



Ref. No.:

Date: 08 November, 2020

CORE CONCEPT OF

PRINCIPLE OF AUDITING

Flexible Audit Programme

Nomenclature: Also called Progressive Audit Programme or Special Audit Programme.

Definition: A flexible audit programme may be defined as a plan which only outlines general scope, character and limitations of the audit engagement, and makes no mention of audit procedures to be followed, the nature of work to be performed by individual staff, and time allocated for each item.

Under flexible audit programme, the staffs have much discretion in improving it as the audit work progresses. The staff can also display its initiative.

Construction of Audit Programme:

Audit programme containing detailed directions to audit staff regarding the audit work to be carried out is prepared to ensure intended implementation of the strategy set up in the planning memorandum.

The audit programme of different clients would of course, contain similar points but still programme for each must be written individually in the light of the needs and circumstances of each particular audit. The programme for the current audit should be based on the planning memorandum (explained separately) using previous year's programme and working papers as a guide. The check list issued by the Institute of Chartered Accountants of Pakistan should be referred to. The audit manager should before audit steps are carried out, should review the audit programme to ensure that the planned scheme would achieve the desired objectives. The audit steps identified in the audit programme should be detailed enough to enable the audit staff to carry out any particular audit step without seeking further instruction. So each audit step should specify the relevant documents and



records, direction for test, method of selection and cross-reference to relevant points in audit manual (if any) or permanent notes on record.

Every group of audit steps should be proceeded by a statement of the relevant audit objectives. Where reliance on internal control is planned the internal control objectives relevant to the audit objectives should be included in the audit programme and cross-reference should be made to the internal control and Accounting System Evaluation Schedules.

Audit programme may differ depending upon the nature of business but the principle behind the preparation of audit programme will remain the same. The programme will usually commence with the basic and routine audit tests and will lead up to the signing of the audit opinion (i.e. audit report). Care should be taken to ensure that audit steps are not repeated under different heads.

Auditing Work Papers

Audit Working Papers include those papers and documents, which consist of details about accounts, which are under audit. They are the written, private materials, which an auditor prepares for each audit. They describe the accounting information, which he obtained from his client, the method of examination used, his conclusions and the financial statements.

According to Prof. Meigs,

“The term working papers is a comprehensive one and includes all the evidences gathered by the auditor to show the work he has done, the methods and procedures he has followed and the conclusions he has developed “.

From an analysis of above two definitions, it is clear that the working paper should specify

- How the work was planned and supervised?
- How the internal control system was reviewed and its reliability was assessed?
- How the evidence was collected and what procedures were adopted to collect the evidence?



- Whether the testing performed provided sufficient competent evidential matter to enable to form a reasonable basis for an opinion or recommendation?
- Thus the working papers constitute a valid evidence of the work done in the current audit.

Objectives of Audit Working Papers

1. The working papers serve the auditor both as useful audit tool as well as a permanent record of the audit work performed.
2. They are useful to the auditor to control the current year's audit work.
3. They constitute a reliable guidance for planning the future audit assignments.
4. A review of the audit working papers gives an assurance that the audit work is both accurate and complete.
5. The auditors arrange the data properly in the working papers. Hence, the data become more meaningful and useful for the purpose of the, audit.
6. Working papers are necessary to corroborate the work and the findings of all the audit staff.
7. The chief auditor is assured that the opinion is supported by the findings of their audit staff.
8. The working papers constitute complete and conclusive evidence in future as to the entirety and completeness of the audit work.

