

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

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

[Draft 108: ~~June 16~~August 12, 2004]**CONTENTS**

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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~~ is purpose of this International Standard on Auditing (ISA) is to ~~establishes~~ basic principles and essential procedures for, and ~~provides~~ general guidance on, audit documentation for audits of historical financial information, including audits of financial statements. The Appendix lists other ISAs containing subject matter-specific documentation ~~standards-requirements~~ and guidance. Laws or regulations may ~~provide further-establish additional~~ documentation requirements.
2. The auditor should prepare audit documentation that is sufficient and appropriate to provide a record of the basis for the auditor's report and to demonstrate that the audit was performed in accordance with ISAs and applicable legal and regulatory requirements.

Definitions

~~23.~~ In this ISA,:

- (a) ~~“Date of the auditor's report”^{*} means the date the audit is completed.[†] The audit is considered completed when the auditor has obtained sufficient appropriate audit evidence to support the auditor's opinion;~~
- (b) ~~“Experienced auditor” means an individual (whether internal or external to the firm) who has a reasonable understanding of the audit process and of the auditing and financial reporting issues relevant to the industry in which the entity operates;[‡] and~~
- (c) ~~“Inspection”^{**} means, in relation to completed audit engagements, procedures designed to provide audit evidence of compliance by engagement teams with the firm's quality control policies and procedures.~~

Nature and Purposes of Audit Documentation

- ~~34.~~ Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. Audit documentation, also known as working papers or workpapers, may be recorded on paper or on electronic or other media. Audit documentation includes, for example, audit programs, analyses, issues memoranda, letters of confirmation and representation, checklists, extracts of important documents, correspondence (including e-mail) concerning significant matters, and schedules of work the auditor performed.
45. In addition to the objectives set out in paragraph 2, Aaudit documentation serves a number of other purposes, including:
 - (a) Assisting the audit team to plan and perform the audit;
 - (b) Assisting members of the audit team responsible for supervision to direct and supervise the audit work, and to review the quality of work performed, in accordance with ISA 220

^{*} - ~~As defined in ISA 560 (from ISA 700 conforming changes).~~

[†] - ~~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.~~

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

(Revised), “Quality Control for Audits of Historical Financial Information”¹, “Quality Control for Audits of Historical Financial Information”²;

(c) Demonstrating the accountability of the audit team for its work;

~~(d) Demonstrating that the audit work was performed in accordance with ISAs and applicable regulatory and legal requirements;~~

~~(e) Providing a record of the basis for the auditor’s report;~~

~~(d)~~ Retaining a record of matters of continuing significance to future audits of the same entity;

~~(eg)~~ Enabling an experienced auditors to conduct quality control reviews and inspections² 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,”³ and

~~(f)~~ Enabling an experienced auditors to conduct external inspections in accordance with applicable legal, regulatory or other requirements.

6. Although audit documentation alone does not guarantee audit quality, the process of preparing sufficient ~~and~~ appropriate audit documentation enhances-contributes to the quality of an audit.

Form, Content and Extent of Audit Documentation

~~5. The auditor should prepare audit documentation that is sufficient and appropriate to meet the purposes set out in paragraph 4.~~

6.7. The auditor should prepare Audit documentation that ~~is sufficient and appropriate~~ enables an experienced auditor, having no previous connection with the audit, to understand:

(a) The nature, timing, extent and results of the audit procedures performed to comply with ISAs and applicable legal ~~and/or~~ regulatory requirements;

(b) The ~~relevant~~ audit evidence obtained; ~~and~~

(c) The conclusions reached on significant matters; ~~and~~

~~(d) In relation to the results of audit procedures designed to address identified risks of material misstatement, matters relating to material assertions for which conclusions that are not readily determinable from the documentation of the procedures performed or audit evidence obtained.~~

¹ ISA 220 (Revised), published in February 2004, is effective for audits of historical financial information for periods commencing on or after June 15, 2005.

² ISA 220 (Revised) is effective for audits of historical financial information for periods commencing on or after June 15, 2005.

² As defined in ISA 220 (Revised).

³ ISQC 1 is effective as of June 15, 2005.

78. It is neither necessary nor practical to document every matter the auditor considers during the course of the audit. The form, content and extent of audit documentation depend on the circumstances of the engagement and the audit methodology and tools used. ~~While not a part of audit documentation, o~~ Oral explanation may be used to clarify information contained in the audit documentation, ~~but on its own it if the auditor finds it necessary to do so. Such oral explanation alone, however, _~~ does not represent sufficient support for the work the auditor performed or conclusions the auditor reached.

Identification of Preparer and Reviewer

~~8. Audit documentation should:~~

- ~~(a) Identify which member(s) of the audit team performed the audit work and the date of the documented work; and~~
- ~~(b) With respect to specific audit documentation reviewed, identify which member(s) of the audit team performed the review and the date of such review.~~

Documentation of Conclusions Significant Matters

~~9. The auditor should document conclusions reached on significant matters and matters relating to material assertions for which conclusions are not readily determinable from the documentation of the procedures performed or audit evidence obtained.~~

910. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Significant matters include, amongst others:

- 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”).
- Results of audit procedures indicating (a) that the financial information or disclosures could be materially misstated, or (b) 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 a modification ~~to~~of the auditor’s report.

104. The auditor documents on a timely basis (a) oral discussions of significant matters with management, and (b) management’s ~~related final~~ responses. The auditor similarly documents oral discussions of significant matters with those charged with governance, as discussed in ISA 260, “Communication of Audit Matters with those Charged with Governance.”

112. To the extent the auditor has identified information-audit evidence that contradicts or is inconsistent with the auditor’s final conclusions regarding a significant matters, the auditor should document that information-audit evidence and how ~~it affected the final conclusion~~the auditor addressed the contradiction or inconsistency in forming the final conclusion. The documentation of such information-audit evidence, however, does not imply that the auditor needs to document information that is ~~simply~~ incorrect or superseded.

Identification of Preparer and Reviewer**12. In documenting the nature, timing and extent of audit procedures performed, the auditor should document:**

- (a) Who performed the audit work and the date of such work; and**
- (b) Who reviewed specific audit documentation and the date of such review.**

*Documentation of Specific Items Tested***13. In documenting the nature, timing and extent of audit procedures performed, the auditor should document the identifying characteristics of the specific items tested—when performing audit procedures.**

14. Documenting the identifying characteristics serves a number of purposes. For example, it demonstrates the accountability of the audit team for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure 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 procedure requiring selection or review of all items over a specific amount from a given population, the auditor may record the scope of the procedure and identify the population (for example, all journal entries over \$25,000 from the journal register).
- For a procedure 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 procedure, the documentation may identify the process or subject matter being observed, the relevant individuals and what they were responsible for, and when the observation was carried out.

15. The auditor need only retain copies of the entity's records as part of the audit documentation if they are needed to enable the individual referred to in paragraph 6 an experienced auditor to understand the work performed and conclusions reached, for example, copies of significant and specific contracts and agreements.

16. Where, in exceptional circumstances, the auditor judges it necessary to depart from a basic principle or essential procedure in an ISA to achieve more effectively the objective of the audit, the auditor should document the reasons for the departure⁴.**Changes to Audit Documentation after the Date of the Auditor's Report**

^{176.} As explained in ISA 560, "Subsequent Events," ~~T~~the auditor's report is not dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion on the financial information. After ~~that~~is date, however, exceptional circumstances may ~~arise that lead~~require the auditor to perform new ~~evaluations~~audit procedures or lead the auditor to reach new conclusions. **In such circumstances, the auditor should only make document the**

⁴ The IAASB will propose an amendment to the "Preface to the International Standards on Quality Control, Auditing, Assurance and Related Services" to reflect this requirement once the revised ISA is finalized.

changes ~~to audit documentation that necessary to~~ reflect either the performance of the new evaluations-audit procedures or the new conclusions reached, including if the auditor clearly documents:

- (a) When and by whom such changes were made, and (where applicable) reviewed;
- (b) The specific reasons for the changes; and
- (c) The effect, if any, of the changes on the auditor's conclusions.

Changes Resulting from the Process of Assembling and Completing the Audit File

187. The specific requirements reflected in subparagraphs (a) to (c) of paragraph 176 ~~does~~ not preclude the auditor from making those changes that ordinarily occur during the process of assembling and completing the audit file after the date of the auditor's report but that ~~do not~~ reflect neither the performance of new evaluations-audit procedures nor new conclusions reached. Such changes include, for example:

- Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the audit team~~did not document~~ prior to the date of the auditor's report; ~~but that the auditor discussed and agreed with members of the audit team responsible for supervision, including, where applicable, the engagement quality control reviewer.~~
- Performing routine file-assembling procedures such as deleting or discarding superseded documentation, and sorting, collating and cross-referencing final working papers.
- Signing off on file completion checklists prior to completing and archiving the audit file.

198. The auditor assembles a complete and final set of audit documentation without undue delay after the date of the auditor's report. Theis date on which the file-assembling of the audit file is finally completed period~~is~~ ordinarily not expected to be more than exceed 60 days ~~from after~~ the date of the auditor's report.

Changes to Audit Documentation after the Audit File has been Completed

2049. After the audit file has been completed, the auditor should not delete or discard audit documentation. Where the auditor finds it necessary to make an addition (including amendments)~~to~~ audit documentation after the audit file has been completed, the auditor should document the addition in accordance with subparagraphs (a) to (c) of paragraph 176, regardless of the nature of the addition.

Documentation of New Information Received after the Date of the Auditor's Report

210. As indicated in ISA 560, "Subsequent Events," ~~discusses~~, the auditor has no responsibility to perform audit procedures after the date of the auditor's report. The auditor may, however, receive new information after that date relating to the audit, for example a belated third party confirmation or confirmation of the final outcome of a material litigation case against the entity that was pending at the period end. The auditor determines-considers whether ~~it is appropriate to~~ perform audit procedures on evaluate the new information, taking into account such factors ~~such~~ as the nature and significance of the information, whether the passage of time has superseded the

~~relevance of the information~~~~the length of time after the date of the auditor's report that it is received~~, and whether it was requested by the auditor.

~~22~~**4.** To the extent that the auditor ~~evaluates~~performs audit procedures on the new information, the auditor should retain it and should document the resulting addition to audit documentation in accordance with subparagraphs (a) to (c) of paragraph ~~17~~**6**.

~~23~~. In addition, if the new information might have caused the auditor to modify the auditor's report had it been known at the date of the auditor's report, the auditor ~~should~~follow the requirements and guidance in paragraphs ~~13~~**8** to 18 of ISA 560, "Subsequent Events."

Confidentiality, Safe Custody, Retention and Ownership of Audit Documentation

~~24~~**2.** The auditor should apply appropriate procedures for audit documentation that:

(a) Maintain its confidentiality and safe custody;

~~(b) Maintain its safe custody;~~

~~(e)~~**b)** Protect its integrity;

~~(e)~~**c)** Enable its accessibility and retrievability; and

~~(e)~~**d)** Enable its retention for a period sufficient to meet the needs of the firm, and legal and professional requirements.

~~25~~**3.** Paragraph 4.2 of Part A of the IFAC Code of Ethics for Professional Accountants requires the auditor to observe at all times the confidentiality of information contained in audit documentation, unless specific authority has been given to disclose information, or there is a legal or professional duty to do so~~disclose it~~. Specific laws or regulations may impose additional obligations on the auditor to maintain client confidentiality, particularly where data of a personal nature are concerned.

~~26~~**4.** Whether audit documentation is in paper, ~~digital~~electronic or other ~~form~~media, the integrity, accessibility and retrievability of the underlying data may be compromised if the documentation could be altered, added to or deleted without the auditor's knowledge, or could be permanently lost or damaged. Accordingly, the auditor applies appropriate controls for audit documentation to:

(a) Clearly determine when and by whom audit documentation was created, changed or reviewed;

(b) Protect the integrity of the information at all stages of the audit, 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; and

(d) Allow access to the documentation by the audit team and other authorized parties as necessary to properly discharge their responsibilities.

275. Controls that ~~The auditor~~ may ~~applies controls~~ to maintain the confidentiality, safe custody, integrity, accessibility and retrievability of audit documentation include. ~~For example, procedures for electronic audit documentation may include:~~

- The use of a password amongst audit team members to restrict access to ~~the electronic audit~~ documentation to authorized users.
- Appropriate back-up routines for ~~the electronic audit~~ documentation at appropriate stages during the audit.
- Procedures for properly distributing ~~the audit~~ documentation to the ~~audit~~ team members at the start of fieldwork, processing it during fieldwork, and collating it at the end of fieldwork.

286. For practical reasons, original paper documentation may be electronically scanned for inclusion in the audit file. In that case, the auditor applies procedures to:

- (a) Generate a scanned copy identical in form and content to the original paper documentation, including replicating manual signatures, cross-references and annotations;
- (b) Integrate the scanned copy into the audit file in the same way as original paper documentation is integrated, including indexing and signing off on the scanned copy; and
- (c) Allow the scanned copy to be retrieved and printed.

The auditor considers ~~the need whether~~ to retain original paper documentation for legal, regulatory or other reasons.

297. ISQC 1 requires the firm to establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation. The auditor applies those policies and procedures to the extent that they are to be implemented at the engagement level. Audit documentation is retained for a period sufficient to meet the relevant purposes set out in paragraphs 2 and 54. In addition, ~~The~~ retention period ~~also~~ depends ~~upon~~ other factors, such as whether local law or regulation prescribes a specific retention period, or whether there is a generally accepted retention period in the jurisdiction; in the absence of specific legal or regulatory requirements. Such retention period ~~is~~, however, is ordinarily not expected to be shorter than five years from the date of the auditor's report, or, in the case of a group audit, the date of the group auditor's report.

30-28. Audit documentation is the property of the auditor's firm. Portions of or extracts from the audit documentation that the auditor may decide to make available to the entity are not a substitute for the entity's accounting records.

Effective Date

3129. 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 permitted.

APPENDIX

Specific Audit Documentation ~~Standards~~ Requirements and Guidance in Other ISAs

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

- ISA 210, “Terms of Audit Engagements” – Paragraph 5;
- ISA 220 (Revised), “Quality Control for Audits of Historical Financial Information” – Paragraphs 11 – 14, 16, 25, 27, 30, 31 and 33;
- ISA 240 (Revised), “The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements” – Paragraphs 60 and 107 – 111;
- 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; and
- ISA 600, “Using the Work of Another Auditor” – Paragraph 14.

Amendments to ISA 330 and ISQC 1 as a Result of ISA 230 (Revised) – Effective Six Months after the Month of Approval of ISA 230 (Revised) by the IAASB

ISA 330, “The Auditor’s Procedures in Response to Assessed Risks”

The following paragraphs in ISA 330 are amended as marked:

50. The auditor’s substantive procedures should include the following audit procedures related to the financial statement closing process:

- **Agreeing or reconciling the financial statements with ~~to~~ the underlying accounting records; and**
- **Examining material journal entries and other adjustments made during the course of preparing the financial statements.**

The nature and extent of the auditor’s examination of journal entries and other adjustments depends on the nature and complexity of the entity’s financial reporting process and the associated risks of material misstatement.

73. The auditor should document the overall responses to address the assessed risks of material misstatement at the financial statement level and the nature, timing, and extent of the further audit procedures, the linkage of those procedures with the assessed risks at the assertion level, and the results of the audit procedures. In addition, if the auditor plans to use audit evidence about the operating effectiveness of controls obtained in prior audits, the auditor should document the conclusions reached with regard to relying on such controls that were tested in a prior audit. ~~The manner in which these matters are documented is based on the auditor’s professional judgment. ISA 230, “Documentation” establishes standards and provides guidance regarding documentation in the context of the audit of financial statements.~~

The following paragraphs are added to ISA 330:

74. The auditor’s documentation should demonstrate that the financial statements agree or reconcile with the underlying accounting records.

75. The manner in which these matters are documented is based on the auditor’s professional judgment. ISA 230, “Audit Documentation” establishes standards and provides guidance regarding documentation in the context of the audit of financial statements.

As a result of these amendments, paragraph 74 in the extant ISA will be renumbered 76.

ISQC 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Services Engagements”

The following new subheader and paragraphs are added to ISQC 1 after paragraph 97:

Engagement Documentation

98. **The firm should establish policies and procedures for the retention of engagement documentation for a period sufficient to meet the needs of the firm or as required by law or regulation.**
99. The needs of the firm for retention of engagement documentation will vary with the nature of the engagement and the firm’s circumstances. For example, the firm may need to retain audit documentation for audit planning purposes and to provide a record of matters of continuing significance to future audits of the same client.
100. Procedures that the firm adopts for retention of engagement documentation include:
 - Procedures that enable the retrieval of, and access to, the documentation during the retention period, particularly in the case of electronic documentation since the underlying technology may be upgraded or changed over time.
 - Procedures that, where necessary, provide a record of changes made to engagement documentation after the engagement file has been completed.
 - Procedures that enable authorized external parties to access and review specific engagement documentation for quality control or other purposes.

As a result of these amendments, paragraph 98 in the extant ISQC 1 will be renumbered 101.

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