Audit Programs
A Requirement and Key Ingredient for a Successful Audit!

The Basics of Internal Auditing
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Agenda
What You Will Learn:
• What is an Audit Program and why it is used?
• How to prepare an Audit Program?

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• Alignment with Annual Audit Plan
• Purpose of Audit Program
• Key Elements of the Audit Program
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Standards

- GAO’s Generally Accepted Auditing Standards (The Yellow Book)
- AICPA’s Generally Accepted Auditing Standards
- PCAOB Standards
- IIA’s Standards (The Red Book)
- Inspector General’s Standards (The Green Book)

**Standards**

**Government Accountability Office (GAO)**

- **7.50** - Auditors must prepare a written audit plan for each audit. The form and content of the written audit plan may vary among audits and may include an audit strategy, audit program, project plan, audit planning paper, or other appropriate documentation of key decisions about the audit objectives, scope, and methodology and the auditors’ basis for those decisions. Auditors should update the plan, as necessary, to reflect any significant changes to the plan made during the audit.

- **7.51** - A written audit plan provides an opportunity for the audit organization management to supervise audit planning and to determine whether:
  - a. the proposed audit objectives are likely to result in a useful report,
  - b. the audit plan adequately addresses relevant risks,
  - c. the proposed audit scope and methodology are adequate to address the audit objectives,
  - d. available evidence is likely to be sufficient and appropriate for purposes of the audit.

**Standards**

**AICPA/PCAOB**

- In planning the audit, the auditor should consider the nature, extent, and timing of work to be performed and should prepare a written audit program (or set of written audit programs) for every audit.
- The audit program should set forth in reasonable detail the audit procedures that the auditor believes are necessary to accomplish the objectives of the audit.
- The form of the audit program and the extent of its detail will vary with the circumstances.
  - In developing the program, the auditor should be guided by the results of the planning considerations and procedures.
  - As the audit progresses, changed conditions may make it necessary to modify planned audit procedures. [As amended, effective for engagements beginning after December 15, 1995, by Statement on Auditing Standards No. 77.]
Standards

IIA Standard 2240
Engagement Work Program

- Internal auditors must develop and document work programs that achieve the engagement objectives.
  - 2240.A1 – Work programs must include the procedures for identifying, analyzing, evaluating, and documenting information during the engagement.
  - 2240.C1 – Work programs for non-auditing activities (consulting engagements) may vary in form and content depending upon the nature of the engagement.

Standards

Standards for Audits by Offices of Inspector General

Standard References: the GAO and IIA Standards

- Audits performed by Offices of Inspectors General (OIGs) should be done in accordance with generally accepted auditing standards. The ASSOCIATION OF INSPECTORS GENERAL recommends that OIGs perform audits pursuant to one of the following:
  - Government Auditing Standards issued by the Comptroller General of the United States, or
  - Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- Each OIG should adopt and follow the audit standards appropriate to the OIG’s mission and authority.

Definition

Set of procedures that dictate how an evaluation, assessment, review or audit will be performed.
Alignment with Annual Audit Plan

- **The Risk Assessment**
  - Risk associated with business processes or programs
  - Controls to mitigate risks
    - Control gaps
    - Control Deficiencies
      - Design
      - Operational

- **Annual Audit Plan**
  - How Does the Audit Program Support the Audit Plan?
    - Audit Program Objectives & Scope = Objectives and Scope in Audit Plan
  - How Does the Audit Program Support the Risk Assessment Results?
    - Audit Program Procedures & controls

**Purpose**

- A set of instructions to the audit team
- Assist with planning and performance of the audit.
- A means to control and record the proper execution of the audit work and also to review the audit work.
- A record of the audit procedures to be adopted, the audit objectives, timing, sample size and basis of selection of each criteria.
- Audit evidence to support the auditor opinion.
Key Elements of an Audit Program

• Program Objectives
  - Conclusion that audit procedures are designed to determine
  - Purpose of audit tasks
  - What are they trying to achieve
• Examples
  - Cash exists and is owned by the client.
  - Accounts receivable are authentic obligations owed to the company at the balance sheet date.

Key Elements of an Audit Program

• Audit Work Performed
  - Procedures and tasks to be executed by the auditor to meet the objective (interviews, test of controls, walk-throughs, and detail tests of account balances and transactions).
• Examples
  - Obtain or prepare an aged trial balance of accounts receivable.
  - Reconcile the balance to the general ledger account balance.
  - Obtain copies of each account’s bank reconciliation for the workpapers and perform the following procedures:
    - Trace the reconciled book balance to the general ledger, trial balance, or lead schedule as applicable.

Key Elements of an Audit Program

Conclusion

• Results
  - The outcome of audit procedures executed as a part of determining the program objective
    - Agreement
    - Verification
    - Validation
• Opinion supported by the audit procedures performed in the program
• Examples:
  - CONCLUSION
  - We have performed procedures sufficient to achieve the audit objectives for accounts receivable, and the results of these procedures are adequately documented in the accompanying workpapers.
Types of Audit Programs

• Standardized Audit Programs
  - Pre-prepared listing of objectives and tests
  - Consistent approach to all audits
  - Reduce risks that procedures are omitted

• Tailored Audit Programs
  - Specific circumstances of an engagement as all clients (auditees) are different
  - Audit procedures match the actual system of the entity
  - Reference can be made specifically to particular procedures/documents

Style and Format of Audit Programs

• Some elements that are present in most programs
  - W/P Index or Reference
  - Auditor Assigned
  - Date
  - Audit Period

• Style can vary
  - Word or Excel template
  - Electronic

• Consult with audit manager
  - Preferred formats
  - Prioritization of information

Examples of Audit Program Templates

Word Document

Excel Document
Other References


• http://www.auditnet.org

• www.Knowledgелеader.com

• http://internalauditworkingpaper.blogspot.com/p/audit-work-programs.html

Thank you

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