

International Federation of Accountants
545 Fifth Avenue, 14th floor
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Oslo, 13 February 2004

Comments to Preliminary Exposure Draft – ISA 230 Documentation

Dear Ken,

On behalf of INTOSAI I am very happy to be a part of the task force working on proposed revised ISA 230 Documentation.

Our INTOSAI project group is just recently formed and we have therefore not had the opportunity to contribute previously to the issues paper and preliminary draft of the revised ISA. We understand that ISA 230 is on the IAASB agenda for the February meeting. In light of this we wish to provide input which we hope will be helpful at this stage of the process and going forward.

Through our input we hope to contribute to the quality of the ISAs in general, and specifically to identify issues unique to the public sector that should be addressed within the standard, or in supplementary guidance.

We appreciate the work done by the task force so far in revising ISA 230 with relevant and timely issues. In general we support ISA 230 as a robust and overarching standard and agree with many of the updates and revisions that have so far been incorporated into the preliminary draft.

In our view, however, we would like to see more of the elements unique to the public sector incorporated into the revised ISA. We set out some of our initial comments below:

1. Introductory Comments - The introductory comments section presently states “The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISA. Where no PSP is added, the ISA is applicable in all material respects to the public sector.” Based on the new cooperation between IFAC and INTOSAI, and our understanding of work to be performed by the Public Sector Committee (focusing on International Public Sector Accounting Standards), we would encourage revising this text to recognize INTOSAI’s input into the issuance of any PSPs. It may also be preferable to indicate that additional guidance for the public sector can be found in practice notes to be developed by INTOSAI.

TF response: The introductory box now has a shorter boilerplate that replaces the old paragraph. However, the issue of recognizing INTOSAI's input into the drafting of any public sector perspectives in the IAASB's pronouncements will be addressed in a revision to the Preface.

2. Language - In general we would prefer to see more neutral, and less private sector oriented language, replacing for example "firm", and "the practice" with for example "audit organization". Whilst there are references to smaller businesses and "owner-managers" in paragraphs 10 and 31 for example, there are no similar references to the public sector considerations in the document.

TF response: This issue is not limited to the revision of ISA 230 and will be addressed separately in the revised Glossary.

3. Audit Quality - We believe that audit documentation is an essential element of audit quality and this is important to emphasize in the standard. The wording of the present text, especially the wording of paragraph 2, may not get across sufficiently the idea of performing a quality audit in the first instance, before any quality control activities take place. We would suggest emphasizing in paragraph 6 that one of the purposes of audit documentation is to enhance audit quality.

TF response: This emphasis is added to the end of paragraph 5 in the first read.

4. The Public Sector Auditor's Extended Mandate - Paragraph 3 states that "while this ISA addresses documentation considerations in an audit of general purpose financial statements, it is also applicable to the audits of other financial or other information such as engagements performed in accordance with ISA 800, "The Auditor's Report on Special Purpose Audit Engagements." However, one of the fundamental differences in the public sector is the extended mandate and focus of the public sector auditor which includes regularity and compliance audit in addition to the financial statement audit. In the public sector, the concept of "special purpose audit engagements" would usually refer to assignments or audits that are much narrower in scope than general audits. We believe that it is important to recognize this public sector consideration to a greater degree in the standard.

TF response: This issue is wider in scope than just ISA 230 and will be addressed in a revision to the Preface.

5. Sufficient Audit Documentation - Paragraph 7 states "The auditor should prepare audit documentation that is sufficiently complete and detailed to enable *members of the engagement team* with supervision and review responsibilities to understand the nature, timing, extent and results of audit procedures performed, the evidence obtained and the conclusions drawn therefrom." We believe that this principle should be revised to indicate that audit documentation should be sufficient to allow *an experienced auditor, one not connected with the engagement, such as an external reviewer* to understand the nature, timing, extent and results of audit procedures performed, the evidence obtained and the conclusions drawn therefrom". This

principle is especially relevant for those Supreme Audit Institutions (SAIs) reviewing the work of external auditors who audit government agencies.

TF response: The need to consider the possibility of documentation inspections by experienced auditors is now addressed in paragraph 6 of the first read.

6. Confidentiality - One of the other fundamental differences is the public sector's focus on transparency and accountability. Audit documentation plays an important role in this respect. There is an ongoing need in the public sector to balance confidentiality with the need for transparency and accountability. It is typical that some of the documentation or evidence obtained in a public sector audit might be a matter of public record. This requires the auditor to continually use judgment. The public sector auditor may also have additional statutory responsibilities in regard to confidentiality. Guidance on these matters could be built into paragraphs 30 – 31.

TF response: See cover sheet at Agenda Item 7, where the issue is highlighted for the Board to consider.

7. Safe Custody - It is not unusual in the public sector to have to deal with requests from outside parties to obtain access to audit documentation. This can be especially sensitive when the outside party attempts to obtain information indirectly from the audit organization that it is unable to obtain directly from the audited entity. Having clearly defined policies and procedures to deal with such situations is important. It is also necessary to consider relevant legislation. Furthermore, this issue is important in regard to maintaining the credibility of the audit organization. Again, guidance could be built into paragraphs 30 – 31.

TF response: Ditto.

I would be happy to elaborate on any of the comments above and look forward to working together with the IFAC task force on this project going forward.

Yours sincerely
for INTOSAI

Kelly Ånerud

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