

INTERNATIONAL STANDARD ON AUDITING 230 (REVISED)**AUDIT DOCUMENTATION**

(Effective for audits of historical financial information for periods commencing on or after [December 15, 2005])

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International Standard on Auditing (ISA) 230 (Revised), "Audit Documentation," should be read in the context of the "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services," which sets out the application and authority of ISAs.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish basic principles and essential procedures for, and to provide guidance of a general nature on, audit documentation for audits of historical financial information, including audits of financial statements. As listed in the Appendix, other ISAs and International Auditing Practice Statements (IAPSs) contain specific documentation standards and guidance that are in addition to those in this ISA. Applicable laws or regulation may provide further documentation requirements.
2. **The auditor should prepare and maintain audit documentation to support the auditor's report and to provide evidence that the audit was carried out in accordance with ISAs.**

Definitions

3. In this ISA, the following terms have the meanings attributed below:
 - (a) "Contemporaneous evidence" – evidence that the auditor obtained before the date of the auditor's report;
 - (b) "Date of the auditor's report"[#] – the date of the completion of the audit.¹ This is considered to be the date on which the auditor has obtained sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. The auditor may not yet have fulfilled all responsibilities related to the audit, for example, the auditor may not yet have had an opportunity to communicate the audit matters of governance interest that arose from the audit to those charged with governance. However, the auditor has completed the work necessary to support the auditor's opinion on the financial statements. Frequently, this date will be the same as the "date of approval of the financial statements" but it could be later, such as when the auditor has not yet obtained all of the audit evidence necessary to support management's assertions regarding significant estimates, transactions or events at the time that management approves the financial statements.
 - (c) "Date the historical financial information is issued"^{*} – the date that the historical financial information and the accompanying auditor's report are made available to third parties, which may be, in many circumstances, the date that they are filed with a regulatory authority;
 - (d) "Experienced auditor" – an individual (whether internal or external to the firm) who possesses the competence, capabilities and experience equivalent to those of the person responsible for the audit, including knowledge of the current accounting, auditing and financial reporting issues specific to the industry in which the client operates; and
 - (e) "Inspection"^{**} – in relation to completed audit engagements, procedures designed to provide evidence of compliance by engagement teams with the firm's quality control policies and procedures.

[#] As defined in ISA 560 (from ISA 700 conforming changes).

¹ In some jurisdictions, law or regulation may prescribe when the audit is considered to be completed. In such circumstances, the auditor uses this date as the date of the auditor's report.

^{*} Adapted from the definition of "Date the financial statements are issued" in ISA 560 (from ISA 700 conforming changes).

Nature and Purposes of Audit Documentation

4. “Audit documentation” represents the principal record of audit procedures performed, relevant evidence obtained and conclusions reached by the auditor during the audit². Audit documentation is also known as working papers or workpapers, and may be in the form of information recorded on paper or electronic or other media. Examples of audit documentation include audit programs, analyses, issues memoranda, letters of confirmation and representation, checklists, extracts of important entity documents, correspondence (including e-mail) concerning significant matters, and schedules of work performed by the auditor.
5. Audit documentation serves a number of primary purposes, including:
 - (a) Assisting the audit team to plan and perform the audit;
 - (b) Assisting members of the audit team with supervision responsibilities to direct and supervise the audit work, and review the quality of work performed, in accordance with ISA 220, “Quality Control for Audits of Historical Financial Information;”
 - (c) Enabling members of the audit team to be accountable for their work;
 - (d) Demonstrating that the audit work was performed in accordance with ISAs and regulatory and legal requirements;
 - (e) Providing an enduring record of the evidence that supports the auditor’s report;
 - (f) Maintaining a record of matters of continuing significance to future audits for the same client; and
 - (g) Enabling experienced auditors to conduct quality control inspections, whether in accordance with ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,” or other requirements.

While documentation alone does not guarantee audit quality, good documentation enhances the quality of performance of the audit.

Form, Content and Extent of Audit Documentation

6. **The auditor should prepare audit documentation that is sufficient to:**
 - (a) **Enable members of the audit team with supervision and review responsibilities to understand the nature, timing, extent and results of audit procedures performed, the relevant evidence obtained, and the conclusions reached;**
 - (b) **Enable an experienced auditor, having no previous connection with the audit, to understand the significant conclusions reached, and in relation to these significant conclusions, the nature, timing, extent and results of audit procedures performed and the relevant evidence obtained; and**

^{**} As defined in ISA 220 (Revised) published in February 2004.

² While audit documentation provides the principal support for the auditor’s report, this does not preclude the auditor from supporting the auditor’s report by other means in addition to audit documentation.

(c) Show that the accounting records agree or reconcile with the financial statements or other information on which the auditor is reporting.

7. As discussed in paragraph 5, audit documentation serves not only to enable members of the audit team responsible for supervision to review the work performed, but also to enable experienced auditors to conduct quality control inspections in accordance with ISQC 1 or other requirements. However, because of their different objectives, the review of audit documentation in the latter case may not be performed to the same level of detail as in the former case. Accordingly, for the purposes of experienced auditors conducting inspections, audit documentation that the auditor prepares needs to be sufficient to enable them to understand, at a minimum, the significant conclusions reached on the audit together with the nature, timing, extent and results of the related audit procedures performed and the relevant evidence obtained.
8. The auditor may have in-depth knowledge of, and experience with, the entity gained through, for example, performing prior audits or other engagements for the entity, or by virtue of the entity's small size. While such knowledge and experience yield efficiency benefits to the auditor, they do not eliminate the need for the auditor to prepare and maintain sufficient and appropriate audit documentation.
9. **Audit documentation should include:**
 - (a) **Identification of the member of the audit team who prepared the audit documentation and the date such work was completed; and**
 - (b) **In respect of specific audit documentation reviewed, identification of the member of the audit team who performed the review and the date such review was completed.**
10. Certain audit procedures are undertaken over an extended period and may only be considered completed when the auditor is able to conclude, based on the auditor's judgment and the relevant evidence obtained, that the objective of the audit procedure has been met. However, when a member of the audit team responsible for supervision reviews a given piece of audit documentation, this may give rise to further audit procedures that the reviewer considers necessary to resolve issues or inconsistencies identified, or to cure deficiencies in the quality of the work performed. The review is not considered completed until the reviewer is satisfied that all the reviewer's questions relating to the work performed have been cleared and the audit objective has been met.
11. The extent of audit documentation is a matter of professional judgment since it is neither necessary nor practical to document every matter the auditor considers. The form and content of audit documentation are affected by various considerations such as the following:
 - Nature of the engagement.
 - Nature, size and complexity of the entity.
 - Nature and complexity of the entity's computerized information systems, including the level of automation and integration.
 - Nature, complexity and condition of the entity's internal control.

- Significance of the particular matter being audited.
- Source of the evidence, whether internal or external to the entity.
- Form of the evidence, whether in paper, electronic or other form.
- The auditor's report.
- Needs in the particular circumstances for direction, supervision and review of work performed by audit team members.
- Specific audit methodology and documentation tools used, for example, proprietary audit software.

12. The use of standardized audit documentation (for example, checklists and standard audit programs) may improve the efficiency of the preparation and review of audit documentation. It may also be efficient for the auditor to make use of appropriate schedules, analyses and other documentation prepared by the entity if the auditor is satisfied about the accuracy and completeness of the information. However, the use of such standardized or entity-prepared documentation is not a substitute for the appropriate exercise of professional judgment.

Documentation of Significant Matters

13. The auditor should prepare audit documentation for all matters that, in the auditor's professional judgment, are significant. The audit documentation should include the procedures performed to address these significant matters, the relevant evidence obtained, the final conclusions reached and the bases for the conclusions.

14. The significance of a matter is determined based on an objective analysis of the facts and circumstances. Significant matters include, for example:

- Matters that give rise to significant risks (as defined in ISA 315, "Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement"), such as:
 - Matters that require the exercise of significant judgment, for example, accounting for complex or significant unusual transactions, or accounting for significant estimates and uncertainties.
 - Matters that indicate fraud risks.
 - Significant transactions with related parties.
 - Recent significant economic, accounting or other developments.
- Results of audit procedures that indicate that:
 - The financial statements or disclosures could be materially misstated; or
 - There is a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.
- Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
- Findings that could result in modification of the auditor's report.

15. The process of documenting the bases for the conclusions reached on significant matters, particularly those requiring the exercise of judgment, often helps the auditor to better understand

the issues in question and enhances the quality of the auditor's conclusions. In addition, the documentation of such bases for conclusions assists members of the audit team with supervision and review responsibilities, as well as experienced auditors with inspection responsibilities, to:

- (a) Evaluate whether the auditor considered all the relevant facts known to the auditor at the time;
- (b) Understand the rationale supporting the decisions taken or conclusions reached by the auditor; and
- (c) Evaluate whether the auditor's conclusions on the significant matters were appropriate in the circumstances.

16. Where the auditor communicates significant matters orally to management, the auditor appropriately documents the matters discussed and the related final responses on a timely basis. Similar considerations apply in respect of oral communications of such matters with those charged with governance, as discussed in ISA 260, "Communication of Audit Matters with those Charged with Governance."

Documentation of Specific Items Tested

17. The auditor should document the identifying characteristics of the specific items tested when performing audit procedures.

18. Such identifying characteristics will vary according to the nature of the audit test and the subject matter. For example:

- A detailed test of entity-generated purchase orders may identify the documents selected for testing by their dates and unique purchase order numbers.
- For a test requiring selection or review of all items over a specific amount from a given population, the auditor may record the scope of the test and the identification of the population (for example, all journal entries over \$25,000 from the journal register).
- For a test requiring inquiries of specific entity personnel, the documentation may include the dates of the inquiries and the names and job designations of the entity personnel.
- For an observation test, the documentation may identify the process or subject matter being observed, the relevant individuals involved and what they were responsible for, and when the observation was carried out.

19. The auditor need not retain copies of the entity's records from which items were selected for testing, unless such copies are essential to the understanding of the work performed and the conclusions reached.

Permanent Audit Files

20. In the case of a recurring audit, audit documentation of continuing importance, such as significant contracts and agreements of the entity, may be retained in a "permanent" audit file for the future reference of the audit team. As required by ISA 315, the auditor reviews any changes that have occurred in the entity or its environment during the course of each audit. Such review may identify matters that affect the relevance of information in the permanent audit file. Accordingly,

the auditor updates the permanent file appropriately, taking into account the retention guidance set out in paragraph 30.

Changes to Audit Documentation after the Date of the Auditor's Report

- 21. The auditor should not make substantive changes to audit documentation after the date of the auditor's report unless such changes are intended to appropriately document contemporaneous evidence.**
22. Circumstances may arise where the auditor may not have had the opportunity to document contemporaneous evidence before dating and issuing the auditor's report (for example, due to a pressing reporting deadline), but has appropriately discussed and cleared such evidence with members of the audit team with supervision responsibilities, including, where applicable, the engagement quality control reviewer. The auditor documents such evidence on a timely basis after the date of the auditor's report, identifying when and by whom the documentation was prepared and reviewed.
23. Circumstances may also arise after the date of the auditor's report that require the auditor to clarify audit documentation, for example, as a result of a quality control inspection. The auditor may document such clarification provided that the auditor clearly identifies the changes, when and by whom the changes were made and reviewed, and the reason for the changes.
- 24. The documentation of contemporaneous evidence or the clarification of documented evidence after the auditor's report has been signed and dated should not result in new evaluations or conclusions, deletion or removal of evidence already documented, or after-the-fact evidence gathering.**
25. As discussed in ISA 560, "Subsequent Events," the auditor does not have any responsibility to perform audit procedures after the date of the auditor's report. However, the auditor may receive new information after the date of the auditor's report that the auditor would have evaluated if known at that date, for example, a belated third party confirmation or new information concerning the impairment condition of a material asset. To the extent that the auditor considers it appropriate to evaluate, or perform other audit procedures on, this new information, such information constitutes new evidence that may or may not affect the auditor's report. If, on the basis of professional judgment, the auditor determines that it is not necessary to examine the new information, such information need not be retained. However, if the auditor determines that it is appropriate to examine the new information, what the auditor documents depends upon the outcome of that examination:
 - (a) If the information adds new evidence that does not affect the auditor's report, the auditor may:
 - (i) Retain the evidence with the audit documentation provided the auditor identifies when and by whom the evidence was received, and, where applicable, when and by whom it was reviewed, and documents a conclusion that it does not affect the auditor's previous conclusions; or

- (ii) Retain the evidence separately from the audit documentation provided the auditor identifies the audit to which the evidence relates, records when and by whom the evidence was received, and, where applicable, when and by whom it was reviewed, and documents a conclusion that it does not affect the auditor's previous conclusions.
- (b) If the information adds new evidence that might have caused the auditor to modify the auditor's report if known at the date of the auditor's report, the auditor:
 - (i) Clearly identifies in the audit documentation the new evidence obtained and any consequential changes to the documentation that supported the original auditor's report;
 - (ii) Records when and by whom the changes were made and reviewed;
 - (iii) Records the reasons for the changes and the effect of the changes on the auditor's original conclusions and the auditor's report that has been issued; and
 - (iv) Follows the requirements and guidance in paragraphs 13 to 18 of ISA 560, "Subsequent Events."

Confidentiality, Safe Custody, Retention and Ownership of Audit Documentation

26. The auditor should adopt appropriate procedures for audit documentation to:

- (a) Maintain its confidentiality;**
- (b) Maintain its safe custody;**
- (c) Protect its integrity, reliability and retrievability; and**
- (d) Enable its retention for a period sufficient to meet the needs of the firm and in accordance with legal and professional requirements.**

27. As discussed in Part A of the IFAC Code of Ethics for Professional Accountants, the auditor has a professional duty to maintain the confidentiality of client information. Specific laws or regulations may impose additional obligations on the auditor to maintain client confidentiality, particularly where data of a personal nature are concerned.

28. Regardless of whether audit documentation is in paper, digital or other form, risks to the integrity, reliability and retrievability of the underlying data exist because the documentation may be altered, added to or deleted without the auditor's knowledge, or become permanently lost or damaged. Accordingly, the auditor adopts appropriate controls for audit documentation to:

- (a) Clearly determine when and by whom audit documentation was created, changed or reviewed;
- (b) Protect the integrity, reliability and retrievability of the information at all stages of the audit process, especially when the information is shared within the audit team or transmitted to other parties via the Internet;
- (c) Prevent unauthorized changes to the documentation after the auditor's report has been issued; and

- (d) Allow access for the audit team and other authorized parties as and when necessary for the proper discharge of their responsibilities.
29. The auditor exercises professional judgment in determining which appropriate controls to implement to maintain the confidentiality, safe custody, integrity, reliability and retrievability of audit documentation, taking into account considerations such as the nature of the audit and the cost effectiveness of the controls. For example, in respect of electronic audit documentation, procedures that the auditor may implement include:
- The use of a password among audit team members to restrict access to the documentation to authorized users only.
 - Appropriate back-up routines for the documentation at appropriate stages during the audit.
 - Procedures for distributing the documentation to the audit team members at the start of fieldwork, processing it during fieldwork and collating it at the end of fieldwork.
 - Procedures that allow archived documentation to be retrievable during the retention period, even though the underlying technology may have been upgraded or changed.
 - Procedures that provide a record of changes made to audit documentation after the auditor's report has been issued.
 - Procedures that enable authorized external experienced auditors, who may not be familiar with the auditor's electronic documentation system, to effectively review specific audit documentation for quality control or other purposes.
30. Audit documentation for completed audits is assembled within a reasonable period after the auditor's report has been issued so that the audit file may be closed on a timely basis. Such documentation is retained for a period sufficient to meet the various purposes set out in paragraph 5. This period is ordinarily not shorter than seven years from the date the historical financial information is issued, unless local law or regulation prescribes a longer period.
31. Audit documentation is the property of the auditor's firm. Although portions of, or extracts from, the audit documentation may be made available to the entity at the discretion of the auditor, they are not a substitute for the entity's accounting records.

Effective Date

32. This ISA is effective for audits of historical financial information for periods commencing on or after [December 15, 2005]. Early application of this ISA is permissible.

APPENDIX**Specific Audit Documentation Standards and Guidance in Other ISAs and IAPSs**

The following lists the main paragraphs that contain specific documentation standards and guidance in other ISAs and IAPSs:

- ISA 210, “Terms of Audit Engagements” – Paragraph 5;
- ISA 220, “Quality Control for Audits of Historical Financial Information” – Paragraphs 11 – 14, 16, 25, 27, 30, 31 and 33;
- ISA 240, “The Auditor’s Responsibility to Consider Fraud and Error” – Paragraphs 49 and 50;
- ISA 250, “Consideration of Laws and Regulations” – Paragraph 28;
- ISA 260, “Communication of Audit Matters with Those Charged with Governance” – Paragraph 16;
- ISA 300, “Planning” – Paragraphs 8 and 10;
- ISA 315, “Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement” – Paragraphs 122 and 123;
- ISA 330, “The Auditor’s Procedures in Response to Assessed Risks” – Paragraph 73;
- ISA 505, “External Confirmations” – Paragraph 33;
- ISA 580, “Management Representations” – Paragraph 10;
- ISA 600, “Using the Work of Another Auditor” – Paragraph 14;
- IAPS 1005, “The Special Considerations in the Audit of Small Entities” – Paragraphs 43 and 46; and
- IAPS 1009, “Computer-Assisted Audit Techniques” – Paragraph 25.