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## Working papers; Statement on auditing procedure, No. 39

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# STATEMENT ON AUDITING PROCEDURE

39

## *Working Papers*

### **Purpose of This Statement**

1. The purpose of this Statement is to provide guidance for the independent auditor regarding working papers for examinations of financial statements or other engagements to which any of the generally accepted auditing standards apply. There is no intention to specify the form or details of content of working papers since they should be designed to meet the circumstances and the auditor's needs on the individual engagement; nor is there any intention to imply that the auditor would be precluded from supporting his opinion and his representation as to compliance with auditing standards by other means in addition to working papers. Since this is the first statement the Committee has issued dealing with the subject of working papers, it recognizes that some of the guidelines set forth herein may go beyond current general practice.

*Issued by the Committee on Auditing Procedure  
American Institute of Certified Public Accountants*

## Functions and Nature of Working Papers

2. Working papers serve mainly to:
  - a. Aid the auditor in the conduct of his work, and
  - b. Provide an important support for the auditor's opinion, including his representation as to compliance with auditing standards.

3. Working papers are the records kept by the independent auditor of the procedures he followed, the tests he performed, the information he obtained, and the conclusions he reached pertinent to his examination. Working papers, accordingly, may include work programs, analyses, memoranda, letters of confirmation and representation, abstracts of company documents, and schedules or commentaries prepared or obtained by the auditor.

4. Working papers should fit the circumstances and the auditor's needs on the engagement to which they apply. The factors affecting the independent auditor's judgment as to the quantity, type, and content of the working papers desirable for a particular engagement include: (a) the nature of the auditor's report, (b) the nature of the financial statements, schedules or other information upon which the auditor is reporting, (c) the nature and condition of the client's records and internal controls, and (d) the needs in the particular circumstances for supervision and review of the work performed by any assistants.

## Guidelines

5. Although the quantity, type, and content of working papers will vary with the circumstances, they generally would include or show:

- a. Data sufficient to demonstrate that the financial statements or other information upon which the auditor is reporting were in agreement with (or reconciled with) the client's records.
- b. That the engagement had been planned, such as by use of work programs, and that the work of any assist-

ants had been supervised and reviewed, indicating observance of the first standard of field work.<sup>1</sup>

- c. That the client's system of internal control had been reviewed and evaluated in determining the extent of the tests to which auditing procedures were restricted, indicating observance of the second standard of field work.<sup>2</sup>
- d. The auditing procedures followed and testing performed in obtaining evidential matter, indicating observance of the third standard of field work.<sup>3</sup> The record in these respects may take various forms, including memoranda, check lists, work programs and schedules and would generally permit reasonable identification of the work done by the auditor.
- e. How exceptions and unusual matters, if any, disclosed by the independent auditor's procedures were resolved or treated.
- f. Appropriate commentaries prepared by the auditor indicating his conclusions concerning significant aspects of the engagement.

### **Ownership and Custody of Working Papers**

6. Working papers are the property of the independent auditor, and in a number of states there are statutes which designate the auditor as the owner of working papers. The auditor's rights of ownership of the working papers, however, are subject to those ethical limitations designed to prevent improper disclosures by the auditor of confidential matters relating to his clients' affairs.

7. While the independent auditor's working papers may serve as a useful reference source from time to time for his client, the working papers should not be regarded as constituting a part of, or as a substitute for, the client's accounting records.

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<sup>1</sup> See *Statements on Auditing Procedure No. 33*, Chapter 4.

<sup>2</sup> See *Statements on Auditing Procedure No. 33*, Chapter 5.

<sup>3</sup> See *Statements on Auditing Procedure No. 33*, Chapter 6.

8. The independent auditor should adopt reasonable procedures for safe custody of his working papers and should retain them for a period of time sufficient to meet the needs of his practice and to satisfy any pertinent legal requirements of records retention.

*The statement entitled "Working Papers" was adopted unanimously by the twenty-one members of the committee.*

### NOTES

*Unless otherwise indicated, Statements on Auditing Procedure present the considered opinion of the twenty-one members of the Committee on Auditing Procedure, reached on a formal vote after examination of the subject matter by the Committee and the Technical Services Division. Except where formal adoption by the Council or the membership of the Institute has been asked and secured, the authority of the statements rests upon the general acceptability of the opinions so reached.*

*The Committee on Auditing Procedure is the senior technical committee of the Institute designated to express opinions on auditing matters. While it is recognized that general rules may be subject to exception, the burden of justifying departures from the Committee's recommendations must be assumed by those who adopt other practices.*

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