

Revision of ISA 230 “Documentation” – Issues Paper

Introduction

OBJECTIVES

1. The objectives of this project are to revise and update ISA 230 taking into account the following relevant developments:
 - The increasing number of documentation principles and guidance in other new or revised ISAs, and the resulting need to clarify the role of ISA 230.
 - Revisions in a number of national standard setters’ documentation standards after the original ISA 230 had been issued, particularly the ongoing audit documentation project of the PCAOB in the U.S., and the need to minimize substantive differences for convergence purposes.
 - The conforming changes necessitated by the proposed Audit Risk Standards.
 - The need to address comments raised by IOSCO as a result of their review of ISA 230.
 - The increasing computerization of the audit working paper preparation process, including use of e-mail and the internet, resulting in the need to address practical issues arising from the “paperless” environment.
 - The IAASB’s decision to phase out IAPS 1005, “The Special Considerations in the Audit of Small Entities,” resulting in the need to subsume documentation guidance for small entity audits into ISA 230.

TITLE FOR REVISED ISA 230

2. ISA 230 bears the title “Documentation,” which might be interpreted in a wider context than intended. For example, it might be interpreted as also referring to accounting, legal, tax or administrative documentation. The Task Force consequently proposes to narrow the scope of the title to refer specifically to “Audit Documentation.”

COORDINATION WITH OTHER IAASB PROJECTS

3. During the process of revising ISA 230, the Task Force will closely review developments relating to documentation principles and guidance in the ongoing projects on Quality Control, Planning and Materiality, among others. Comments made by respondents during the exposure periods on these projects will be reviewed to determine whether respondents are raising documentation issues that should be addressed within the scope of this project or whether they have views on specific documentation aspects that should be taken into account in developing principles and guidance for revised ISA 230.
4. The other aim of the Task Force in monitoring other IAASB projects in progress is to ensure that the revised ISA 230 does not introduce overlapping or conflicting principles or guidance with other ISAs.

RESPONDING TO IOSCO’S COMMENTS

5. The Appendix to this issues paper sets out the Task Force's proposed responses to IOSCO's comments on ISA 230, illustrated by cross-references to the initial draft of the proposed revised ISA 230. The Task Force notes that IOSCO will have the opportunity to monitor the progress of this project on a regular basis through the Consultative Advisory Group meetings, in addition to the opportunity to attend the regular IAASB meetings as observer.

Key Issues Identified by the Task Force

6. The Task Force has identified the following key issues for consideration by the IAASB:

- The Scope of ISA 230
- Structural and Process Issues
 - The construct of revised ISA 230
 - Reviewing documentation requirements in other ISAs
 - Small entity audits
- Retention of Documentation
- Definition of Documentation
- Significant Matters for Documentation
- Documentation Sufficient to Enable Re-performance of Audit Procedures
- Practical Issues
 - Paperless audit documentation
 - Subsequent changes to audit documentation

The Scope of ISA 230

7. Although ISA 230 addresses audits only, it would appear that a significant part of its basic principles, essential procedures and guidance could be extended to apply to engagements other than audits as contemplated by the Assurance Framework. Since the IAASB has not issued any Standard on documentation for non-audit assurance and related services engagements, the Task Force considered whether this project could provide a basis for a documentation standard applicable to all assurance and related services engagements.
8. Certainly, all types of audit engagements should use ISA 230 as their documentation standard. However, the Task Force recognized that other assurance and related services engagements have different scopes and reporting requirements, and consequently, it would be difficult to draft one standard that would be generic, yet sufficiently specific to meet the requirements of each individual type of engagement. Accordingly, the Task Force recommends restricting the scope of this project to audits only and that the IAASB considers projects to address documentation for other types of engagements at a later stage.

Action Required by IAASB

Does the IAASB agree to restrict the scope of this project to revising ISA 230 for audits only, and to consider projects to address documentation for other types of engagements at a later stage?

Structural and Process Issues**THE CONSTRUCT OF REVISED ISA 230**

9. The Task Force believes that there is significant potential for confusion over the role of ISA 230 given that other ISAs also contain documentation principles, procedures and guidance. The new Audit Risk and proposed Quality Control Standards also introduce additional significant documentation requirements that may cloud the role and authority of ISA 230 and its inter-relationship with other ISAs.
10. To address this issue, the Task Force considered two possible approaches to the construct of revised ISA 230.
11. The first approach would group all specific documentation principles and guidance in all other ISAs under ISA 230. The benefits of this approach would be to make it easier for the auditor to locate standards and guidance on what needs to be documented, and increase consistency of application in practice. However, this approach would have major drawbacks – it would require redrafting all affected ISAs (a time-consuming process), make it difficult to draft ISAs that are complete as standalone documents, necessitate frequent changes to ISA 230, and render ISA 230 unwieldy, with a mixture of foundation principles and detailed guidance pertaining to specific subject matters.
12. The second approach would provide only foundation principles in revised ISA 230 and explain that subject-matter-specific documentation principles and guidance can be found in other ISAs. The benefits of this alternative are that it is a conceptually more sound approach, would not require wholesale changes to existing ISAs, and would not lead to frequent changes to ISA 230 since foundation principles would not change often. It is also an approach that is supported by IOSCO. However, this approach might not completely eliminate a remaining degree of confusion over the role of ISA 230 and its inter-relationship with other ISAs.
13. The Task Force concluded that it would be preferable to adopt the second approach, i.e. structure ISA 230 as an overarching Standard on documentation with key foundation principles that support the formulation of specific subject matter documentation standards and guidance in other ISAs.
14. The introduction to the Standard would also explain the structure of ISA 230 and state that specific subject matter documentation principles and guidance can be found in other ISAs where relevant.

Action Required by IAASB

Does the IAASB support keeping the construct of ISA 230 as an overarching Standard?

IOSCO was of the opinion that it would be useful for ISA 230 to include, possibly in an appendix (which could be updated by Staff), a list of ISAs that include further guidance on documentation. What are the IAASB's views on this?

REVIEWING DOCUMENTATION REQUIREMENTS IN OTHER ISAS

15. Assuming the IAASB supports the Task Force's approach as set out in Paragraph 11 above, the Task Force considered whether the scope of the project should be expanded to include reviewing whether documentation principles and guidance, if any, in each of the other ISAs should be revised or expanded contemporaneously with the revision of ISA 230. In this regard, IOSCO provided specific documentation guidance that it suggested be added to ISA 570, "Going Concern," which does not presently have any.
16. The Task Force believes that opening up other ISAs in order to consider the appropriateness or adequacy of documentation principles and guidance in these ISAs would significantly increase the scope, length and complexity of this project. Accordingly, the Task Force concluded that it would only focus on a revision of ISA 230. However, the Task Force will liaise with the Revisions Committee should it identify any need to revise or add to specific documentation principles and guidance in any other ISA.
17. A related issue considered by the Task Force is how to "validate" existing documentation principles and guidance in other ISAs, IAPs and ISQC 1 against the overarching principles in revised ISA 230 to ensure consistency and avoid duplication. Since this would also be a significant exercise on its own, the Task Force recommends that this be addressed by the Revisions Committee on an individual ISA basis, as each ISA is considered for revision.

Action Required by IAASB

Does the IAASB concur with not opening up other ISAs for contemporaneous revision?

Does the IAASB agree that validation of existing documentation principles or guidance in other pronouncements against revised ISA 230 should be done on an individual basis by the Revisions Committee or the appropriate project Task Forces?

SMALL ENTITY AUDITS

18. The Task Force does not believe that it would be necessary to include a specific section within revised ISA 230 to address small entity audits. However, to the extent considered necessary and where appropriate, guidance from IAPS 1005, "The Special Considerations in the Audit of Small Entities," will be included to address the application of key principles or procedures to these audits, supported where appropriate by the use of examples.
19. Conforming changes would be necessary to IAPS 1005 as a consequence of including small-audit guidance in revised ISA 230.

Action Required by IAASB

Does the IAASB agree with the Task Force's approach with regard to small-audit documentation guidance in IAPS 1005?

Retention of Documentation

20. Paragraph 13 of ISA 230 requires the auditor to “adopt appropriate procedures for... retaining working papers for a period sufficient to meet the needs of the practice and in accordance with legal and professional requirements of record retention.” However, the Standard does not provide any further guidance on document retention.
21. By contrast, the proposed International Standard on Quality Control (ISQC) 1 addresses the issue of document retention in the context of the firm's system of quality control. The high-level guidance in ISQC 1 states that “*Documentation is retained for a period of time sufficient to permit an evaluation of the extent of the firm's compliance with its system of quality control by those performing monitoring procedures or for a longer period as may be required by applicable law or regulation.*”
22. In determining the approach to be taken to address the issue of document retention, the Task Force took into account the views expressed by IOSCO and the specific regulation introduced recently by the U.S. SEC as a result of the Sarbanes-Oxley Act.
23. IOSCO commented that “more guidance was needed on retention, particularly with regard to documentation that was subsequently superseded or considered necessary.” IOSCO also went further in recommending that “there should be a requirement to retain audit working papers for a minimum period such as 7 years, or such longer period as local requirements dictate.”
24. The U.S. SEC, on the other hand, has introduced detailed regulation (Rule 210.2-06 effective March 2003) on document retention after the enactment of the Sarbanes-Oxley Act. The regulation specifies detailed requirements regarding the types of document (e.g. working papers, memos, correspondence, etc. that contain conclusions, opinions, analyses, etc.) that should be retained and the specific period of time they should be retained (7 years after conclusion of the audit or review), regardless of whether such documents support, or are inconsistent with, the final audit conclusions. The question considered by the Task Force was whether revised ISA 230 should expand guidance on documentation retention as suggested by IOSCO or introduce more specific requirements along the lines of the U.S. SEC.
25. The Task Force concluded that it would not be appropriate to proceed along the lines of the U.S. SEC because the SEC requirements are too prescriptive and also specific to a particular jurisdiction. The Task Force also believes that it would be inappropriate to duplicate the guidance provided in ISQC 1 that is at a relatively high level. Such guidance effectively leaves it to the individual firm to decide on the method of retention and the form, content and extent of audit documentation required to be retained in order to ensure compliance with the quality control policies and procedures established at both the firm and engagement levels.
26. The Task Force also believes that it would not be appropriate to provide guidance on a specific period of retention for jurisdictions that do not currently have legal, regulatory or professional

requirements for document retention. This is because any specific period would necessarily be arbitrary due to the diversity of practices around the world. However, the Task Force concluded that, in such cases, guidance on what might be an appropriate retention period could be provided in generic terms such as:

- The need to maintain sufficient history or knowledge of the client to ensure continuity (e.g. retention of consolidation adjustments or tax-related working papers); and
- The need to supply information from the audit files or provide evidence of audit work done (e.g. the need of potential subsequent auditors for information about past audits, the need of regulatory agencies, professional bodies or other third parties to review the audit documentation for their various purposes, or the need for documentary support in litigation).

Action Required by IAASB

Does the IAASB support the Task Force's suggested approach to provide guidance regarding document retention at a high level as opposed to detailed rules on the nature and types of documentation that should be retained?

Does the IAASB agree that it would not be appropriate to specify a given period of retention in the Standard for jurisdictions that do not have specific legal, regulatory or professional requirements in this regard?

Does the IQQSB agree that guidance on a period of retention could be provided in terms of criteria as set out in paragraph 26 above?

Definition of Documentation

27. ISA 230 defines documentation as being the “working papers prepared by and for, or obtained and retained by the auditor in connection with the performance of the audit.” One potential interpretation issue that the Task Force has identified with this definition is that it does not discriminate between relevant and irrelevant, or between valid and invalid, materials – for example, irrelevant materials obtained and retained by the auditor in connection with the performance of the audit would meet the existing definition.
28. The Task Force was of the view that the definitions provided by U.S. SAS 96¹ and Canadian Auditing Section 5145² more appropriately address this interpretation issue because they focus on recording the audit procedures performed, evidence obtained and conclusions drawn to support the audit opinion. The Task Force therefore recommends aligning the definition of documentation in the revised ISA 230 with those in the corresponding U.S. and Canadian standards.

¹ U.S. SAS 96: Audit documentation is the principal record of auditing procedures applied, evidence obtained, and conclusions reached by the auditor in the engagement.

² CICA Section 5145: Working papers are the records kept by the auditor of procedures applied and the results thereof, information obtained and conclusions reached in performing his or her examination and preparing his or her report.

Action Required by IAASB

Does the IAASB agree to align the definition of audit documentation with the US and Canadian standards?

Significant Matters for Documentation

29. Guidance in ISA 230 states that “Working papers would include the auditor’s reasoning on all significant matters which require the exercise of judgment, together with the auditor’s conclusion thereon.” However, the guidance does not explain what would be considered a “significant matter.” The lack of such further guidance may lead to inconsistency of application in practice.
30. Accordingly, the Task Force intends to provide guidance on what would be considered a significant matter. In this regard, guidance in U.S. SAS 96³ would assist in explaining to the auditor which matters would qualify as “significant” to require documentation.

Action Required by IAASB

Does the IAASB agree to expand guidance on significant matters?

Documentation Sufficient to Enable Re-Performance of Audit Procedures

31. Paragraph 7 of ISA 230 states: “In assessing the extent of working papers to be prepared and retained, it may be useful for the auditor to consider what would be necessary to provide another auditor who has no previous experience with the audit with an understanding of the work performed and the basis of the principle decisions taken but not the detailed aspects of the audit.”
32. In this context, the Task Force considered whether audit documentation should be sufficient to enable re-performance of the audit. Actual practice varies widely among firms, with some firms recording sufficient information to enable re-performance of certain procedures, and others recording information just sufficient to support the conclusions but not to enable re-performance of such procedures.
33. The Task Force believes that it would not be practicable to require the auditor to maintain documentation to enable full and complete re-performance of the audit because some procedures might only be capable of performance at one point in time (for example, attendance at inventory count at a given date or inquiries of temporary client personnel), and some client data examined

³ U.S. SAS 96 describes significant matters as:

- Matters that both (a) are significant and (b) involve issues regarding the appropriate selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters often relate to (a) accounting for complex or unusual transactions or (b) estimates and uncertainties and, if applicable, the related management assumptions.
- Results of auditing procedures that indicate that (a) the financial statements or disclosures could be materially misstated or (b) auditing procedures need to be significantly modified.
- Circumstances that cause significant difficulty in applying auditing procedures the auditor considered necessary.
- Other findings that could result in modification of the auditor’s report.

during the audit might be transient in nature (for example, in-process electronic data that do not leave audit trails).

34. On the other hand, IOSCO was of the view that where the tests performed involved the inspection of documents or confirmations, the auditor should document the specific items tested. The Task Force believes that while this does not necessarily imply documentation to enable re-performance, ISA 230 could be strengthened by the inclusion of guidance along the lines suggested by IOSCO.
35. IOSCO also commented that the auditor should be required to prepare and retain documentation to enable appropriate personnel to understand the nature, timing, extent and results of auditing procedures performed, and the evidence obtained. The Task Force was of the view that this was appropriately addressed by the detailed documentation requirements in the proposed revised ISA 220 on quality control for audits. Accordingly, the Task Force does not see a need to provide detailed substantive guidance on this subject in revised ISA 230.

Action Required by IAASB

Does the IAASB agree that revised ISA 230 should not mandate documentation for the objective of re-performance?

Does the IAASB believe that guidance for the auditor to document specific items tested on tests of control and tests of details would be appropriate?

Practical Issues

PAPERLESS AUDIT DOCUMENTATION

36. A particular issue that needs to be addressed relates to firms that continually upgrade their audit software and hardware. The upgrade process could result in the original audit documentation no longer being accessible by the newer software or hardware during the retention period.
37. Other issues that need to be addressed but are not considered by the proposed quality control Standards relate to the management and retention of audit documentation in a paperless form.
38. While the Task Force is aware of the need not to turn ISA 230 into a “best-practice” document, the Task Force concluded that it would be appropriate to expand and strengthen guidance in these areas given that firms’ documentation methods and practices have changed considerably since the original ISA 230 was issued.

Action Required by IAASB

Does the IAASB support strengthening guidance in the area of paperless audit documentation?

SUBSEQUENT CHANGES TO AUDIT DOCUMENTATION

39. An issue that arises frequently in practice is the making of changes to the audit file subsequent to the completion of the audit and after the auditor’s report has been issued – for example, signing off on working papers or completing critical issues memoranda after the auditor’s report has been issued. The Task Force considered whether it would be appropriate to introduce basic principles

or guidance to assist the auditor in determining what would be legitimate file completion and assembling procedures and what might be interpreted as file doctoring after the auditor's report had been issued – and therefore have potential legal implications. This issue is not addressed by the proposed quality control standards.

40. IOSCO was effectively of the view that changes should not be made to the audit file once the auditor's report has been issued. It suggested adding the following wording after the definition of documentation: "It does not include any material which is prepared at a later date (after the audit report has been issued)."
41. The Task Force believes that mandating that auditors should not make changes to their audit files after the auditors' reports have been issued would not be practicable. This is because, in practice, auditor's reports frequently have to be issued to meet reporting deadlines even though the related audit files might not have been completely assembled and wrapped up. Consequently, the Task Force believes that IOSCO's suggestion cannot be implemented.
42. However, the Task Force proposes to provide guidance in terms of the fact that documented audit evidence is not only required to be sufficient and appropriate, but also contemporaneous with the audit procedures performed during the engagement. That is, while it would be acceptable for the auditor to complete the audit file after the auditor's report has been issued by documenting existing evidence obtained during the course of the audit, it would be inappropriate for the auditor to document new evidence obtained after the auditor's report has been issued, even if the new evidence does not contradict existing evidence on file.
43. Also, as discussed in ISA 560, "Subsequent Events," certain facts that existed at the date of the auditor's report may be discovered after the financial statements and the auditor's report have been issued and that, if known at that date, may have caused the auditor to modify the auditor's report. The Task Force considered whether evidence obtained as a result of the auditor's performance of new procedures in respect of the facts discovered should be included in the existing audit documentation. In the case where the new facts are found not to require a revision of the financial statements or the auditor's report, the Task Force was of the view that the original audit evidence obtained was already sufficient and appropriate and therefore, the auditor need not include in the audit documentation new evidence obtained that, in essence, was not critical to the original auditor's opinion. However, where the facts discovered lead to a modification of either the financial statements or the auditor's report, the auditor should issue a new re-dated report. The re-dating of the auditor's report would be deemed to re-open the original audit and thus any new evidence obtained up to the date of the new auditor's report should be included in the audit documentation.
44. Another issue considered by the Task Force was whether it would be appropriate for the auditor to "re-open" the audit file some time after the auditor's report has been issued in order to clarify the documentation in certain working papers – for example, as a result of an internal quality control review. The Task Force concluded that this would be acceptable as long as the clarification related to existing evidence obtained during the course of the audit, the changes made were clearly indicated and dated, and the changes did not introduce new evidence, evaluations or conclusions.

Action Required by IAASB

Does the IAASB agree that it would not be practicable to mandate that the auditor should not make changes to the audit file after the auditor's report has been issued?

Does the IAASB agree that changes may be made if they merely clarify existing documentation or document evidence obtained at the time the audit procedures were performed?

What are the IAASB's views on the issue of documenting new evidence obtained as a result of facts discovered after the auditor's report has been issued?

APPENDIX – PROPOSED DISPOSAL OF IOSCO’S COMMENTS

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
<p>Overall Comment</p> <p>IAASB's approach has been to put all guidance on audit documentation in ISA 230. However, there appears to be inconsistencies in the application of this approach. For example, paragraph 28 of ISA 250 and paragraph 8 of ISA 300 have guidance on the documentation for specific issues of the relevant standard.</p> <p>Reconsideration of the approach may be appropriate considering the following options:</p> <ol style="list-style-type: none"> 1. retaining all guidance on documentation in this standard – this will require guidance to be removed from other ISAs; 2. including guidance on documentation in each ISA – this will require guidance to be added to many ISAs that do not contain guidance on documentation; or 3. retaining its hybrid approach whereby guidance is included in some ISAs but not others – this will require in ISA 230 an explanation of why some ISAs include guidance on documentation. Also IAASB should explain the status of ISAs that do not include guidance on documentation. It should be made clear that the absence of guidance on documentation in an individual ISA does not reduce the need to document the audit work described in that ISA. It would be useful for this standard to include, possibly in an appendix, a list of ISAs that include further guidance on documentation. <p>After selecting one of these approaches the IAASB should review all existing ISAs to determine whether the existing guidance, or lack of guidance, fits within the selected approach.</p> <p>The Standing Committee supports the hybrid approach with ISA 230 limited to coverage of the general principles governing audit documentation. Other ISAs addressing specific aspects of an audit should include, where relevant, one or two paragraphs providing guidance on the implementation or application of the general principles in the context of the particular issue. For example, in ISA 570 (Going Concern), there is merit in providing guidance on the specific matters to be documented by the auditor with regard to the going concern assumption. An auditor seeking guidance with regard to going concern could be expected to review ISA 230 for relevant direction after consulting ISA 570. However, it is likely that the documentation standard will either be too general to provide meaningful guidance or it will become unwieldy because of the</p>	<p>The hybrid approach has been retained with Paragraphs 4, 7 and 12 being the overarching requirements.</p>

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
need to keep adding new material to address the specific documentation needs associated with a particular new standard.	
<p>Paragraph 2</p> <p>The standard requires an auditor to document matters which are <u>important</u> in providing evidence to support the audit opinion. Accordingly, evidence that has the following characteristics may not be documented:</p> <ul style="list-style-type: none"> • Evidence that is relevant to support the audit opinion but may not be important. • Evidence that casts doubt as to the accuracy of the accounts and hence does not support the audit opinion. <p>Consider replacing the word “important” by “relevant”.</p>	<p>The Task Force considered that replacing “important” with “relevant” would potentially lead to a requirement for the auditor to significantly increase the extent of documentation. Accordingly, the Task Force was of the view that retaining the use of “important” was more appropriate.</p>
<p>Paragraph 2</p> <p>It would be beneficial if it were acknowledged that certain jurisdictions may provide for additional documentation requirements and that, if applicable, the auditor is expected to comply with those requirements as well.</p>	<p>See introductory Paragraph 1.</p>
<p>Paragraph 2</p> <p>The objective of a financial statement audit is an expression of an opinion thereon, Accordingly, it is critical that the auditor be required to retain documentation whereby appropriate personnel could understand the nature, timing, extent and results of auditing procedures and the evidence obtained and that demonstrates that the working papers agree or reconcile to the financial statements being reported on.</p>	<p>See Paragraph 7. The requirement to reconcile the working papers to the financial statements is considered subsumed within the requirement for the documentation to support the auditor’s opinion.</p>
<p>Paragraph 3</p> <p>The definition of “documentation” in paragraph 3 should be amended to make it clear that documentation prepared in connection with quality assurance reviews is outside the scope of ISA 230.</p> <p>The following suggested additional wording might be proposed (for insertion after the first sentence of paragraph 3): “It</p>	<p>See introductory Paragraph 2.</p> <p>See proposed new section on</p>

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
does not include any material which is prepared at a later date (after the audit report has been issued).”	changes to documentation after issue of auditor’s report, Paragraphs 21 – 24.
<p>Paragraph 5</p> <p>ISA 230 should be expanded to make the point that auditors should have regard to the fact that the working papers may be required for the purposes of internal and/or external quality assurance reviews, after the audit opinion is issued, in deciding how they should be structured/organized.</p> <p>We suggested the following wording to illustrate this point. “The auditor should be aware of relevant review systems operated within the office, the firm, the professional organization or any relevant regulatory bodies outside the profession. Working papers and the way they are retained should be tailored according to requirements set by such systems.”</p>	The organization of the auditor’s documentation for QC purposes is a specific matter for the individual firm to decide and is not considered appropriate for elaboration in this Standard.
<p>Paragraph 6</p> <p>The first sentence of paragraph 6 refers to the auditor recording “...the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained.” This sentence should state explicitly that the auditor should record the audit evidence obtained as well as the auditor’s conclusions. This could be achieved by amending the end of this sentence to read: “the nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained <u>and the conclusions drawn therefrom</u>”.</p>	See Paragraph 7.
<p>Paragraph 6</p> <p>The need for the auditor to record his reasoning on all significant judgmental matters is a key point meriting a separate paragraph.</p>	See Paragraphs 14 & 15.
<p>Paragraph 6</p> <p>Paragraph 6 requires that “all significant matters which require the exercise of judgment” be documented in the working papers. Although the paragraph continues to specifically mention “difficult matters of principle or judgment,” consider providing examples of matters requiring documentation to enhance clarity. Examples could include instances where the auditor disagreed with management in the accounting treatment adopted.</p>	See Paragraph 13. Disagreements with management are addressed in proposed revised ISA 220 under differences of opinion.
Paragraph 7	

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
<p>The Standard suggests that (i) the extent of working papers is a matter of judgment and that (ii) “it may be useful for the auditor to consider what would be necessary to provide another auditor to consider who has no previous experience with the audit with an understanding of the work performed and the basis of the principle decisions taken but not the detailed aspects of the audit”. With regard to (i), consider whether the Standard should specify the test to be applied in the exercise of professional judgment. With regard to (ii), consider whether the use of the “may” is too weak. Wording with a stronger and explicit expression, for example, “should”, may be appropriate.</p>	<p>This paragraph superseded by overarching Paragraph 7 in initial draft.</p>
<p>Paragraph 8</p> <p>In addition to the matters to be considered in paragraph 8, the auditor should always consider the need to document a conclusion (or the basis for a conclusion) when it is not already readily determinable from the documentation of the work performed.</p>	<p>See Paragraph 8.</p>
<p>Paragraph 9</p> <p>A statement should be added to the effect that the use of standardized working papers does not remove the need for the exercise of professional judgment in the planning, execution and conclusion of audit procedures in each individual case.</p>	<p>See Paragraph 18.</p>
<p>Paragraph 11</p> <p>Paragraph 11 includes 18 bullet points of matters that “working papers ordinarily include”. Some may conclude that a long list of possible matters that may be found in working papers as a definitive list. This is clearly not the intention in the drafting of IAASB. Accordingly it may be beneficial if the list were divided into matters that should always be found, for example, documentation of planning, and matters that should be found when relevant, for example, communication with other auditors.</p>	<p>List deleted since the documentation of the matters the list addresses is already covered in other ISAs.</p>
<p>Paragraph 11</p> <p>The 10th bullet point of paragraph 11 should be expanded to explain that, where the tests performed involve the inspection of documents or confirmations, the auditor should document the specific items tested.</p>	<p>See Paragraph 17.</p>
<p>Paragraph 11</p> <p>Paragraph 6 requires the auditor to record the “nature, timing and extent of the audit procedures performed, the results thereof, and the conclusions drawn from the audit evidence obtained.” In the 10th bullet point of paragraph 11 the reference to conclusions drawn is dropped. The reference to recording conclusions should be included in the bullet points in paragraph</p>	<p>Bullet points deleted – see comment above.</p>

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
11. The comment concerning paragraph 6 and the need to record “audit evidence obtained” should also be reflected in the bullet points in paragraph 11.	
<p>Paragraph 11</p> <p>Consider adding the following to the list in paragraph 11:</p> <ul style="list-style-type: none"> • A record of the materiality used, and its method of computation • Details of consultations regarding difficult or contentious matters, including the selection and application of accounting principles or policies. • Details of and support for matters reported to the Audit Committee or others charged with governance. 	Ditto.
<p>Paragraph 11</p> <p>A new paragraph should be inserted after paragraph 11 addressing the retention of points arising from reviews of the working papers conducted prior to signing the audit report. The following suggested wording might be considered:</p> <p>“The working papers should evidence the extent of the review process undertaken before the audit report was signed and record the resolution of any significant matters arising from these reviews.”</p>	This point addressed by the documentation requirements of the proposed revised ISA 220 on quality control.
<p>Paragraph 13</p> <p>There should be a requirement to retain audit working papers for a minimum period, for example, 7 years or such longer period as local requirements dictate.</p>	Not considered practicable because of the diversity of practices around the world. Instead, guidance as to the factors that determine the period of retention is provided – see Paragraph 31.
<p>Paragraph 13</p> <p>More guidance is needed on retention, particularly with regard to documentation that was subsequently superseded or considered unnecessary.</p>	The Task Force has avoided going into detail in explaining what type of documentation should be retained since this could potentially lead to a set of rules.

IOSCO Comment	How Addressed in Preliminary Draft of Revised ISA 230
	Instead, relevant high-level criteria are provided in Paragraph 31 and it is left to the auditor's professional judgment to make the appropriate decisions.
<p>Paragraph 13</p> <p>Whereas the IT environment is increasingly affecting the form of working papers, paragraphs 13 and 14 have no specific provisions about security of electronic working papers against unauthorized changes after the audit report has been issued. Considering the characteristics of electronic data, this standard should provide specific provisions regarding (i) security against unauthorized changes to electronic working papers after the audit report has been issued and (ii) safeguards that auditors have to take into account in ensuring that any changes in the software during the retention period will not render the electronic working papers unreadable.</p>	See Paragraphs 24 – 29.