

A U D I T M A N U A L

P A R T - I

AL RASHED  
CERTIFIED PUBLIC ACCOUNTANTS

## 1. PREFACE

The accounting and audit profession, like other professions has been affected by the fundamental change which took place in both the previous and current centuries resulting in the outcrop of the economic establishments and their development into their present various types. This resulted in establishing specialized governmental and non-governmental agencies to organize this profession. Consequently the auditor's professional duties and responsibility took shape, and most of these agencies issued the standards and procedures which illustrate to the auditors in their relevant countries the optimum methods of carrying out their task in such a way so as to achieve the audit objectives and indicate the extent of implementing this duty.

The application of such standards requires that the audit firm would develop the necessary detailed procedures in the form of an "Audit Manual". Such a manual is considered one of the basic indispensable requirements for auditing the financial standards conscientiously, adequately well and efficiently.

On the inception of the firm's activity we faced two basic problems: the first was the lack of officially approved audit standards and procedures in the Kingdom\*; and the second was the lack of an Arabic integrated audit manual published for use. Thus the Firm found it imperative to do its best to promulgate approved audit standards in the Kingdom and to compile a written manual to guide the Firm's auditors. There were several methods for compiling such a manual, some of them were as follows:

First - The manual would be compiled by the Firm's officials.

Second - To conclude a cooperation agreement with an international auditing firm to use its manual.

Third - To seek the assistance of an auditing firm to make use of its specific expertise.

The Firm decided to choose from among these methods, in the light of the relevant objectives the most important of which were the following:

- To generally help develop the profession in the Kingdom.
- To help the clients consider their transactions in depth and illustrate the accounting policies suitable for such transactions so as to be able to indicate the policies which make the financial statements fairly present their financial positions, their transactions results and their funds' sources and utilization.

-----  
\* The Ministry of Commerce in Saudi Arabia has a project to develop the profession including the financial accounting objectives at the profit-oriented establishments, its concepts, the general presentation and disclosure standard, bases of establishing other accounting standards, and audit integrated standards. The Project also includes a comprehensive constitution for a specialized organization of accounting and auditing profession similar to the specialized institutes in this field.

- To study the technical aspects of the profession within the Kingdom's situation framework along the lines followed by international auditing firms in the countries where they have salient existence.

After considering these methods we found that the second one would lead the Firm to some kind of dependency preventing it from achieving those objectives. It was also found suitable to combine the first and third methods to add the international expertise to the domestic one. Consequently the assistance of one of the US major auditing firms was sought and their technical partner specialized in this field who masters Arabic language was assigned the task of periodically working with the Firm's officials in the Kingdom concentrating on this field itself. He also took part in auditing some of the Firm's engagements and studying the problems encountered during the auditing process.

The Firm was encouraged to publish certain parts of its manual at that time - despite that its development was going on, some parts were developed after the manual was ready for printing and other parts were added to it - by the fact that the manual is a continuously developing work, and so it is impossible to wait for its perfection especially that such a manual was badly needed at this stage of the profession development. We hope that this manual will specifically help achieve the following:

- (1) Helps the students understand auditing more deeply during their study and enables them to easily combine the conceptual and practical sides.
- (2) Assists university professors as an educational and illustrating specimen of practical application.
- (3) Enables auditors who intend to join the profession to make their decisions in the light of detailed information enabling them to expect what professional requirements they might encounter in practice.
- (4) Assists new auditing firms to practice the profession on a sound basis from the outset and saves them a lot of effort, time and money.

- (5) Avails the existing auditing firms, which have no comprehensive manuals of the opportunity to crystalize their experiences, develop and use of comprehensive audit manual.
- (6) Serves as a training facility for auditors practicing the profession.
- (7) Helps the client's administration officials, who deal with the auditors, understand the audit aspects with which they are not in direct contact. This will enable them to appreciate the auditor's work and consequently be more capable to recognize how far he fulfilled his work, respect his opinion; as they understand his work leading to this opinion and will make it easier for the auditor to discharge his duty with the best method and least cost and trouble as the client expects his requirements and understands the reasons for such requirements. This saves a lot of time and effort and makes their relation smoother and more positive.

This manual does not comprise all the parts of the audit manual in use in the Firm as some of them are considered a part of the Firm's internal policy, some are administrative and some indicate how and when certain parts of the manual are to be used according to such situations to be determined by those responsible for auditing.

Despite the efforts exerted professionally, scientifically and linguistically to compile the manual by highly qualified specialists who master both Arabic and English languages from within and outside the Firm, the reader might find it adequate to add, amend or delete something. So, we hope that the Firm would be furnished with the reader's remarks as this is considered a fundamental factor in developing the manual.

Finally we would like to extend our thanks to all those who participated in compiling this manual for their efforts; their motive being the participation in developing the profession to serve this country in a field which was not given adequate care to achieve its objectives as one of the development elements of the country, despite its crucial importance due to its impact on the economic activities of the individuals and both the public and private establishments.

May Allah bestow success and guidance upon us.

Abdul-Aziz Ben Rashed Al-Rashed  
CPAs  
Licence No. (50)

Riyadh: 15 Dhu Al Qada 1405 A.H  
1 August 1985 A.D