers as shown in the above example.
- (q) To ensure the security of the work papers and completeness of records, responsibility there-for shall be assumed as follows:-
- (1) While audit is in progress, the auditor or the senior auditor who has audited that section shall assume responsibility for it;
  - (2) When a section has been audited, the work papers group of that section shall be submitted for review to different levels of audit management. The person who uses the work papers group shall be responsible for different stages of review while the work papers are being reviewed.
  - (3) After review, sectional work papers shall be maintained at the office of the audit team, for which the senior auditor or the audit officer who handles them shall assume responsibility.
  - (4) The senior auditor has responsibility for the papers from when they are organized into a file until the draft audit report is submitted.

- (5) For the draft report that is under review, the person who uses the work papers file shall be held responsible according to the stage of the review.
- (r) Every work papers file shall have a table of contents showing the subject/ the matter and page number. The front record of the work papers file is ADS-02 (audit program).
- (s) By entering the sectional work papers file numbers in the work papers reference columns, the table of contents can be created. When the work papers file is completed, it shall be recorded in the list of the work papers files.
- (t) When the audit report is issued, it shall be maintained by the head of office for its safe-keeping and whenever there is change of the head of office, the hand-over shall be made systematically.
- (u) The issue of the work papers file for use and its receipt-back shall be made in a systematic manner.

**Year-wise Evaluation File**

28. The year-wise evaluation file shall be opened and kept as follows:-

- (a) An evaluation file need to be opened for each fiscal year;
- (b) The cover of the file shall be marked as follows:-

**19...../.....Evaluation File**

Central Division/ Audit Office.....

(The head of office shall keep it securely.)

- (c) The following documents shall be put in the file:-
  - (1) ADS-13- record of audit progress
  - (2) ADS-14-evaluation record of audit assignment
  - (3) Record of guidance and instructions superior officers at different levels as regards the audit assignment.
- (d) Now that the year-wise evaluationfile has been opened, ADS-03 records/documents for the audit assignments\* undertaken during the fiscal

year, as well as ADS-04 records/documents for each field staff member involved in the above audit shall be entered in the evaluation file.

For example, an audit office has carried out 15 audit assignments in 1993-94 employing an audit team consisting of one senior auditor and two auditors (altogether 3) for each assignment. In such a situation, the type and number of records/ documents to be put in the 1993-94 evaluation file shall be as follows:-

- ADS-13 - 15sheets (one sheet for every assignment x 15 assignments)
- ADS-14 -45sheets (for every assignment one sheet for one team member x 3 persons X 15 assignments).

- (e) As mentioned above, when filing ADS-14 records/documents, one ADS-13 relating to one assignment and ADS-14 (for every team member) shall be grouped together in a consecutive sequence. Audit assignments completed during the year shall be grouped in a serial sequence of their completion.
- (f) ADS-13 and ADS-14 records are evaluations of audit assignments and audit staffs. The superior officers shall review audit management's administration, control and guidance over audit work and also provide instructions on requirements. Such instructions shall be recorded on separate sheets and entered in the evaluation file, for which page numbers shall be given in the table of contents at the same time. (Methods of preparing ADS-13, ADS-14 and instructions are described in the form-filling directives.)
- (g) After the records have been entered in the evaluation file, file page numbers shall be written in ink and recorded in the table of contents at the same time.
- (h) The table of contents shall be drawn up and recorded on the first page of the evaluation file per the following form:-

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 Note\*: Aside from normal audit, auditing a particular matter or an activity, and audit done as assigned mean all types of audit.

**19...../.....Table of Contents of the Evaluation File**

S.No	Name of Assignment/ Assignment Code	No. of Documents			Page No. of the File Dated		Sg. of the head of office
		ADS 13	ADS 14	Others (if any)	From	To	

- (i) The level of confidentiality shall be set for the evaluation file, which the head of office\* shall keep himself securely. Only the person who has the responsibility to use or review that file shall be allowed to handle it.
- (j) Care shall be taken not to make wrong entries of page numbers in the evaluation file as well as in the table of contents. If wrong entries need to be corrected, a line shall be drawn through the wrong entries and right ones shown in juxtaposition. The head of office shall sign for it with the date.
- (k) A list of the evaluation files opened at the audit office shall be prepared and kept. Whenever there is change of the head of office, the recorded handover shall be made systematically.
- (l) Evaluation files shall not be destroyed without the instruction of OAG. When called for officially by OAG, or State/Division Audit Office concerned or superior officers, the evaluation files shall be arranged according to the level of confidentiality and then sent.

**Ownership of the Audit Documents/Records**

29. OAG owns the audit documents/records maintained at respective audit offices. Other departments or other persons shall not be allowed even to look for a moment at the audit files or any one of the documents/ records in the files without the prior permission of OAG.

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 Note\*: Head of Office means Township/District Audit Officer for Township/District Audit Office, Assistant State/ Division Audit Officer concerned for State/ Division Audit Offices and Audit Officers concerned for Central Audit Divisions.

**Maintenance of Confidentiality**

30. The data contained in the audit records shall be kept carefully so that those unconcerned may not have access to them. The audit records files containing documents classified as top-secret, secret and limited shall be kept securely and safeguarded well.

**Destruction of Year-wise Files**

31. Fixing retention periods of control files and work papers files that have been opened year-wise as well as destruction of files that have reached the retention-period-end shall be done systematically as instructed by OAG.
32. Before destroying the files that have reached the retention-period-end, historical data shall be extracted from them and grouped as follows. In the files destruction record, it shall be noted that they have been destroyed after being so extracted and grouped.
- (a) Extracts shall be made from ADS-01: audit program sheet, audit recommendations, records of monitoring the action taken by responsible persons contained in the control file. Those extracts shall be transferred to the respective permanent files and maintained.
  - (b) The final audit report shall be extracted from the control file and made it into a bundle of old reports organization-wise and kept. Old reports shall be grouped by organization and maintained properly and completely, so that there will be no gap between the years of audit.
  - (c) If the work papers file contains historical records of the auditee, which are unusual or which can be used for future audit, they should be extracted and transferred to respective permanent files and maintained.

## **Instructions for Methods of Formulating and Modifying the Audit Program**

### **Importance of the Audit Program**

1. In carrying out the audit assignment, it is possible that the auditor will not be able to find out the auditee's big mistakes, wrongdoing, etc. There may be matters that the auditor ought to bring to light but that he fails to disclose. Those are the kind of audit risks that may arise for the auditor.
2. If such audit risks arise, it will surely affect the dignity of the audit office as regards the quality of its audit performance. Then the auditor will have to face the prospect of investigation, appropriate action taken against him, etc. depending on the depth of the audit risk involved.
3. In undertaking the audit assignment the following arrangements shall be made in order to minimize the chance of audit risks arising or to prevent the occurrence of big audit risks:-
  - (a) Mistakes, differences, and disclosures of necessary accounting adjustments may arise due to the status of the audit system adopted and practices of the auditee. In order for audit to cover such accounting areas without exception, the audit program shall provide for necessary audit checks.
  - (b) In view of the nature and internal control system of the auditee, the audit program shall provide for necessary checks to audit without exception the matters connected with such areas where mistakes, malpractices, etc. may arise.
  - (c) For each such matter audit objectives, audit methods to be adopted in combination and extent of audit shall be included adequately and completely in the audit program.
  - (d) While audit is in progress, the audit program shall be modified if necessary in order to be in line with the points mentioned in (a), (b) and (c) above.
  - (e) The audit program that has been set down shall be followed precisely and necessarily, sound and complete audit evidences gathered and grouped together.
  - (f) There shall be effective control over, and guidance and instructions, for the respective activities.
4. The preciseness and sufficiency of an audit program not only facilitate the audit assignment but also contribute much towards minimizing the audit risks. The audit

team and audit management need to cooperate in drawing and modifying the audit program in a systematic manner.

### **Drawing Up the Audit Program**

5. The audit team shall draw up the audit program in accordance with ADS-02 and ADS-03. Normally, audit activities can be started only after the audit program has been approved by audit management.
6. The audit program (ADS-02 and ADS-03) shall be drawn up by the senior or leader of the audit team. The following points concerning the audit activities to be carried out shall be included in the audit program:-
  - (a) The matters to be audited and respective audit objectives for them;
  - (b) Name of the auditor who shall take responsibility to audit each of the matters and estimated working days (Columns (4) and (6) of the ADS-03 schedule.)

### **The Matters to be Audited and Audit Objectives**

7. The account head, activity, and occurrence/event to be audited are rolled into one and called the matter to be audited. The account head means the financial statements,\*ledger and any one of the account heads included in the departmental financial accounts. For example, sales account, 01-01 salary and wages, 02-01 local traveling allowance, provision for depreciation, etc. are included. Activity means any operation/activity of the auditee. For instance, it means marketing and distribution, machinery repair and maintenance, construction of temporary warehouses, etc. Occurrence/event is concerned not with the operation/activity of the organization, but only with the matter, event or any of situations that have arisen or happened in the organization. Examples are damage and losses, imbalance between expenditure and income, malpractices, abuse, etc.
8. It is very important to include completely the matters that ought to be audited in the audit program. Audit management shall very carefully weigh the extent of, and the potential for, audit risk in the context of audit manpower available, working days to be used, etc. Priority shall be given in the audit program matters involving a large extent of, and the big potential for, audit risk or matters that must be audited without fail. In order to identify those cases and matters, the following particulars shall be reviewed beforehand:-

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 Note:\* Commercial organizations'/enterprises' production accounts, purchases and sales, profit and loss account, balance sheet and Government departments' receipts and payments account (ya-tha-sa 6), not-for-profit organizations' income and expenditure account and balance sheets are rolled into one and called financial statements.

- (a) The matters that need to be audited with emphasis based on past experiences or problems that have arisen in other organizations;
- (b) The matters that may be lacking in internal control or beyond the ambit of control in view of the status of the internal control system of the organization;
- (c) The possibilities of mistakes, malpractices, etc. arising from failure in following the internal control system in place practically or completely, even though it is good and adequate;
- (d) The matters directly linked with cash, assets and authority that may pave the way for abuse, no matter how good the internal control system may be;
- (e) Extraordinary or unusual costs, ratios, changes in percentage, increases and decreases that are ferreted out by analysis of the financial statements, operational statements, and costs/ expenses;
- (f) The potential adverse effects on the organization's operational results and position of financial affairs due to any one of the following factors:-
  - (1) Rules, regulations, and procedures, to which changes have been made or which are newly prescribed;
  - (2) Problems, changes, damage, and losses that have occurred in associate organizations.

9. An appropriate audit objective shall be set for each of the matters to be audited, which are included in the audit program (ADS-02). In order to adequately and completely audit a matter, it shall be arranged to employ a combination of 5 or 6 audit objectives. In setting audit objectives in ADS-02 according to the matter to be audited, the following points may generally be used as a guideline:-

<b>S No.</b>	<b>Matter to be Audited (ADS-02(Section Column 2))</b>	<b>Audit Objectives * (ADS-02(Schedule Column 3))</b>	
1	Account Heads for Income/Expenditure	1.1	Complete or not
		1.2	Precise or not
		1.3	Is cut-off correct or not
		1.4	Accounting entries—comply with accounting standards and directives or not

\* Back of audit (objection) objectives mentioned in S Nos. 1.1 to 4.4, depending on audit findings, there will be the final objectives—"the root cause of mistakes (n)/differences/shortcomings, extent of effect on the operational results and financial position and methods of, and arrangements for, taking necessary actions."

2	Account head for Assets	2.1	Above objectives (1.1,1-2,1-3, 1.4)
		2.2	Owned or not
		2.3	Physically exist or not
		2.4	Valuation—fair and correct or not
3.	Account head for Debts (receivable) Advance, Debts (payable) Receipt in advance	3.1:	Above objectives (1.1 to1.4 and 2.4)
		3.2:	Receivable and Payable – correctly (accepted) accounted for or not
4.	Operations	4.1	Comply with (in) relevant laws, rules and regulations, procedures, (direction) directives, (act) etc. or not
		4.2	Objectives or targets: fulfilled or not
		4.3	Economy exercised on money, or not, labor, time, etc. or not.
		4.4	Waste, losses, delays, etc: occur or not
5.	Events	5.1	Scrutinize how they occur and what are their root causes.
		5.2	Review/ scrutinize whether the responses and arrangements of the organization concerned are (a) effective or not.
		5.3	Review if they affect the operational results and financial position.

### **Staffs, who are going to carry out the audit, and estimated working days**

10. The staff member who is going to carry out the audit means the audit team leader or anyone of the audit team members. Working days mean the net working days in which the audit is to be carried out, exclusive of holidays. The senior auditor or the audit team leader shall decide on the name of the staff member, who will take the responsibility to audit, and working days for each matter to be audited (or), which is included in the audit program (ADS-02). It shall be done as follows:-
- (a) The conditions surrounding the significance, depth, detailed work to be done, etc. and work experience, quality of work and (intent) interest of each of the staff members who are going to do the audit shall be weighed and duties assigned, so as to (answer) ensure that the “workload” and “staff strength” match well.
  - (b) Normally, only one staff member shall be assigned to audit a matter/subject.
  - (c) As per the above matching of “workload” to “staff strength”, adequate number of working days shall be estimated and assigned.
  - (d) According to that assignment, the total working days that will be used for the whole audit work shall not normally exceed the working days initially provided for that work (per the start date and finish date) in the quarterly audit plan.
11. A matter to be audited, which is included in the audit program (ADS-02), shall be designated as one section. If the audit program contains 20 numbers of matters to be audited, then there will be 20 sections.
- In entering Section Nos. in column (1) of ADS-02, the matters to be audited shall be given serial numbers 1,2,3,4 etc.
12. It shall be scrutinized as to whether or not (destination) distribution of work/ duties for an audit assignment in ADS-02 (audit program) is fair and whether or not, as described in paragraph (d) above, according to (is) the audit program, the total working days to be used are within the framework of working days fixed in the quarterly plan. The method of scrutiny/review is shown below with examples:-

For example, the working days provided for an audit assignment according to the “start date” and “finish date”, in the quarterly audit plan are 40 days. For that assignment, there are 17 sections in the audit program (ADS-02).

According to distribution of work by section and estimated working days, the working days one staff member will use are as follows:

<b>Audit Team (Name of staff)</b>	<b>Responsibility and working days</b>	<b>Working day to be used</b>
Senior auditor	(1) 7, (5) 9, (7) 10, (11) 9	35
Auditor	(2) 6, (4) 6, (6) 8, (8) 10, (12) 7	37
Auditor	3 (10), (9) 11, (10) 7, (15) 8	36
Auditor	(13) 9, (14) 12, (16) 12, (17) 5	38

### **Review/ Appraisal**

- (1) Since the working days to be used by each person range from 35 to 38 days, they fall within a time-frame of 40 working days (on) as provided for in the quarterly audit program.
  - (2) As three auditors will use 37, 36, 38 working days respectively the work distribution may be said to be fair. (The gap between one and another should not be too big)
  - (3) Because the senior auditor has to control the work of auditors (ion) , the fact that only 35 working days have been assigned for the audit he himself undertakes (n) is (in) quite natural.
13. The sectional audit programs, which have been drawn up for each matter/subject to be audited based on the audit program (ADS-02) that has been prepared according (working) to the method mentioned above, shall be formulated by using ADS-03 Form. If ADS-02 (audit program) (column 2) has 20 matters/subjects to be audited, 20 sectional audit programs (ADS-03) shall have to be drawn up.
  14. According to the distribution of work/duties (entries) in the audit program (ADS-02), the (its) respective staffs, who will do the audit, shall draw up the sectional audit program (ADS-03) for the section they have to take the responsibility to audit. In the sectional audit program detailed procedure to achieve the audit objectives set for the matter to be audited shall be laid down and shown completely.
  15. Methods of making entries in ADS-03 have been described in Chapter 4. Entries Nos.1 to 5 in ADS-03 (sectional audit program) basic requirement for entries No.3, 4 and 5 are shown as below:-
    - (a) Entries No.3 and 4: Accounting records regarding the matter/subject, persons, etc. are targets, towards which audit shall be especially directed as well as related documents or references classified into relevant types, such as

vouchers, contracts, agreements, securities, recommendations, confirmations, etc., so that they can be used as documentary evidence and references in the audit of those targets. In order to make such entries, the accounts, records, books, files and types of documents maintained by the auditee should be known in full or those data should have been entered in the respective permanent files.

- (b) Entry No.5: The work program for carrying out the audit to achieve the audit objective fully and different stages of audit work need to be laid down completely and adequately. For doing so, right decisions need to be made regarding what methods of audit are to be employed, and to what extent audit must be done by weighing the possibility of audit risks that may be involved. As regards these decisions, the advice and guidance of audit management, which possess more mature work experience and expertise, shall certainly be required. Audit objectives and methods of audit are shown in Section 3.
16. The senior auditor or the audit team leader shall submit to audit management the audit program that has been drawn up in accordance with the above instructions. In so doing, the quantities per the record shall be included as shown below:-
- (a) ADS-01: one copy  
(To be included in the control file concerned)
- (b) ADS-02: two copies  
(One copy to be included in the control file and the other copy to be returned to the audit party)
- (c) ADS-03: sectional one copy  
(To be returned to the audit party together with ADS-02)
17. Audit management shall examine whether audit programs that are submitted to it are complete and adequate in context of normal conditions; whether they are workable in practice and whether distribution of duties/responsibilities is reasonable and fair. If modifications and additions are needed, they shall be made in red ink in ADS-02 and ADS-03 with dated signatures. Additions made to the matter/subject as necessary, omission of insignificant audit section shall be entered in red ink in ADS-02 and ADS-03, together with dated signatures.
18. Audit management shall return a copy of the approved ADS-02 (Audit Program) and ADS-03 (sectional audit program) to the audit party. ADS-01 and copy of the remaining ADS-02 shall be entered in the control file concerned. The audit officer shall control the audit activities of the audit party by keeping the control file in hand.

Control over and guidance for the audit party shall be entered in ADS-02 of the control file, ADS-02 and ADS-03 and in respective audit documents together with the dated signature. When State/Division audit officer or deputy directors, assistant directors and directors visit the field and supervise the audit team, their supervision and guidance shall be recorded in this manner.

### **Modification of the Audit Program**

19. While the audit is in progress, per the submission of the audit team or per the findings by review of audit management, the occasion may arise to modify the original audit program. Modifying the audit program shall be done only with the approval of audit management.
20. By modifying the audit program is meant modifying audit objectives, methods of audit and extent of audit included in the original program, leaving out the audit of the whole matter/subject (audit section), and adding new audit sections that are not *included in the original audit program*.
21. As regards the modification, the modified program shall be entered in juxtaposition with the original plan in ADS-02 and ADS-03 and the officer, who has so decided to modify shall, put in his dated signature in it. If necessary, the reason for modification shall be recorded on the back of ADS-03, which must be signed by the officer.
22. As regards leaving out, it shall be recorded in the remark column of ADS-02 thus: "It has been decided not to audit this section and leave it out" and the officer who makes the decision shall sign it with the date. For the section left out, a similar record shall be made in ADS-03, which must be entered in the control file. Just became one audit section has been left out the section numbers of the respective remaining audit sections shall not be changed.
23. As regards additions, the matter/subject to be audited by adding to the section number, audit objectives, estimated working days, the staff who will audit, etc. must be entered in ADS-02. For that ADS-03 must be prepared. In the remark column of ADS-02 "the added section" shall be written and the officer who makes and approves the addition shall sign with the date.
24. As regards approving and revising the audit program at the different levels of audit management, the decision, approval, etc. of the low-rank officer shall be revised by the high-rank officer again and reviewed as necessary.
25. As regards the modification of the audit program, the officer who approves the modification shall record subject-matter in AP modification log in ADS-01.

**Methods of extracting, leaving out and modifying the audit findings**

1. Audit findings that are submitted with sector work paper group shall be used in one of the following ways:-
  - (a) Include them in the audit report
  - (b) Informing and advising the auditees;
    - (i) Leave them out of the audit report as the matter has been cleared up or audit can accept in light of the replies of management.
    - (ii) Include in the audit report a comparison between the replies of management and other information and findings per the conditions, and the conditions of actions taken.
  - (c) Leaving out of the audit report as they are trivial matters or of an insignificant extent.
2. There are three stages in finalizing the audit process: preparing the draft audit report by grouping together the audit findings; reconciling with the organization concerned by issuing the draft audit report for MOF; and using the final audit report. The use of audit findings at the respective stages shall be made precisely as follows:-
  - (a) Every time a matter has been left out of the audit report as being a trivial matter or of an insignificant extent, the decision/instruction of the officer audit management who has so decided shall be recorded in the respective ADS-12 and that officer shall sign in it.
  - (b) Every time a matter has been left out of the audit report, because it can be accepted in light of the organization's replies as regards the audit finding, the decision/ instruction/ opinion of the officer of audit management who has so decided, shall be plainly recorded in the respective ADS-12, in which that officer shall sign.
  - (c) The information/particulars grouped together in ADS-12 by sectional work paper group, though included in audit findings, are not included in the initially prepared draft audit report; an audit finding included in the initial draft audit report but not included in the audit report issued for MOF; an audit finding in the draft audit report issued for MOF is not included in the final audit report— all these shall be verified by different levels of audit management, especially if the decision/ opinion of the officer of audit management to omit them from the

audit report or revise them has been clearly recorded in the respective comment section of ADS-12. The Division/ State audit officers shall have the responsibility to scrutinize the decision/opinion of Township/District audit officers.

- (d) As regards omission of audit findings out of the audit report or their modification, the senior auditor who prepares the audit report and the person who scrutinize the audit report shall respectively record which audit findings are left out or modified as per the decision of audit management in the office note which is submitted together with the audit report and comments, referring to the respective WP page No./para No.
3. In carrying out audit assignments/activities, it is necessary for all the field audit staffs who are doing the practical work and audit management staffs to possess technical knowledge, rich experience, industriousness and ability to make good sound judgments/ decisions. Moreover, individual integrity, mutual trust, respect and own responsibility must be reflected in practice on their part.
4. The above arrangements are made to support and help the accomplishment of those requirements. Those arrangements should be strictly complied with

## Chapter 3

### Audit Objectives and Audit Methods

#### Financial Statements Audit

1. In undertaking audit for the purpose of expressing an audit opinion on whether the financial statements fairly present the operational results, the whole financial statements need to be scrutinized and analyzed. Only when each assertion in the financial statements is firstly scrutinized and analyzed can the overall financial statements be accurately scrutinized and analyzed. At this stage of developing the audit opinion, documents that can support the expression of accurate audit opinion shall be collected.
2. An auditor is required to have a good understanding of what kinds of documents that will provide support for his goal/objective can be obtained from the auditee and what audit methods need to be used.
3. In this chapter, explanations are given of the nature of the assertions in the financial statements, and audit objectives to be set in regard to such assertions, audit procedures, audit-related types of documents, and audit methods.

#### The nature of assertions in the financial statements

4. The assertions in the financial statements can be classified as follows:-
  - (a) Assertions of existence and non- existence
    - (i) Physical things
    - (ii) Non-physical things
  - (b) Assertions of past events
  - (c) Assertions of quantitative conditions
    - (i) Simple quantities
    - (ii) Amounts involving value judgments
  - (d) Assertions of qualitative conditions
    - (i) Expressed
    - (ii) Implied
  - (e) Mathematical assertions
    - (i) Resulting from single calculations
    - (ii) Resulting from multiple calculations

### **Assertions of Existence**

5. In the section of assets in the Balance Sheet, existence of cash, stocks of goods, land, buildings, equipment, etc. is mentioned. If their existence is not asserted clearly, it may be assumed that their non-existence has been asserted. Existence of assets may be within the premises of the organization or outside of it. It shows not only the existence but also the ownership. The assertion of ownership means the conditions of both their quality and qualification. The auditor needs to be aware of the difference between audit evidence required for existence and audit evidence required for ownership. The sight of the assets is evidence enough to prove their existence, but audit work needs to continue to obtain evidence for ownership.
6. By non-physical or intangible thing is meant not only accounts receivable, patent rights, etc., but profits and reserves. Evidence for their existence is, of course, different from that for physical things.

### **Assertions of past events**

7. Only events of the past are usually reported in the Financial Statements. They are summarized reports of operations and events for a certain period of time. "Sales" mentioned in them mean sales operations within a past period of time shown in a summarized form.

### **Assertions of Quantitative Conditions**

#### **Existence of quantitative conditions**

8. Figures in the financial statements show the existence of quantitative condition. A cash balance of K 50,000 shown in the financial statement can be verified by counting it physically. However, an asset receivable of K 45,000 shown therein is not easy to verify. As regards the assertion of a receivable amount, it needs value judgment to verify whether it can be collected in practice. Therefore in working to obtain respective relevant audit evidences for assertions of quantitative conditions, there will be differences in types of such conditions.

#### **Assertions of Qualitative Conditions**

9. Some qualitative conditions are usually and clearly disclosed in the financial statements. (The example is the possibility or otherwise of short term investments). But some are not stated explicitly. (For instance, the status of the collectivity of assets receivable) In the financial statements some assertions of qualitative conditions are separately grouped together, under appropriate account heads, in order to make them obvious. (For example, current assets, selling/marketing expenses, profits, etc. ). It

must be borne in mind that to obtain audit evidences for assertions of qualitative conditions is one of the most difficult areas for the auditors.

### **Mathematical Assertions**

10. The condition of each assertion is expressed in terms of numbers in the financial statements. In the financial statements, assertions grouped together are like current assets are the correct grouping of inclusive assertions. The net profit is shown in terms of mathematical calculations. Mathematical calculations have to be made behind most of assertions in the financial statements. The correctness of mathematical calculations can be known by re-computing. In case of assertions of the related matters, documents are required to check the parts included, and other documents are needed, too.

### **Audit Objectives**

11. In examining the assertions in the financial statements, of the seven audit objectives one or more than one of the audit objectives must be set for carrying out audit, depending on the nature of assertions-
  - (a) Completeness
  - (b) Accuracy
  - (c) Valuation
  - (d) Existence
  - (e) Cut-off of financial periods
  - (f) Rights and Obligations
  - (g) Presentation and Disclosures

### **Completeness**

12. All balances and transactions that ought to be included as assertions in the financial statements are included. Audit must be done according to this audit objectives set down in order to ensure that:

For example:

- To check whether or not all receivables of the auditee as of the fiscal year-end are disclosed in the trade debtors account.
- To check whether or not all transactions involving goods sold and delivered during the respective year are grouped together and disclosed in the financial statements.
- To check whether or not all the goods purchased and services rendered are recorded and included in the financial statements.

**Accuracy:**

13. This audit objective is set in order to check whether or not the transactions recorded in the accounts and mathematical calculations of account balances are accurate; whether or not the figures on which such calculations are based are correct; whether or not the classification of account head is accurate; whether or not the grouping of accounts and postings to the general ledger are correct.

For example:

- to check whether or not the balances of accounts receivable are disclosed based on exactly correct prices, and quantities of sales; whether or not such balances are correctly calculated; whether or not they are separately shown in the respective ledgers and basic records;
- To check whether or not the summarized groups of sale vouchers are correct; whether or not accounts receivable, basic sub-records, and posting of sales vouchers are correct; and
- To check whether or not mathematical calculations in basic sub-records of accounts receivable are correct and whether or not they agree with the accounts in the ledger.

**Valuation:**

14. This audit objective is set in order to ensure that generally accepted accounting measurement standards and accounting principles that are generally accepted are used.

For example;

- To check whether or not only the net amounts that can be collected are disclosed, as far as the account receivable are concerned.
- To check whether or not income is recognized in the accounts only when it agrees with the original stipulations.
- To check whether or not depreciation for the year and values of assets are systematically calculated on the original costs of the assets and shown in the accounts.

**Existence:**

15. This objective is set for examining whether or not the assets and accounts payable recorded in the accounts actually exist as of the final year-end and whether or not the transactions recorded in the accounts have actually taken place.

For example:

- To check whether or not accounts receivable recorded in the accounts are actually receivable as of the final year-end.
- To check the sales transactions recorded in the accounts are the actual sales that have taken place during the relevant period.
- To check whether or not warehouse stock balances recorded in the accounts are owned by the auditee as well as of the amount that exists as of the final year-end.

#### **Correctness of the cut-off of financial periods:**

16. This objective is set for examining to ensure that accounting transactions are divided accurately into the accounting periods and recorded in the accounts. At the commercial organizations, income and expenditure are recognized accounting-period-wise based on the date the transaction has occurred, i.e., they are accounted for on an accrual basis. At the Government departments the cut-off of the financial period is made based on the date cash is actually received and actual payment is made, i.e. they are account for on a cash basis. The basis by which the auditees' income and expenditure are recognized shall be checked to see whether or not the income and expenditure related to the future accounting period are shown in the accounts of the current year, and whether or not the income and expenditure of the current year are accounted for as those of the future accounting period by accounting adjustments.

For example:

- to check whether or not sales transactions are recorded in the current accounting period.
- to check whether or not the goods in transit that have been purchased before the fiscal year end are recorded in the year's accounts.
- to check whether or not the cheques/checks issued to the creditors are recorded in the year's accounts.

#### **Rights and Obligations**

17. This audit objective is laid down to check whether or not the assets recorded in the accounts are owned by the auditee as of the fiscal year end and to ensure that the liabilities as of the fiscal year end are actually payable by the auditee.
- to check whether the auditee has the legal ownership right to the receivables as of the fiscal year end or not.
  - to check whether there is any limit to the cash balance that can be used for operations or not.

- to check whether in showing long term borrowings that assume investment nature in the balance sheet, only the book balance is shown or not.

### **Presentations and Disclosures**

18. In order to reflect the audited transactions or the events that have occurred at the organization fairly and appropriately in the accounts, accounting treatments and methods of accounting for financial transactions or presentations and disclosures in the financial statements, including the classification of account heads are required to be accurate and complete. Instructions for methods of accounting and of making disclosures in the financial statements are given in terms of accounting standards and procedures. In cases where no specific stipulations are set, generally accepted principles shall be adopted. This audit objective is set for ensuring that the assertions in the financial statements are accurately categorized and disclosures are made where it is necessary. By so doing, it can be checked to see whether or not accounting standards, procedures and instructions agree with the generally accepted accounting principles and are consistently followed.

For example:

- to check whether accounts receivable and sales receipts are accurately classified and disclosed or not.
- to check whether among the accounts receivable, the accounts under a mortgage are shown accurately or not.
- to check whether the stipulations for income to be recognized and changes in the principles adopted for calculations are accurately disclosed.

### **Different stages of audit work**

19. In order to express an audit opinion on the financial statements and other supporting schedules of accounts, the different stages of audit work shall be carried out as follows:-

- (a) Of the assertions in the financial statements, those to be audited shall be selected.
- (b) Scrutinize and determine the significance of the assertions to be audited.
- (c) Collect the information and documentary evidences that are required to develop audit opinion on each assertion.
- (d) Scrutinize and determine the soundness, relevancy and completeness of the documentary evidences that have been collected.
- (e) Develop the audit opinion as regards the appropriateness of the assertions in view of the scrutiny of the evidence.

20. Among the assertions in the financial statements, if a cash balance of K 50,000 is shown, it means that the auditee has a cash balance of K 50,000, from which expenses can be incurred without limit, if directed by management and that it is ready to be spent. If an account receivable of K 50,000 is shown, it shows that the amount of money receivable is from those who have normal dealings with the organization; that it can be recovered within the normal period of business operation; and that the amount of K 50,000 or the amount nearest to it can be expected to be collected.
21. Therefore, the assertions in the financial statements show one or more of the matters/subjects. Some matters are easy to understand and others are not. The auditor must understand the subject matter of assertions and choose the assertion depending on the subjects involved. Appropriate audit objectives shall be set for audit according to the assertions chosen.
22. Documentary evidence for the audit objectives shall be gathered and scrutinized. Then audit opinion will be developed in the light of the assertions. The auditor must focus his attention on giving an opinion in the financial statement regarding the operational results, financial position, and the flow of new funds generated within the organization. Therefore, after scrutinizing and appraising the detailed assertions, the financial statements as a whole shall be scrutinized and appraised.

### **Audit Evidence**

23. Gathering the audit evidence using appropriate auditing methods to meet the audit objectives is the fundamental audit practice. Audit evidences can be classified into the following categories and studied:-
  - (a) What has been disclosed in the accounts can be seen and verified physically
  - (b) Explanations from independent persons:
    - (1) in writing
    - (2) verbally
  - (c) Legal evidence and documents
    - (1) Documents from outside of the auditee
    - (2) Documents generated within the auditee
  - (d) Explanations made by responsible persons from the auditee
    - (1) By formal means
    - (2) By informal means
  - (e) Computations done by the auditor himself

- (f) Adequate and complete internal control procedure.
- (g) Transactions between the auditee and outside persons after the end of the accounting period.
- (h) Conventional basic documents/ evidence and detailed records.
- (i) Links /connections between the assertions/ information being audited.

### **Auditing Methods**

24. In order to fulfill the audit objections in regard to the assertions/ disclosures in the financial statements, the auditor must have a basic understanding of how the documents/ evidences can be obtained and by which means they can be gathered. First and foremost, the auditor shall determine what documents/ evidences are required for him according to the audit objectives and decide to select what auditing methods are to be used to obtain the required documents/evidences. Basic auditing methods are shown below;

- (a) Physical Examination
- (b) Confirmation
- (c) Vouching
- (d) Recomputing
- (e) Tracing
- (f) Scanning
- (g) Enquiring
- (h) Observing
- (i) Analyzing
- (j) Reconciling
- (k) Flow-charting

### **Physical Examination**

25. In order to obtain the sound evidence of the actual existence of the matter/object being audited the auditor himself must examine it with his own eyes. Examining with the eyes needs to be done as follows:-

- (a) Firstly determine what is to be examined.
- (b) A general knowledge of the points concerning the quality of the object to be audited.

- (c) A general knowledge of the genuineness of the object to be audited.
  - (d) Examination of the quantity of the object to be audited.
26. Though not a technician in regard to the object to be audited, the auditor needs to always have appropriate due professional care and technical skill to find out and disclose quality defeats and weakness in genuineness of the object to be audited. Physical examination with eyes encompasses counting the quantity, looking at the classification into types, as well as at the quality and genuineness where it is necessary.
  27. To use this method effectively, arrangements have to be in place before audit starts. Arrangements must be made in advance, so that there will be no difficulty in making physical examination of goods-in-transit, work in process, unopened bundles and packages, semi-installed objects, and things that are not piled up systematically.
  28. As regards the object to be audited, detailed assertions/ disclosures in the financial statements and supporting statements of accounts must, first of all, be recorded. By recording what has been found out through physical examination in comparison therewith, the variances can clearly be seen.
  29. By means of physical examination, sound evidence can be obtained of its existence to meet the audit objective. Aside from physical examination, if other required evidences can be obtained, evidences relating to the audit objective of verifying valuation, rights and obligations and presentation and disclosures will be obtained, too.

#### **General audit procedure for physical examination**

30. The general procedure for the physical examination and for preparing and making entries in ADS forms is shown below:-
  - (a) The assertions about the objects to be audited, which are included in the financial statements and other statements of accounts shall be extracted and recorded in ADS-04.
  - (b) Self-examination of those objects physically.
  - (c) Findings of scrutiny shall be compared with the assertions in (a) above per the accounts and recorded in ADS-04.
  - (d) Differences between (a) and (b) above, extraordinary points, etc. shall be discussed with the responsible persons, and the required evidence shall be obtained.

- (e) Conclusions drawn from the results of discussions and additional evidence shall be referred to and recorded below that form or by using other ADS Form-04s.

### **Confirmation**

31. Confirmation is obtaining in writing with the consent of the auditee the opinion on the truth of a matter regarding the connection between the auditee and outside organizations from a responsible person, who is authorized to confirm, especially if used in the case of accounts receivable. If this audit method is used with special care, it can prove to be one of the most useful tools that can provide audit evidences, which can be relied upon to a certain extent. This audit method can also be employed to examine receivables from one of the clients of the auditee, payables of the auditee, deposits at the bank, other payables or receivables and existence of stocks shown as being stored in a warehouse that is not owned by the auditee. This method can be used to establish the actual ownership of any assets.
32. The person from the outside organization, who is empowered to confirm, shall be notified of the matter for which the auditor wants the confirmation. The auditor shall obtain the confirmation letter directly from the responsible person who confirms it, so that the responsible persons from the auditee can't temper with it.
33. It is necessary to control the use of this method. Care shall be taken to use it because it may affect the good reputation of the auditor.
34. Audit evidences can be obtained for the 7audit objectives other than for those of valuation, presentation and disclosures. One of some other methods needs to be employed to examine valuation. For example, confirmation for one account receivable balance may provide reliable evidence to a certain extent for completeness, exactness, accuracy, existence, cut-off, obligations for assets and liabilities, but it can't be the evidence for the possibility of recovering the amount of that asset balance and for its valuation.

### **General audit procedure for Confirmation**

35. The general audit procedure for obtaining confirmations shown below is the audit procedure for how to carry out audit and to prepare and make entries in ADS Forms as regards obtaining confirmation
  - (a) Recording in ADS-07(A) or ADS-07(B) extracts from the financial statements and other accounting records which are to be examined by obtaining confirmations therefor;

- (b) Confirmations shall be obtained from the person/organization concerned for the recorded information/assertions. (The method needs to be used by which the auditor himself shall contact and ask the person/organization concerned to send the confirmation direct to the audit team.)
- (c) Information that has been confirmed shall be recorded in ADS-07(A) or ADS-07(B) in comparison with the information in the financial statements shown in (a) above.
- (d) Confirmation received bank shall be grouped together as back-up records for ADS-07(A) or ADS-07(B).
- (e) Findings of scrutiny and conclusions shall be recorded in ADS-07(A) or ADS-07(B).

### **Vouching**

- 36. Transactions and events of the auditee are recorded in the form of documentary evidence and papers. They may be used as a basis for making accounting entries. They include sales vouchers, purchase vouchers, cheques/checks, documents relating to deposits of money, insurance policies, stocks and shares, guarantees, claims, purchase orders, receipts and other similar documents.
- 37. These work-related documents are the original basic documents and evidences for each transaction. The auditor can rely on them as evidence for each transaction. Examining these documents that support accounting entries is called vouching or examination of original documents.
- 38. This method of checking needs to be done as follows:-
  - (a) Look into the soundness/reliability of evidences/documents.
  - (b) Check if those documents are relevant to the auditee and reasonable, too.
  - (c) Check whether those documents have been approved by the person who has the authority to do so.
  - (d) Check if accounting entries are accurately recorded.
- 39. Sometimes, if original documents are not available, copies have to be checked. (For instance, sales invoices). In such a case, some other document may be supplemented to make it sounder. (For instance, shipping documents).
- 40. By examining in this way, evidence for completeness of assertions in financial statements and cut-off can be obtained. Also with the help of other audit methods, evidence for accuracy, rights and obligations can be obtained.

### **General audit procedure for vouching**

41. It is impossible to examine all the transactions disclosed in the financial statements. Therefore, one of the sampling methods needs to be used for test-checking. Moreover, the extent, to which materiality is important, needs to be taken into consideration. The audit practice and the general procedure for preparing ADS forms and making entries therein are shown below:-
- (a) Vouching target accounts and records as well as related documents.
  - (b) If there are the extents of vouching and of checking by sampling, the reasons for selecting them shall be recorded in ADS-04.
  - (c) In checking as described in (a) above, differences and unusualness that are found must be recorded in ADS-04. In so recording, amount/quantity (as per target) and amount/quantity (as per related documents), difference, reference to sources, etc. shall be recorded completely.
  - (d) Scrutinizing by inquiring, calling for additional evidence/documents, and review of explanations/replies shall continue to be done as it is found necessary.
  - (e) The auditor's suggestions/advice and conclusions must be recorded in ADS-04.

### **Recomputing**

42. Recomputing is not only clear and easy, but the surest way of confirming the accuracy as well. If the auditor himself recomputes the bottom line totals and other calculations, it will not be necessary to again check the correctness of mathematical calculations. Recomputing is a very useful tool for different stages of audit process. Recomputing the bottom line total of initial accounting entries, ledger balances, quantity and totals of warehouse stocks, depreciation and bad debt calculations, bonus calculations, set-offs against advance payments and similar calculations can provide evidence for the accuracy and exactness in regard to audit objectives.

This method certainly needs to be used during the course of audit assignment.

43. Recomputing can provide not only audit evidence for accuracy but also clues to further audit checks to proceed with.

### **General audit procedure for recomputing**

44. Forrecomputing the general audit procedure and filling up ADS forms is shown below:-

- (a) Workings on recomputations shall be recorded in ADS-04. (Some of basic information involved in recomputing and method of calculation must be recorded completely).
- (b) If there is any difference or anything extraordinary between the results derived from recomputing and the target assertion/matter audited, further scrutiny shall be made and recorded in ADS-04.

### **Tracing**

- 45. If there are found mistakes in checking basic postings to the ledger and trial balances during the course of audit, the auditor must trace back the basic accounting process. It is also necessary to select some postings and trace them right through the ledgers and sub-ledgers to the trial balances. This method is similar to recomputing and easy to use.
- 46. By using the method of tracing, evidence can be secured for accuracy of anyone of the assertions in the financial statements.

### **General audit procedure for scanning**

- 47. This is the same as recomputing.

### **Scanning**

- 48. Making an overall review of an accounting record or an account to check if there is any unusual entry therein or if such record/account contains points, on which attention needs to be focused, is called scanning. As an initial step, it is in the nature of a quick analysis. By scanning a ledger, an initial book of accounting records, other records and a summarized statement of information, an experienced auditor, by exercising due professional care, may have got the feeling by instinct that there is some unusual point, problem, etc. that needs to be looked into in detail. With the auditor's good knowledge of accounting, audit experience and a penetrative mind, scanning can be used as an effective audit method.
- 49. As an initial step, scanning can only contribute towards determining if such matters require other audit methods with which to recheck them. It can't provide directly the audit evidence required by the auditor.

### **Audit Procedure for Scanning**

- 50. The general audit procedure for scanning and filling up ADS forms is described below:--
  - (a) Recording in ADS-04 the accounting disclosure and the matter that are scanned.

- (b) Recording in ADS-04 the auditor's opinion as to whether or not scanning can disclose unusual points and problems.
- (c) If, after scanning, audit needs to continue with any other audit methods, references to such audit work being continued shall be recorded.

### **Enquiring**

51. This is making enquires to obtain satisfactory replies to such enquires. If enquiring both in writing and verbally can be done in a systematic manner, it will become easy to understand the matters that will take a long time to ferret out through other audit methods. An answer to a single enquiry can't be considered as reliable sufficient evidence. Answers to enquiries that are made in a well-structured format need to be reviewed from the prospective of reasonableness, consistency and coherence, and if they are found to be satisfactory to a certain extent, they can be accepted an evidence. However, there is the risk of misunderstanding arising between the auditee and the auditor if this method of enquiring is used excessively and easily. (For example, he may be viewed as a telephone auditor).
52. By enquiring, evidence for almost all audit objectives may be obtained. But before final audit opinion and conclusions are given, the evidence derived from using other audit methods is required to be taken into account. It must be borne in mind that replies of management (of the auditee) to representation letters and internal control questionnaires shall not diminish the auditor's responsibility for doing the audit checks in this regard.

### **The General Audit Procedure for Enquiring**

53. The general audit procedure for enquiring is described below:-
- (a) For enquiring in writing preparing and sending questionnaires or half-margin memorandum (ADS-06). (Such enquiring must be recorded in the respective work paper by referring to the letter No. and date.
  - (b) Meeting with the responsible person and holding verbal discussions shall be recorded in the presentation/ discussion memo (ADS-05) in every case, if possible.
  - (c) The subject/ the matter that has come to be known through enquiring must be checked against the facts that are found by checking through other audit methods, and these conclusions, decision on the need for further checks and suggestions need to be made.

## **Observing**

54. During the course of audit many opportunities may arise to observe the operations of the auditees. Observations shall be made on counting the quantities of stocks in the warehouse, difference stages of the operations of the factories when doing the field audit, maintenance and custody of the auditee's assets and records, and the different stages of internal control system. Care shall always be taken in observing the assertions in the financial statements that have links/ connections with the conditions of the operations.

For example:

When observing the stock in the warehouse, care must be taken to note their states of damages, and obsolescence.

55. By observing if there are weaknesses in the handling of money, and the procedure of staffs checking the work of other staffs while doing their jobs, an effective analysis of the internal control system may be made.
56. As this method is rather generic as compared with other audit methods, methods of confirming, recomputing, etc. must be used in combination in special cases.
57. This method of observing can provide general evidence for existence and completeness. The main thing is to use observing to determine in an exploratory way the area of audit on which special attention is to be focused as well as other audit methods in order to fulfill the audit objectives.

## **The general audit procedure for observing**

58. The information that is observed and the information that is seen and known shall be recorded in ADS-04. It must disclose and record whether or not they deviate from the system laid down and operational procedures or from what it ought to be, or whether or not one of any other methods needs to be used to check in an exploratory way.

## **Analyzing**

59. By analyzing is meant scrutinizing the breakdown of an accounting figure or one of the transactions into different parts to know about their nature; analyzing the financial statements by relating accounting transactions and figures to one another: calculating ratios that show connection between accounting figures/ numbers, etc; and appropriateness of the financial statements as well as consistency in accounting treatment.
60. In analyzing an item of expenditure, as adequate information for respective debit entries included in that expenditure account is required, basic documents or based documents need to be traced.

61. In analyzing the petty-cash balance, currency notes, change, cheques/ checks, and petty cash vouchers need to be checked.
62. Most of work papers are the documents by which the accounts have been analyzed. In the normal audit procedure important balances in the balance sheet and income and expenditures have to be analyzed. Their details will have to be analyzed in full or on a selective basis.
63. Sometimes related assertions can be analyzed together and sometimes many work papers may have to be used to analyze even one assertion.
64. Checking by analysis may enable the fulfillment of seven audit objectives, and this method can be used to obtain audit evidences for appropriate objectives according to the assertions.

### **General Audit Procedure for Analyzing**

65. The general audit procedure for analyzing is shown below:-
  - (a) Analyzing accounting balances in detail: (Classifying by type of transactions, by age of balances, by region/ organization etc.) Workings must be recorded in ADS-10.
  - (b) As regards fixed assets, analyzing changes and depreciation that have occurred during the period of audit. Workings must be recorded in ADS-10.
  - (c) Related in form above and figures, standards/ criteria, regulations or any one of the methods may be used for calculations by linking them up.
  - (d) Developing definitions, and conclusions according to the results derived from analyzing; determining the area and matters to be checked in detail; developing suggestions and recommendations. (They are the end-results of detailed analysis. Workings of such analysis must be recorded consecutively.)

### **Reconciling**

66. Though some figures and information that are produced separately from two different sources must normally agree with each other, sometimes they may be different.

For example,

(The bank balance as per the cash book and the balance as per the bank statement; the factory account balance as per the head office account and the head office account balance as per the factory account.) In such cases, the reconciling method must be used to check completeness of the figures, accuracy and main reason for differences.

67. The method of reconciling is to make calculations by additions and subtractions as necessary based on the difference known from the figures of one sources and show

that the new figure that emerges from the above calculation agrees with the figure of the remaining source.

68. This method can be used to obtain audit evidences for accuracy, completeness and cut-off of assertions in the financial statements by way of reconciling.

### **General audit procedure for reconciling**

69. The general audit procedure for reconciliation is given below:-
- (a) Recording the workings for reconciling in ADS-04.
  - (b) Recording the reconciliation statement figures in juxtaposition with their sources.
  - (c) Scrutinizing the validity/ soundness of the reconciliation (+)/(-) figures.
  - (d) Disclosing and recording (+)/(-) reconciliation figures or conclusions.

### **Flowcharting**

70. The auditor can use flowcharting, accounting flow chart, system flow chart, operation flow chart and information/ data flow chart to analyze the different stages of operations, control and supervision involved in a system. By so using the flowcharting the auditors can put on record precise, complete information/data concerning the system.
71. By using this method the system by which each of the assertion in the financial statements has come about can be recorded clearly. After that, according to the disclosures, audit objectives that need to be adopted shall be set down, for which suitable audit methods must be used, too. Flowcharts may enable the neat and tidy recording of the processes involved in the operations of an organization. The flowcharting method used to be widely employed to group and enter necessary records in the permanent files as well as to makes a preliminary survey of the operation system.

### **The general audit procedure for flowcharting**

72. The general audit procedure for flowcharting is described below:-
- (a) Prescribing signs/symbols, methods and forms for drawing up the flowcharts.
  - (b) Drawing up flowcharts of the different stages of the operations of the auditee, the way documents/ information are handled and grouped at different stages must be recorded in ADS-04.
  - (c) Carrying out the field audit practically, after selecting the key areas by scrutinizing the flowchart.

- (d) By scrutinizing the flowchart, singling out the areas where gaps may exist in control measures and the arrangement whereby similar jobs are being done repeatedly resulting in redundancies and then weighting the possible effects of such redundancies on the results of the organization's operations.
- (e) Developing and recording audit recommendations and conclusions.

### **Audit of operations/ activities**

73. In auditing the financial statements, it may become necessary to check the organization's operations/ activities in connection with some accounts. Likewise, occasions may arise where emphasis needs to be placed on checking operations/ activities when undertaking the audit of a particular matter, or of any work assigned or requested by the authority concerned.
74. In doing the audit of operations/ activities the following audit objectives shall be set down in general:-
- (a) Whether operations/ activities are carried out in compliance with the relevant laws, regulations, procedures and directives [reference symbol CPL can be used]
  - (b) Whether performance of operations/ activities is effective in meeting the respective objectives or the targets set [reference symbol EFT can be used]
  - (c) Whether operations/ activities can be carried out with the economical inputs of money, materials, labor, time, etc. [reference symbol ECO1 can be used]
  - (d) Whether there have occurred delays, etc. in carrying out operations/ activities [reference symbol ECO2 can be used]
  - (e) Whether operations/ activities can be carried out with efficiency [reference symbol EFC can be used]
75. The modern auditing term "3-E Audit" means "economy, effectiveness and efficiency" from the perspective of which audit assignment is performed. Normally, if economy is achieved in an activity, and so is effectiveness, then it can be concluded that efficiency has been fulfilled for that activity, too.
76. In auditing operations/ activities, the audit methods mentioned in this chapter must be used in combination with one another as necessary. However, when drawing the conclusions in regard to the audit objectives of achieving economy, targets/ objectives and efficiency, the auditor needs to use measuring devices. The auditor shall use the norms, targets, output rates, performance indicators that the auditee has developed as measuring devices to assess the operational results of the organization. For the

auditors, if these measuring devices are incomplete or are in no position to be relied on, the auditor's conclusions on 3-E audit will be weakened to a certain extent.

### **Final objectives**

77. Behind the respective audit objectives relating to the audit of the financial statements and audit of operations/ activities that are mentioned above, there are still final objectives for the auditor to finish off. Even though these final objectives have not been mentioned in the audit program, the auditor should have understood well that there is still work he has to continue to do and finish off, depending on the audit findings.
78. The final objectives behind the respective audit objectives are as follows:-
- (a) To scrutinize and disclose the basic causes of errors/ mistakes, differences, defects, etc. that are found out during the course of audit.
  - (b) To scrutinize and reveal the extent of the effects of those errors/ mistakes, differences, defects, etc. on the auditee's operational results and financial position or on economy, effectiveness and efficiency (in the operations of the auditee).
  - (c) To submit arrangements that ought to be made for improving the way errors/ mistakes, differences and defects are dealt with.

### **Abbreviation codes**

79. To enable ADS-02 and ADS-03 forms that are used in drawing up the audit programs to be completed easily and consistently, the audit objectives and audit methods included in this chapter may be described by the following codes:-

(a) **Audit Objectives**

**Audit of financial statements**

-	Completeness	- C1
-	Accuracy	- A
-	Valuation	- V
-	Existence	- E
-	Cut-off	- C2
-	Right and obligation	- O
-	Presentations and disclosures	- D

**Audit of operations/ activities**

-	Compliances	- CPL
-	Effectiveness	- EFT

-	Economy	- ECO1; ECO2
-	Efficiency	- EFC
(b)	<b>Audit methods</b>	
-	Physical examination	- PSE
-	Confirmations	- CFM
-	Vouching	- VOU
-	Re-computing	- RCP
-	Tracing	- TRC
-	Scanning	- SCN
-	Enquiring	- ENQ
-	Observing	- OBS
-	Analyzing	- ANS
-	Reconciling	- RCL
-	Flowcharting	- FLC

## Chapter (4)

### Method of filling up record forms

#### **ADS-01: Audit program lead sheet**

01-1: Background information regarding the audit program shall be recorded in ADS-01: information items 1 to 11 are included here. The nature of information and the serial number to be recorded are given below:

- (a) Identification facts about audit assignments (SNos 1 to 5)
- (b) Audit team and audit management personnel (SNos 6 and 7)
- (c) Dates on which the audit program is reviewed by audit management personnel (SNos 8 and 9)
- (d) Facts about audit program modification (SNos. 10)
- (e) Audit management appraisals, comments and instructions (guidance SNos 11)

01-2: The subject/ matter to be recorded for each items in ADS-01 and methods of recording are as follows:-

- (a) SNo. 1: The audit office that undertakes the audit  
For example: Bago Township Audit Office  
Shan State Audit Office  
Central Division 3/1 etc to be recorded
- (b) SNo. 2: Name of Auditee
- (c) SNo. 3: Types of audit assignment/ audit work  
For example: Normal Audit, Audit of a particular matter, audit assigned (by authority concerned), etc. to be recorded according to the types of audit specified in APMS.
- (d) SNo. 4: Year/period of audit
- (e) SNo. 5: Assignment code (Explanation for form use separately shown)
- (f) SNo. 6: Staffs on the audit team (SNo, Name, ID, designation to be recorded).
- (g) SNo. 7: Names of audit officers at different level of management to be recorded.

- (h) SNo. 8: Respective date on which the audit program is submitted to audit officer at different levels of management.
- (i) SNo. 9: Respective dates on which audit officers at different levels of management approve the audit program.
- (j) SNo. 10: Record of audit program modification record starting from modification No 1.

AP section: Record referring to the modified audit program section No. (Section No. in column 1 of ADS-02)

Modification Type: To enter codes for modification types as follows:-

- (1) Enter “D” for deletion of (audit) work section originally included in the audit program.
- (2) Enter “M” for work section not totally deleted but only amended.
- (3) Enter “Addition A” for work section where addition has to be made as is necessary.

Particulars/ reasons: To enter a summary of the basic reason for modification.

Dated initial: Dated initial for approval of modification by audit management must be recorded.

- (k) SNo. 11: The following reviews/appraisals of the whole audit program of audit management are to be recorded with the dated initials:
  - (A) Significant points that need to be taken into account carefully when preparing in advance for the next year’s audit program.
  - (B) The matters to be amended, added and deleted for the purpose of (with a view to) improving the target (aim), different stage of audit and audit methods so as to make them better and more effective.

### Assignment codes

01.3: Assignment codes are recorded as audit office code/ financial year/ assignment No. Audit office code is the same as is used in APMS. The financial year is recorded with the date on which audit is started. If the date audit starts happens to be 12-6-94, as that date falls within the fiscal year 1994-95, "94-95" must be recorded. Similarly, the audit assignment that will start on 30-3-95 shall be recorded as "94-95". Assignment code means the serial number of the audit assignment performed during the year. Assignment code shall be recorded by financial year starting from No.1. For example, the Shan State audit office shall record starting from the audit assignment carried out in 1994-95. For instance, the assignment code for the 89<sup>th</sup> audit assignment completed in 1994-95 by the Shan State audit office is 13000/94-95/89.

### ADS-02: Audit Program

02.1: The main audit program is drawn up by using ADS-02 form. That audit program includes, for the whole audit assignment, account heads, or transactions or events to be audited; audit objectives for them, names of the staffs to be assigned and estimated working days. In ADS-02 an account head or an activity/ transaction to be audited is treated as one section. The audit program is a general program for the whole audit assignment and may include many audit sections. A sectional audit program has to be prepared for each audit section with ADS-03. For example, if the audit program (ADS-02) contains 20 sections, then 20 sectional detailed audit programs (ADS-03) have to be prepared.

02.2: ADS-02 contains the schedule for drawing up the audit program. The particulars that can identify the audit assignment must be recorded above the audit program. (They are the same particulars as those (Nos.1 to 5) in Ads-01.) The method of making entries in the columns 1 to 10 of the audit program is given below:-

- (a) Column-1: For each audit section included in the audit program serial number starting from 1 shall be entered. For example, in the audit program containing 20 audit sectors column 1 shall have serial numbers 1 to 20 consecutively.
- (b) Column-2: The account head, or transaction or types of event to be audited must be entered. For example the transactions, such as salaries and wages accounts head or

disbursements of salaries, which shall be audited, are to be entered. Such account heads or transactions or events as will be audited are treated as one audit section.

- (c) Column-3: Serial numbers for audit objectives set for each audit section shall be entered starting from 1.
- For example, Objective Nos. 1, 2 and 3, if there are 3 audit objectives for audit section 1, and objective Nos. 1, 2, 3, 4, and 5, if there are 5 audit objectives for audit section 2 shall be entered respectively.
- (d) Column-4: Net estimated working days for each audit section must be entered.
- (e) Column-5:\* Actual working days for each audit section shall be entered.
- (f) Column-6: Name of the audit team member who will take responsibility for audit of each audit section shall be entered.
- (g) Column-7:\* Name of the audit team member who actually audits each audit section shall be entered.
- (h) Column-8: Reference page numbers (beginning to end) of audit assignment records arising from each audit section that are included in the audit work papers file shall be entered.
- (i) Column-9: The audit team leader shall sign each audit section with the date. It means that the audit team leader takes responsibility for the accuracy of the information described in columns 5, 7 and 8.
- (j) Column-10: Comments (if any) on each audit section shall be mentioned.

For example:

Not audited, as it is deleted. (Vide AP modification log)

- As the person who is assigned according to the program is on leave, the other team member has audited it. Such remarks may be made.

- 02-3: 02-3: The particulars marked \* are the audit records that the audit team leader should record at the time they have been actually audited and entered by section in the audit work papers.
- 02-4: The audit program may contain more than one ADS-02 forms. If so many forms are included, numbers on all ADS-02 pages and on each sheet shall be written clearly in serial sequence. In writing page numbers, serial page No./total pages shall be entered in the space [/] above the right side of ADS-02. For example, Page [1/6] on the first sheet of ADS-02 containing 6 sheets, page [4/6] on the fourth sheet and page [6/6] on the last page, etc. shall be written.
- 02-5: At the bottom of every page of ADS-02, the senior auditor, audit officer, deputy director and director shall put their dated signatures. Audit management shall also sign to make it obvious that the conduct of audit as per the program in the above schedule has been accepted and approved.

**ADS-03: Sectional Audit Program**

03-1: Audit objective, audit steps, audit methods, extent of audit, to-start date, to-finish date, etc. Detailed instructions that are designed to achieve the main audit objectives which have been set in the main audit program shall be entered in the sectional audit program.

03-2: ADS-02 (main audit program) is the overall program for the whole audit assignment, and ADS-03 forms the specific/detailed program for each sectional program. Emphasis shall be placed on the following requirements in drawing up the two programs:-

- (a) If possible, only an audit team member shall be assigned to one audit section in every case. The work papers arising from each audit step done must be entered in the form of the [start-page No./ the finish-page No.].
- (b) The audit section assigned to each audit team member shall be commensurate with the level of technical skill, experience and qualification of the audit team member.
- (c) Estimated working days shall appropriately match the extent of audit.
- (d) Audit steps/ checks and audit methods shall be adequate and complete to accomplish the respective audit objectives.
- (e) The sequence of audit steps/ checks shall be appropriate to the nature of the account head or transactions to be audited.

03-3: ADS-03 contains entries Nos 1 to 5. The method of making entries for each No. is as follows:-

- (a) No.1: Assignment Code
- (b) No.2: Audit Section No. and Audit Objective Nos. shall be entered. In the space below it its subject matter to be audited and a summary of the audit objectives shall also be entered.

For example:

2. AP Section (7) Audit Objective (1-4)

To check whether sales income account is complete, accurate and correctly cut off, and entries are in compliance with the accounting instructions or not.

## 2. AP Section (7) Audit Objective (1-4)

Sales income account C1/ A/ C2/ D
-----------------------------------

- (c) No.3: The list of books of account, accounts, records and names of persons at which audit needs to be targeted shall be entered in a sequence of T1, T2, T3, etc, according to their importance or significance.
- (d) No.4: In auditing the targets such as T1, T2, T3, etc. the list of the documents to be audited as basic documents in combination or source documents to be referred to, records, controls, certificates, recommendations and confirmations shall be entered as R1, R2, R3, etc. according to their importance or significance.
- (e) No.5: Audit steps to be undertaken one after another in succession shall be entered in SR Nos.1, 2, 3, 4. In the methods column audit methods for each S. No. 1, 2 or 3 shall be described. That description should be the precise instruction on how to audit accounting records and documents in lists No.3 and No.4 mentioned above. In order to make it easy to write precise instructions, the codes/symbols to be used for instructions are separately shown in Sector 3. In the planned extent column the extent of audit to be done must be entered. The extent of audit determined shall be appropriate to the number of months, numbers of transactions, percentage on the total numbers of basic documents, percentage on the amount of the account head, etc. as the case may be. In the 2 planned columns, to-start date and to-finish date must be entered. In the actual extent and timing columns the actual extent of audit done, the actual start date and the actual finish date shall be entered. The work papers file page numbers and the work papers arising from each audit step done must be entered in the form of the (start-page No./ the finish page No.)
- 03-4: The actual extent of audit and timing included in entry No.5 of ADS-03 shall be entered by the audit team member who has audited in the line of duty. The audit team member shall prepare the audit findings paras for the audit section

he himself has done and record them on ADS-12 audit para sheet and then submit to the audit team leader the sectional group work papers in respect of the said audit section. In so submitting the person who takes responsibility for it shall sign in the “Done by” space shown in the respective records.

03-5: The audit work papers group for each audit section shall be arranged as follows:-

- (a) Lead sheet: ADS-03 Sectional Program shall be entered as the first sheet of the section-wise record. After the actual audit extent, timing and WP Ref: in entry No.5 has been recorded in ADS-03, it will have reached the stage of work paper lead sheet.
- (b) Source sheet: The records from ADS-04 to ADS-11 shall be entered as basic records of the records group.
- (c) Final sheet: ADS-12 Audit Para Sheet shall be entered as the last sheet of the section-wise record. The audit team leader shall sign in the “supervised by” space below ADS-03. The audit officer who reviews each group of records shall sign in the “reviewed by” space. These signatures signify that the audit assignment and submissions of the audit team have been performed under his close supervision.

#### **Primary/Basic Documents**

03-6: ADS has Primary/Basic Documents (ADS-04 to ADS-10) designed for primary audit documents work papers that may include not only documents prepared by the auditor himself but also documents prepared by the auditee-DPA. If a DPA can make the auditor’s submission of collected information complete or support the conclusion or evidence for audit findings, it may be accepted and used as audit working document.

03-7: The information shall be entered by stamping the prescribed seal in the DPA that the audit party has accepted and used ADS-04 Audit Work Sheet.

#### **ADS-04: Audit Work Sheet**

04-1: The auditor’s computation, reconciliation statements, comparative reviews, analyses, relevant accounts, records, extracts from documents, and notes shall be recorded by using ADS-04 forms. Thus, for the matters that are not concerned with other ADS forms, ADS-04 forms may be used. It may also be arranged for A4 and A3 sized papers to be used appropriately for ADS-04 form according to the matters involved.

- 04-2: ADS-04 contains entries Nos. 1 to 4. No 1 is assignment code. Entries for No.2 shall be made by reference to the audit program ADS-02, ADS-03 relevant audit sector No., audit objective No., and audit step Nos. that have been mentioned in the above ADS forms. In No.3, dates of audit performed (from start to finish) shall be written. In No.4 schedule only notes on audit work already carried out shall be written.
- 04-3: In the “Done by” space and the “Reviewed by” space below the No.4 schedule, the person who carries out the audit and the person who reviews it shall sign with the dates respectively.

**ADS-05: Presentation/Discussion Memos by responsible person**

- 05-1: It may become necessary to obtain from responsible persons presentations/discussion memes in regard to audit undertaken. If so obtained, ADS-05 form shall be used. Generally it must all be done thus to gather the information that is not yet ready to be made available in writing as official accounting records; to make enquires about policy, procedure and practices, etc. relating to the matter being audited; to secure the opinion and comments of the responsible persons as regards differences and mistakes, etc; and to hold discussions with the persons concerned and obtain representations from those persons.
- 05-2: ADS-05 contains entries No.1 to No.10. The information/particulars shall be entered according to the serial numbers as follows:-
- (a) No.1: Assignment Code
  - (b) No.2: Relevant audit Section No., audit objective No. and audit assignment Nos.
  - (c) No.3: Date/place/time that the discussion memo, and representations are obtained.
  - (d) No.4: The matter about which discussion memo and representations are obtained.
  - (e) No.5: Name, designation and department of the person with whom discussion are held and from whom representation are obtained.
  - (f) No.6: Names, designation of persons present together at the time of discussions and representations.
  - (g) No.7: The matter discussed and represented.

- (h) No.8: References (if any) given by the person who discusses and represents. The documents so given shall be recorded referring to the page Nos. of DPA. No such recording is necessary if new documents are given.
- (i) No.9: The dated signature of the person who prepares the record and the person who discusses and represents must sign on the representation memo for approval.
- (j) No.10: ADS-05: discussion/representation memos shall be signed with the date by the person who reviews and writes comments on them.

### **ADS -12      Audit findings Para Sheet**

- 12.1: In the ADS system the audit program is organized into sections and each audit team member is assigned by sections. Whenever an audit team member has finished the audit of a section he is assigned to, he shall submit the Sectional Work paper group for that section to audit management to be reviewed at different levels. The sectional work paper group shall be organized in the following sequence: -
- (a) ADS-03 sectional audit program/ work paper lead sheet.
  - (b) ADS forms (ADS-04 to ADS-11 may be included as necessary) used according to the nature of audit assignment.
  - (c) ADS-12 Audit finding para sheet.
- 12.2: By organizing in the above order, as regards that section, what audit objectives are to be set, how to audit is planned, how audit has been done practically, what audit findings been made—all these must be organized into audit para group and submitted. The results of an audit assignment relative to one section shall be summarized and turned into a group of audit findings paras and submitted together with audit work papers to the supervisors at different levels for review.
- 12.3: The audit team member who has taken responsibility to do the audit of sections shall himself write up the audit findings paras in ADS-12. Entire in ADS-12 comprise Nos.1 to 4. Entire Nos. 1 to 3 shall be done by the audit team member who is responsible for doing the audit and who shall sign in the “Done by” space with the date. The sectional work papers group shall be submitted to the higher-rank supervisor. The method of making entries from Nos.1 to 3 is shown below: -

- (a) No.1 -Assignment code.
- (b) No.2 -Entires are to be made by referring to the section No./ audit objective no/ assignment no., etc.
- (c) No.3 -Audit findings paras are to be written up. Para No. and references to the paper of documents for para(s) and for each para shall be entered systematically and completely. In writing up the paras in the framed space provided for, about one-inch blank space must be left at the right edge (sight below UP Ref). In that space the work paper page No. concerning the para shall be written.

- 12.4: In writing the audit findings paras, if more than one ADS-12 sheets are necessary, as many forms as are required may be used.
- 12.5: The audit team members shall sign with the date in every “Done by” space in the sectional work paper group as being responsible for writing up himself the above audit findings para. Afterwards, the said sectional work papaers group shall be submitted to the higher-rank supervisor.
- 12.6: The supervisor shall review the work papers group submitted to him, and if necessary, require and discuss with the auditor, and instruct him to fulfill requirements, if any. For so reviewing the reviewer shall sign in the “Review by” space with the date. Then the sectional work papers group that has been reviewed shall again be submitted to audit management.
- 12.7: Audit management at different levels (Township/ District Audit officer, Deputy Directors and Director) shall review the sectional work papers group submitted and write comments and instructions in No.1 below “Management’s comment”, putting their dated signatures one after another.
- 12.8: According to the comments of audit management the supervisor and the auditor shall coordinate the section concerned and estimate to finish it off. It shall be resubmitted to audit management so that what has been so done can be reviewed again.
- 12.9: The decision of audit management on whether to include the audit finding para in the audit reports or to leave it out shall be clearly recorded below No.4 or in juxtaposition with the respective audit finding para. Every such decision shall bear the signature of the officer who makes the decision.
- 12.10: Thus, the audit works as regards one sectional work paper group will be finished. The senior auditor shall organize the completed sectional work paper

groups into a sequence of section Nos. and enter them in the work papers file and take responsibility for keeping it.

**ADS-13: Progress Review Sheet**

13.1: Stage by stage progress and review of each audit assignment from the commencement of audit to the issue of the final audit report shall be recorded in ADS-13. Audit processes of all Audit offices are being reviewed by using APMS at OAG. That review is in the nature of review by the central (Head) office. Review of audit progress of the respective audit office by using ADS-13 amounts to the review being done by the head of office himself.

13.2: ADS-13 – Contains entries Nos.1 to 7. The method of making entries from No.1 to 7 is as follows:-

- (a) Nos.1 to 5: Identification facts must be entered to distinguish one audit assignment from another.
- (b) No.6-Review of audit progress at different stages must be entered. According to the quarterly audit program (APMS-01), comparison between the working days and actual working days for different stages, evaluation of the audit progress, etc. shall be entered in the schedule. Working days mean the net number of working days, exclusive of holidays. Working days for the stages of audit shall be differentiated as follows:-
  - (1) Audit: From start date to finish date
  - (2) Preparation of audit report: From the date following that the audit is finished to the date the draft audit report is submitted to the audit officer.
  - (3) Review of audit report AO: from the date following that the senior auditor has submitted the draft audit report to the audit officer to the date the draft audit report is submitted to the deputy director or State Division audit officer.
  - (4) Review of audit report DD: From the date following that the Senior Auditor has submitted the draft audit report to the date it is submitted to the Director.
  - (5) Review of Audit Report DTR: From the date following that the Deputy Director has submitted the draft audit report to the date the report is issued for MOF.

- (6) Issue of the audit report: MOF: From the date following that the audit report has been issued for MOF to the date the replies to the MOF audit report are received.
  - (7) Issued of the final report- FINAL: From the date following that replies to the MOF audit report have been received to the date the final audit is issued.
- 13.3: ADS-13: Year- wise documents shall be entered in the Evaluation File. Township/ District Audit officer, State/ Division Audit offices, Deputy Director/ Assistant director, etc – Heads of Office according to the respective audit offices– shall maintain the evaluation files and entries from S. Nos. 1 to 6 in ADS-13 shall be made by the head of office himself.
- 13.4: By separating the respective dates in the quarterly audit program as mentioned above, working days for different stages of work per the program can be obtained. The head of office shall make entries of working days per the program in the scheme below No.6 and monitor and supervise the progress of audit work. According to the stages of audit work, actual working days are to be entered in comparison (with those for the program), and appropriate evaluation shall be written in the “Remarks” column as to whether the status of audit progress is satisfactory or unsatisfactory or acceptable because of the sound reason for the delay. In the “Recorded and Reviewed by” spaces the head of office shall sign. Brief explanations for delay and slowness shall be written on the back of ADS-13 or on separate sheets of paper and signed (by the head of office). Those separate sheets shall be attached to ADS-13 and filed in the Evaluation File.
- 13.5: When the officers from the high-level audit offices visit the audit office, they shall verify the records in the evaluation files. In so verifying, the offices who verifies shall record the review findings as regards the program of audit work, instructions, etc. in entry No.7 (Management Comment) and sign with the date.

#### **ADS-14: Audit Program Evaluation Record**

- 14.1: Audit performance evaluation of each audit staff member shall be recorded in ADS-14. At the time of audit report review, program quality of each audit team member shall be evaluated all at once and recorded. In order to so record, it shall be done one after another as follows:-
- (a) The senior auditor shall initially evaluate each auditor. The senior auditor shall make entries in S Nos.1 to 7 on each ADS-14 for each

auditor and sign them as an initial evaluator. The particulars to be entered in entry Nos. 1 to 7 in ADS-14 are as follows:-

- (1) Accounts office
- (2) Auditee
- (3) Audit Type
- (4) Year of audit
- (5) Assignment Code
- (6) Staff Name/ P.No/ Position
- (7) Evaluation

(7-1) There are 12 evaluations. For each evaluation, evaluation record referred to as E, A, AA, etc, below the schedule, showing the quality standard of audit performance.

(7-2) Remarks: If there are points (if any) to be added, references to audit work paper file page numbers regarding the audit performed by the staff to be evaluated, as well as to Work-paper File Page No. for the superior officer to again review in comparison with the performance quality of the staff to be evaluated in terms of extraordinary remarks—excellent, below average, etc.

- (b) When the senior auditor submits the draft audit report and work paper file to the audit office, ADS-14 records for each auditor shall be submitted all together, as shown in (a) above.
- (c) ADS-14 records shall be maintained separately from the audit work paper files. ADS-14 record shall be maintained by classifying them as confidential like the yearly evaluation records in current use. At respective audit offices evaluation file shall be opened by year and only in that file shall those records be grouped together.
- (d) At the time the audit offices review the audit report, he shall write ADS-14 record for the senior auditor and evaluate it. Beyond that, he shall record his comments on each auditor's evaluation in entry No.8 "Management Comments" space in the relevant ADS-14 and sign it as the "repeat" evaluator.
- (e) When the audit officer submits the draft audit report and audit work paper files to the deputy director or the State/Division audit officers,

ADS-14 records that have already made as shown in (d) above shall be submitted together.

- (f) At the time the deputy director or the State Division audit officer and the director review the audit report, they shall record their comments on the evaluations contained in the records in entry No.8 “Managements Comments” space in the relevant ADS-14 and sign it as the “repeat” evaluator.
- (g) The records that have been made at different levels shall be entered in the evaluation files opened by year and the head of office shall maintain them securely.
- (h) When the head of office writes the yearly evaluation records for the auditor and senior auditors, he shall base them on the evaluation of each assignment in the evaluation file grouped and maintained for that year

14.2: In order to enable management, including the senior auditors and the audit officers at different levels, to objectively evaluate work performance by using ADS-14 forms, at the time the draft audit reports are reviewed, as mentioned above, the efficiency and performance quality of respective staffs shall be recorded carefully while they are working together with the audit team, supervising and instructing the audit team by visiting it in the field, and reviewing the sectional work papers groups submitted by each staff. Only in this way may fair and appropriate evaluations close to the real conditions be obtained.

14.3: ADS-14 can contribute much towards evaluating the efficiency and performance standards of each staff on a job basis for each audit assignment. Such evaluation has 2 objectives:-

- (a) Enhancing the quality of auditing services
- (b) Obtaining basic evidences for staff promotion and singling out training requirements.

14.4: There are 12 numbers of evaluation-related particulars under entry No.7 (Evaluation) of ADS-14. The basic points that must be looked into for each number of particulars are given as examples in the following schedule:-

<p><b>Serial No.1:</b></p> <ol style="list-style-type: none"> <li>1. Whether audit can be carried out to fully achieve the audit objectives in ADS-03 or not.</li> <li>2. Whether the audit steps in ADS-03 can actually be followed.</li> <li>3. Whether additional information has been added per the “repeat” guidance, opinion and comment of Audit Management.</li> </ol>	<p><b>Serial No. 2:</b></p> <ol style="list-style-type: none"> <li>1. Whether evidences for audit findings or the auditor’s conclusions are missing without reason or not.</li> <li>2. Whether because required types of evidence are not complete, audit findings and audit objections are weakened or not.</li> <li>3. Whether the evidences gathered have sufficiency, competency and relevance or not.</li> <li>4. Whether there is negligence in scrutinizing and submitting the root causes of disconnection and variance between one audit finding and another or unawareness of such condition or not.</li> </ol>
<p><b>Serial No.3</b></p> <ol style="list-style-type: none"> <li>1. Whether the documents are grouped and submitted, which are in no way connected with audit findings, auditor’s conclusions, clues for audit, etc. or not.</li> <li>2. Whether the documents that have not been used or referred to in any audit para or any audit workings are grouped together or not.</li> <li>3. Whether excessive details that are far more than necessary</li> </ol>	<p><b>Serial No.4</b></p> <ol style="list-style-type: none"> <li>1. Whether in issuing the audit objection, sufficient and sound figures, particular facts, rules and regulation, etc. can be referred to, as necessary, in order to clinch the audit objection or not.</li> <li>2. Whether in enquiring only the questions, precise, relevant and actually necessary, which can provide the answers required for audit evidence and which hit the nail on the</li> </ol>

<p>are collected and entered (in ADS-14) or not.</p>	<p>head, can be asked or not.</p>
<p><b>Serial No.5</b></p> <ol style="list-style-type: none"> <li>1. Whether reviewing is done by using the documents/ information related to the replies/ explanations of the responsible person or not.</li> <li>2. Whether accepting replies/ information without exerting sufficient effort to verify or neglect to proceed with scrutinizing them, though it is necessary.</li> </ol>	<p><b>Serial No.6</b></p> <ol style="list-style-type: none"> <li>1. Whether tracing and reconciling and suggesting for accounting adjustments can be done properly and thoroughly as regards accounting adjustments, account transfers, form of disclosures and accounting methods or not.</li> <li>2. Whether accounting manuals, instructions, accounting standards, etc. can be referred to firmly and used or not.</li> </ol>
<p><b>Serial No.7</b></p> <ol style="list-style-type: none"> <li>1. Whether auditing findings and suggestions are coherent and appropriate or not.</li> <li>2. Whether the form and style, in which the audit para/audit report are written, are good and proper and the matter to be presented is written in an easy manner and short to the point or not?</li> </ol>	<p><b>Serial No.8</b></p> <ol style="list-style-type: none"> <li>1. Whether the submission of the sectional work paper groups can be done within the time limit set or not.</li> <li>2. Whether the delay in submitting the sectional work paper group is reasonable in the context of the nature and extent of audit work that has to be performed or not.</li> </ol>
<p><b>Serial No.9</b></p> <ol style="list-style-type: none"> <li>1. Whether the preparation and submission of the draft audit report can be done within the time limit set or not.</li> <li>2. Whether when preparing and submitting the draft audit report, complete references to</li> </ol>	<p><b>Serial No.10</b></p> <ol style="list-style-type: none"> <li>1. Whether, in Audit para/ audit report, complete references to relevant work paper Nos. have been made or not.</li> <li>2. Whether the work papers and audit para/ audit report referred</li> </ol>

the sectional work paper groups and working papers file can be made or not.	to are accurate and related.
<p><b>Serial No.11</b></p> <ol style="list-style-type: none"> <li>1. Whether references to the pages of documents in the work paper files are entered in full or not.</li> <li>2. Whether cross-references have been made as between documents that are connected with one another or not.</li> <li>3. Whether page Nos. and cross-references are correct or not.</li> </ol>	<p><b>Serial No.12</b></p> <ol style="list-style-type: none"> <li>1. In reviewing the sectional work paper group, the account, documents, etc. audited, as well as methods and extent of audit, audit findings , evaluations , suggestions, etc. can be clearly and easily understood without asking the staff who has audited them in the light of the way the work papers are organized or not.</li> <li>2. Whether the way the work papers are prepared is not systematic and writing style is complicated and untidy or not.</li> </ol>

#### **Verification of the documents in the evaluation File**

14.5: According to the ADS, audit progress review documents (ADS-13) and audit program evaluation documents (ADS-14) shall be grouped and maintained in the yearly evaluation files at the respective in the yearly evaluation files and maintained at the respective audit offices. By studying and reviewing the documents in the evaluation file, the quality of audit and audit management of the respective audit office can generally be appraised. It is also necessary for superior audit office to occasionally verify the yearly evaluation files that are opened and maintained at the audit offices.

14.6: Recording verification of documents, reviews and guidelines in the evaluations files shall be done as follows:-

- (a) When the officer from the respective State/ Division Audit officer or Office of the Auditor General (OAG) occasionally visit the Township/ District Audit Offices, they shall study and review the condition of evaluation files and evaluation records in ADS-14t that have been opened and maintained at the Township/ District audit offices. If

necessary, a critical review of decisions and instructions regarding audit progress, audit performance evaluations and audit findings of the Township/ District audit offices shall be made in comparison with the audit work papers files. Township/ District audit officers shall be given instructions, in case there are requirements to be fulfilled. Such critical reviews and instructions shall be recorded on separate sheets of paper and the officer who gives instructions and the Township/ District audit offices shall jointly sign them. Those documents shall be stored away in the respective yearly evaluation files. The instructor himself shall enter in the table of contents of the evaluation file the fact that the file contains the instructions and sign it with the date as the head of office.

- (b) When the Director General, Deputy Director General and the officers deputed by them occasionally come to State/ Division Audit Offices on inspection tours, they shall verify the condition of evaluation files opened and maintained at the State/ Division audit offices and evaluation documents in ADS-14. It shall be done as described in para (a) above as regards such verification and instructions.
- (c) In the light of the reviews done as above, if necessary, the officer who instructs shall all at once enter evaluations and comments in the respective audit evaluation documents (ADS-14). Such audit evaluations and comments shall be entered in red ink and signed (by the officer concerned).
- (d) The verification of evaluation documents/ records of the contras Division of OAG shall be carried out as per separate programs laid down by the Director-General and Deputy Director-General

14.7: When initially evaluating audit performance of audit team members and making “repeat” evaluations, the basic principles to be observed by the evaluators are given below:-

- (a) Efforts must be made to enable audit performance of each staff to be evaluated objectively so as to enhance the operational capacity and technical efficiency of OAG.
- (b) Evaluation shall be totally free from such disturbances as personal attachment, personal grudge, prejudice and bias.
- (c) It must be borne in mind that just as the staff have the responsibility to make efforts to study themselves to improve the standards of operational capacity and technical competence of individual staff

member, so have the higher-rank supervisors and management personnel the responsibility to train, instruct and guide them.

**UNION OF MYANMAR  
OFFICE OF THE AUDITOR GENERAL  
AUDIT PROGRAM - LEAD SHEET**

ADS-01

1. Accounts Office : \_\_\_\_\_
2. Auditee : \_\_\_\_\_
3. Audit Type : \_\_\_\_\_
4. F - Year : \_\_\_\_ / \_\_\_\_      5. Assignment Code :

6. Audit Team :

_____ _____ _____	_____ _____ _____
-------------------------	-------------------------

7. Audit Management : <Name>

A O	D D	D T R
/ /	/ /	/ /
/ /	/ /	/ /

8. Date of AP submitted to -

9. Date of AP approved by -

10. A P Modification Log :

SN	AP Sect.	Modi # Type	Particulars / Reasons	Dated Initial	
				A O	D D

\* Modi Type : M = Amending      D = Deletion      A = Addition

**AUDIT PROGRAM - LEAD SHEET < continuation >**

Assignment Code :

**11. Evaluation Comments :**

**(a) Important areas/issues to be considered  
in NEXT AUDIT PLANNING -**

Deputy Director

Director

**(b) Suggestions about possible improvements to the  
OBJECTIVES/STEPS/METHODS designed in current AP -**

Deputy Director

Director



SECTIONAL PROGRAM \ WP LEAD SHEET

ADS-03

1. Assignment Code :

--

PAGE
W P File:
Sectional: /

2. A P Section [ ] Audit Objective [ ]

<hr/> <hr/> <hr/>
-------------------

3. Target < Books / Accounts / Records / Persons ; etc. >

T1		T6	
T2		T7	
T3		T8	
T4		T9	
T5		T10	

4. Related Documents / References:

R1		R6	
R2		R7	
R3		R8	
R4		R9	
R5		R10	

5. Audit Steps: < Plan / Actual >

SN.	METHODS	P L A N N E D		A C T U A L		W P Ref:
		Extent	Timing	Extent	Timing	
1						
2						
3						
4						
5						
6						

Done by

Supervised by

Reviewed by

[ Names & dated full signatures ]





UNION OF MYANMAR  
OFFICE OF THE AUDITOR GENERAL  
HALF MARGIN MEMORANDUM

ADS 06

W.P. File:	PAGE
Sectional: /	

Assignment Code :

[Empty box for Assignment Code]

AP Sect./Obj./Step: / /

Memo No. \_\_\_\_\_

Dated : \_\_\_\_\_

The attention of the \_\_\_\_\_ office is invited to the facts or observations noted below and it is requested that the replies on these matters be sent to the undersigned without delay.

Facts/Observations/Recommendations

Auditee's Replies :

[Empty space for Facts/Observations/Recommendations]

[Empty space for Auditee's Replies]









CASH COUNT RECORD

ADS-09

1. Assignment Code :

[Empty box for Assignment Code]

PAGE
W P File:
Sectional: /

2. Auditee :

\_\_\_\_\_

Counted by :

3. Nature of Cash :

\_\_\_\_\_

(1)

4. AP Section/Objective/Step :

\_\_\_/\_\_\_/\_\_\_

(2)

5. Date & Place of count :

\_\_\_\_\_

(3)

(4)

(5)

Cash balance at Balance Sheet date ( \_\_\_/\_\_\_/\_\_\_ )

K P

Add : Cash paid in

Less : Payment made since Balance Sheet date :

Payment made since Balance Sheet date :

(not yet recorded in Cash Book)

Cash balance at date of counting

Amount made up of :

- K 200/- x
- K 90/- x
- K 45/- x
- K 15/- x
- K 10/- x
- K 5/- x
- K 1/- x

Coins

Cheques : { Itemised }

- 1.
- 2.
- 3.
- 4.

Difference over (short)

(a) The above cash was counted in my presence and returned to me.

(b) Countersigned for general authorisation of non cash items and any difference.

Casher / Responsible personnel

Comment :

Reviewed by :

**ANALYSIS ON FIXED ASSETS & DEPRECIATION**

ADS-10

1. Assignment Code :

PAGE  
W P File:

Sectional: /

2. AP Section/Objective/Step : / /

3. Description of Asset :

4. Analysis :

Particulars	per book	per audit	(+)/(-)	remarks
(a) Cost of Assets :				
Opening bal. / /				
Additions: *				
1.				
2.				
3.				
Retirements: *				
1.				
2.				
3.				
Closing bal. / /				
(b) Accumulated Depreciation				
Opening bal. / /				
(+) Dep. Exp: #				
(-) Dep. for Retirement #				
Closing bal / /				
(c) Dep. Exp. charged to ##				
1) a/c				
2) a/c				
3) a/c				
Total				

\* Vouchers with supporting papers examined.

# Calculations proved and checked to Asset Ledger or Register.

## Principles and methods are same as to previous years.

Done by : \_\_\_\_\_

Reviewed by : \_\_\_\_\_

Comment : \_\_\_\_\_

( Dated Initial )

**Rubber Seal to be stamped on Documents Prepared by Auditee**

**၁။ တံဆိပ်ပုံနှင့် အရွယ်အစား**

Asgn : Code : -----	Section / Obj : -----	W.P Page -----	Sect. Page -----
Presented by -----	Reviewed by -----	on --- /--- /---	on --- /--- /---

**၂။ နေရာတွင်ရမည့် အချက်အလက် ( အထက်ဖော်ပြပါ တံဆိပ်ပုံအတွင်း )**

- (က) Assignment Code : လုပ်ငန်းကုန်အမှတ်အသား
- (ခ) Section / Objective No : စစ်ဆေးရေးလုပ်ငန်း အပိုင်းအမှတ် / ရည်မှန်းချက်အမှတ်
- (ဂ) W.P Page : စာရင်းစစ်လုပ်ဆောင်မှုစာတို့ စာမျက်နှာနံပါတ်
- (ဃ) Sectional Page : အပိုင်းအလိုက် မှတ်တမ်းအုပ်စု စာမျက်နှာနံပါတ်
- (င) Presented by --- on ---/---/--- : စာရွက်စာတမ်း ပေးအပ်သူအမည်နှင့် ပေးသည့်ရက်စွဲ
- (စ) Reviewed by --- on ---/---/--- : စာရွက်စာတမ်းကို စိစစ်သူအမည်နှင့် စိစစ်သည့်ရက်စွဲ

**၃။ DPA ၏ သင့်လျော်သည့် နေရာတွင် မှတ်တမ်းတင်ရမည့် အချက်များ**

- (က) စာရွက်စာတမ်း စိစစ်သူ၏ ရက်စွဲတပ် လက်မှတ်ရေးထိုးချက်နှင့် မှတ်ချက်များ
- (ခ) စာရွက်စာတမ်းပါ ကိန်းဂဏန်း ၊ အချက်အလက်တို့နှင့် ယှဉ်လျက် အခြားလုပ်ဆောင်မှုမှတ်တမ်း ရှည်ညွှန်းချက်များ (လိုအပ်လျှင်)



**OFFICE OF THE AUDITOR GENERAL  
PROGRESS REVIEW SHEET**

**ADS - 13**

1. Accounts Office : \_\_\_\_\_

2. Auditee : \_\_\_\_\_

3. Audit Type : \_\_\_\_\_ 4. Year : \_\_\_\_\_

5. Assignment Code :

6. Progress Review :

စဉ်	လုပ်ငန်းအဆင့်	အလုပ် လုပ်ရက်		မှတ်ချက်
		အစီအစဉ်	အမှတ်	
1	Auditing			
2	Report Preparation			
3	Report Review by: A.O D.D DTR.			
4	Report Issue MOF FINAL			

Recorded & Reviewed by \_\_\_\_\_

7. Management's Comment :

Dated Signature : \_\_\_\_\_

**OFFICE OF THE AUDITOR GENERAL**  
**AUDIT PERFORMANCE EVALUATION SHEET**

ADS - 14

1. Accounts Office : .....
2. Auditee : .....
3. Audit Type : ..... 4. Year : ...../.....
5. Assignment Code :
6. Staff Name / P No. / Position : .....
7. Evaluation :

SR NO.	Particulars	*EV	Remarks
1	Ability to achieve the audit objectives per the procedure prescribed.		
2	Completeness and thoroughness in gathering evidence.		
3	Abstaining from gathering unnecessary evidence.		
4	Soundness in issuing audit objectives and queries.		
5	Completeness and thoroughness in reviewing explanations/ representations of those concerned.		
6	A solid background in accounting and auditing.		
7	Complete and good submission of Audit para/ Audit report		
8	Ability to submit complete sectional work paper groups within a reasonable time		
9	Ability to finish the audit report within the time limit set.		
10	References to audit para/audit reports are complete and precise		
11	Relevant cross-references and references in work papers are complete and precise		
12	Completeness and thoroughness in preparing work papers.		

- \* EV.
- E = Excellent
- A = Average
- AA = Above Average
- BA = Below Average
- NA = Non Applicable

(Evaluator's position & signature)

8. Management's Comments :

The Republic of the Union of Myanmar

Office of the Auditor General of the Union



MANUAL ON AUDIT DOCUMENTATION SYSTEM:ADS

Translated by

U Tin Shein

Director (Rtd)

OAG

1<sup>st</sup>, August, 2016

