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Audit documentation: supplementary material; Exposure draft (American Institute of Certified Public Accountants), 2008, April 30

American Institute of Certified Public Accountants. Auditing Standards Board

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Audit Documentation

MAPPING DOCUMENT

This mapping document demonstrates how the material in the SAS No. 103 has been reflected in the proposed SAS No. 103 (Redrafted), *Audit Documentation*. Highlighted material identifies material that is proposed to be eliminated as a result of redrafting. An explanation of the proposed deletion of highlighted material, significant edits, and other comments are provided, where appropriate.

SAS No. 103	New para. ref.	Explanation
Introduction		
.01 The purpose of this section is to establish standards and provide guidance on audit documentation. The exercise of professional judgment is integral in applying the provisions of this section. For example, professional judgment is used in determining the quantity, type, and content of audit documentation consistent with this section.	1	Highlighted text deleted as professional judgment is integral to applying all provisions of the SASs.
.02 Other Statement on Auditing Standards contain specific documentation requirements (see the Appendix A [paragraph .36]). Additionally, specific documentation or document retention requirements may be included in other standards (for example, government auditing standards), laws, and regulations applicable to the engagement.	1	
.03 The auditor must prepare audit documentation in connection with each engagement in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of audit procedures performed), the audit evidence obtained and its source, and the conclusions reached. Audit documentation: a. Provides the principal support for the representation in the auditor’s report that the auditor performed the audit in accordance with generally accepted auditing standards. b. Provides the principal support for the opinion expressed regarding the financial information or the assertion to the effect that an opinion cannot be expressed.	2	Highlighted text deleted. The unconditional obligation is addressed by the objective and the detailed requirements of this SAS.
.04 Audit documentation is an essential element of audit quality. Although documentation alone does not guarantee audit quality, the process of preparing sufficient and appropriate documentation contributes to the quality of an audit.	A1	Redrafted based on ISA 230.

Audit Documentation – Mapping Document

SAS No. 103	New para. ref.	Explanation
<p>.05 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. When transferring or copying paper documentation to another media, the auditor should apply procedures to generate a copy that is faithful in form and content to the original paper document.</p>	6	<p>Highlighted text has been deleted as it is addressed by SQCS No. 7. A footnote reference has been added.</p>
<p>.06.1 Audit documentation includes, for example, audit programs, analyses, issues memoranda, summaries of significant findings or issues, letters of confirmation and representation, checklists, abstracts or copies of important documents, correspondence (including e-mail) concerning significant findings or issues, and schedules of the work the auditor performed.</p> <p>.06.2 Abstracts or copies of the entity’s records (for example, significant and specific contracts and agreements) should be included as part of the audit documentation if they are needed to enable an experienced auditor to understand the work performed and conclusions reached.</p> <p>.06.3 The audit documentation for a specific engagement is assembled in an audit file.</p>	A3 9 15	
<p>.07 The auditor need not retain in audit documentation superseded drafts of working papers or financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>	A4	
<p>.08 In addition to the objectives set out in paragraph .03, audit documentation serves a number of other purposes, including:</p> <ul style="list-style-type: none"> • Assisting the audit team to plan and perform the audit; • Assisting auditors who are new to an engagement and review the prior year’s documentation to understand the work performed as an aid in planning and performing the current engagement; • Assisting members of the audit team responsible for supervision to direct and supervise the audit work, and to review the quality of work performed; • Demonstrating the accountability of the audit team for its work by documenting the procedures 	3	

SAS No. 103	New para. ref.	Explanation
<p>performed, the audit evidence examined, and the conclusions reached;</p> <ul style="list-style-type: none"> • Retaining a record of matters of continuing significance to future audits of the same entity; • Assisting quality control reviewers (for example, internal inspectors) who review documentation to understand how the engagement team reached significant conclusions and whether there is adequate evidential support for those conclusions; • Enabling an experienced auditor to conduct inspections or peer reviews in accordance with applicable legal, regulatory, or other requirements; and • Assisting a successor auditor who reviews a predecessor auditor’s audit documentation. 		
<p>.09 For the purposes of this section, <i>experienced auditor</i> means an individual (whether internal or external to the firm) who possesses the competencies and skills that would have enabled him or her to perform the audit. These competencies and skills include an understanding of (a) audit processes, (b) the SASs and applicable legal and regulatory requirements, (c) the business environment in which the entity operates, and (d) auditing and financial reporting issues relevant to the entity’s industry.</p>	6	Redrafted using the ISA language.
<p>Form, Content, and Extent of Audit Documentation</p>		
<p>.10 The auditor should prepare audit documentation that enables an experienced auditor, having no previous connection to the audit, to understand:</p> <ol style="list-style-type: none"> a. The nature, timing, and extent of auditing procedures performed to comply with SASs and applicable legal and regulatory requirements; b. The results of the audit procedures performed and the audit evidence obtained; c. The conclusions reached on significant matters; and d. That the accounting records agree or reconcile with the audited financial statements or other audited information. 	8	Requirement duplicative of SAS No. 110, paragraph 52.

Audit Documentation – Mapping Document

SAS No. 103	New para. ref.	Explanation
<p>.11.1 The form, content, and extent of audit documentation depend on the circumstances of the engagement and the audit methodology and tools used.</p> <p>.11.2 Oral explanations on their own do not represent sufficient support for the work the auditor performed or conclusions the auditor reached but may be used by the auditor to clarify or explain information contained in the audit documentation.</p> <p>.11.3 It is, however, neither necessary nor practicable to document every matter the auditor considers during the audit.</p>	<p style="text-align: center;">A2</p> <p style="text-align: center;">A5</p> <p style="text-align: center;">A7</p>	<p>Combined with paragraph 12.</p>
<p>.12 In determining the form, content, and extent of audit documentation, the auditor should consider the following factors:</p> <ul style="list-style-type: none"> • The nature of the auditing procedures to be performed; • The identified risk of material misstatement associated with the assertion, or account or class of transactions, including related disclosures; • The extent of judgment involved in performing the work and evaluating the results; • The significance of the audit evidence obtained to the assertion being tested; • The nature and extent of exceptions identified; and • The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or evidence obtained. 	<p style="text-align: center;">A2</p>	<p>Combined with paragraph 11.</p>
<p>.13 Certain matters, such as auditor independence and staff training, that are not engagement specific, may be documented either centrally within a firm or in the audit documentation for an audit engagement. Documentation of matters specific to a particular engagement should be included in the audit file for the specific engagement.</p>	<p style="text-align: center;">A23</p>	

SAS No. 103	New para. ref.	Explanation
Significant Findings or Issues		
<p>.14 .1 The auditor should document significant findings or issues, actions taken to address them (including any additional evidence obtained), and the basis for the final conclusions reached.</p> <p>.14.2 Judging the significance of a finding or issue requires an objective analysis of the facts and circumstances. Significant findings or issues include, but are not limited to, the following:</p> <p><i>a.</i> Significant matters involving the selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters include, but are not limited to (1) accounting for complex or unusual transactions or (2) accounting estimates and uncertainties and, if applicable, the related management assumptions.</p> <p><i>b.</i> Results of audit procedures indicating (1) that the financial information or disclosures could be materially misstated or (2) a need to revise the auditor’s previous assessment of the risks of material misstatement and the auditor’s responses to those risks.</p> <p><i>c.</i> Circumstances that cause the auditor significant difficulty in applying auditing procedures the auditor considered necessary, for example, the lack of responsiveness to confirmation or information requests, or the lack of original documents.</p> <p><i>d.</i> Findings that could result in a modification of the auditor’s report.</p> <p><i>e.</i> Audit adjustments. For purposes of this section, an audit adjustment is a correction of a misstatement of the financial information that is identified by the auditor, whether or not recorded by management, that could, either individually or when aggregated with other misstatements, have a material effect on the company’s financial information.</p>	<p>8c</p> <p>A8</p>	<p>Language redrafted to be consistent with the language used in AU section 312, Audit Risk and Materiality in Conducting an Audit.</p>
<p>.15.1 The auditor should document discussions of significant findings or issues with management and others on a timely basis, including responses. The audit documentation should include documentation of the significant findings or issues discussed, and when and with whom the discussions took place.</p>	<p>11</p>	

SAS No. 103	New para. ref.	Explanation
<p>.15.2 It is not limited to documentation prepared by the auditor but may include other appropriate evidence, such as minutes of meetings prepared by the entity’s personnel. Others with whom the auditor may discuss significant findings or issues include those charged with governance; ^{fn 5} those responsible for the oversight of the financial reporting process; other personnel within the entity, for example, internal audit; and external parties, such as persons providing professional services to the entity.</p>	A14	
<p>.16 If the auditor has identified information that contradicts or is inconsistent with the auditor’s final conclusions regarding a significant finding or issue, the auditor should document how the auditor addressed the contradiction or inconsistency in forming the conclusion.</p>	12	<p>Highlighted text has been deleted because it is redundant. When something contradicts the final conclusions, it is inconsistent with the final conclusions.</p>
<p>.17 .1 The documentation of how the auditor addressed the contradiction or inconsistency, however, does not imply that the auditor needs to retain documentation that is incorrect or superseded (except as required by paragraph .30).</p> <p>.17.2 The documentation of the contradiction or inconsistency may include, but is not limited to, procedures performed in response to the information, and records documenting consultations on, or resolutions of, differences in professional judgment among members of the engagement team or between the engagement team and others consulted.</p>	<p>A15</p> <p>A16</p>	
<p>Identification of Preparer and Reviewer</p>		
<p>.18 In documenting the nature, timing, and extent of audit procedures performed, the auditor should record:</p> <p><i>a.</i> Who performed the audit work and the date such work was completed; and</p> <p><i>b.</i> Who reviewed specific audit documentation and the date of such review.</p>	10	<p>Combined with paragraph 20.</p>

SAS No. 103	New para. ref.	Explanation
.19 The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. It should be clear from the audit documentation who reviewed specified elements of the audit work performed and when.	A13	
Documentation of Specific Items Tested		
.20 Audit documentation of procedures performed, including tests of operating effectiveness of controls and substantive tests of details that involve inspection of documents or confirmation should include the identifying characteristics of the specific items tested.	10	Requirement combined with paragraph 18. Highlighted text deleted as not considered necessary.
<p>.21 Recording the identifying characteristics serves a number of purposes. For example, it improves the ability of the auditor to supervise and review the work performed and thus 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:</p> <ul style="list-style-type: none"> • For a detailed test of entity-generated purchase orders, the auditor 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 auditor may record the dates of the inquiries, the names and job designations of the entity personnel, and the inquiry made. • For an observation procedure, the auditor may record the process or subject matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out. • For a procedure requiring systematic sampling from a population of documents, the auditor may 	A12	

SAS No. 103	New para. ref.	Explanation
<p>identify the documents selected by recording their source, the starting point, and the sampling interval (for example, a systematic sample of shipping reports was selected from the shipping log for the period from X to Y, starting with report number 14564 and selecting every 250th report from that point).</p>		
<p>Documentation of Departures From Statements on Auditing Standards</p>		
<p>.22 As required by paragraph .04 of section 150, <i>Generally Accepted Auditing Standards</i>, as amended, when, in rare circumstances, the auditor departs from a presumptively mandatory requirement, the auditor must document in the working papers his or her justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.</p>	13	
<p>Revisions to Audit Documentation After the Date of the Auditor’s Report</p>		
<p>.23.1 The auditor’s report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity’s financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them.</p> <p>.23.2 This will ordinarily result in a report date that is close to the date the auditor grants the entity permission to use the auditor’s report in connection with the financial statements (report release date). Delays in releasing the report may require the auditor to perform additional procedures to comply with the requirements of section 560, <i>Subsequent Events</i>, as amended.</p>	6	<p>Highlighted text deleted - repetitive of AU section 530, paragraph 1.</p> <p>Moved to definitions section.</p>
<p>Documentation of New Information</p>		
<p>.24 If, as a result of consideration of the procedures performed and the evidence obtained, the auditor concludes that procedures considered necessary at the time of the audit in the circumstances then existing were omitted from the audit of the financial information, the auditor should follow the guidance in section 390, <i>Consideration of Omitted Procedures After the Report Date</i>. The audit documentation supporting the auditor’s compliance with section 390 should be prepared in accordance with the requirements in this</p>	14 A21	

SAS No. 103	New para. ref.	Explanation
section.		
.25 If the auditor subsequently becomes aware of information relating to financial information previously reported on by him or her, but that was not known to him or her at the date of the report, the auditor should follow the guidance in section 561, <i>Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report</i> , as amended.	A21	
<p>.26 In the circumstances described in paragraphs .24 and .25, the auditor should make the changes necessary to reflect either the performance of the new audit procedure or the new conclusion reached, including:</p> <ul style="list-style-type: none"> • When and by whom such changes were made and (where applicable) reviewed; • The specific reasons for the changes; and • The effect, if any, of the changes on the auditor’s conclusions. 	14	
Changes Resulting From the Process of Assembling and Completing the Audit File		
.27 The auditor should complete the assembly of the final audit file on a timely basis, but within 60 days following the report release date (documentation completion date). Statutes, regulations, or the audit firm’s quality control policies may specify a shorter period of time in which this assembly process should be completed.	15	
<p>.28 At anytime prior to the documentation completion date, the auditor may make changes to the audit documentation to:</p> <ol style="list-style-type: none"> a. Complete the documentation and assembly of audit evidence that the auditor has obtained, discussed, and agreed with relevant members of the audit team prior to the date of the auditor’s report; b. Perform routine file-assembling procedures such as deleting or discarding superseded documentation and sorting, collating, and cross-referencing final working papers; c. Sign off on file completion checklists prior to completing and archiving the audit file; and 	A24	

Audit Documentation – Mapping Document

SAS No. 103	New para. ref.	Explanation
<i>d.</i> Add information received after the date of the auditor’s report, for example, an original confirmation that was previously faxed.		
.29 The report release date should be recorded in the audit documentation.	16	
Changes After the Documentation Completion Date		
.30.1 After the documentation completion date, the auditor must not delete or discard audit documentation before the end of the specified retention period, as discussed in paragraph .32.	17	
.30.2 When the auditor finds it necessary to make an addition (including amendments) to audit documentation after the documentation completion date, the auditor should document the addition in accordance with paragraph .26.	18	
Ownership and Confidentiality of Audit Documentation		
.31 Audit documentation is the property of the auditor, and some states recognize this right of ownership in their statutes. The auditor may make available to the entity at the auditor’s discretion copies of the audit documentation, provided such disclosure does not undermine the independence or the validity of the audit process.	A27	
.32.1 The auditor should adopt reasonable procedures to retain and access audit documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention. Such retention period, however, should not be shorter than five years from the report release date.	17	Highlighted text deleted as it is addressed by SQCS No. 7.
.32.2 Statutes, regulations, or the audit firm’s quality control policies may specify a longer retention period.	A26	
.33 The auditor has an ethical and, in some situations, a legal obligation to maintain the confidentiality of client information. Because audit documentation often contains confidential client information, the auditor should adopt reasonable procedures to maintain the confidentiality of that information.		Highlighted text has been deleted as it is addressed by SQCS No.

Audit Documentation – Mapping Document

SAS No. 103	New para. ref.	Explanation
		7, paragraph 64.
<p>.34 Whether audit documentation is in paper, electronic, or other 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 should apply appropriate and reasonable controls for audit documentation to:</p> <p><i>a.</i> Clearly determine when and by whom audit documentation was created, changed, or reviewed;</p> <p><i>b.</i> 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 electronic means;</p> <p><i>c.</i> Prevent unauthorized changes to the documentation; and</p> <p><i>d.</i> Allow access to the documentation by the audit team and other authorized parties as necessary to properly discharge their responsibilities.</p>		Highlighted text has been deleted as it is addressed by SQCS No. 7, paragraph 65.
Effective Date		
.35 This section is effective for audits of financial statements for periods ending on or after December 15, 2006. Earlier application is permitted.	4	

Audit Documentation

CHANGES IN REQUIREMENTS

I. Requirements that have been removed

§ in SAS No. 103	Statements	Rationale or Comments
3	The auditor must prepare audit documentation in connection with each engagement in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of audit procedures performed), the audit evidence obtained and its source, and the conclusions reached.”	This requirement is addressed by and implicit within the objective and the detailed requirements of the proposed SAS.
5	When transferring or copying paper documentation to another media, the auditor should apply procedures to generate a copy that is faithful in form and content to the original paper document. ^{fn 1}	Text deleted as this requirement is addressed by SQCS No. 7. Footnote reference to SQCS No. 7 has been added.
10(d)	That the accounting records agree or reconcile with the audited financial statements or other audited information.	Requirement is duplicative of SAS No. 110, paragraph 52.
23	The auditor’s report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity’s financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them.	Requirement is duplicative of AU section 530, paragraph .01
32	The auditor should adopt reasonable procedures to retain and access audit documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention.	Deleted as the requirement is addressed by SQCS No. 7. Reference to SQCS No. 7 added.
33	The auditor has an ethical and, in some situations, a legal obligation to maintain the confidentiality of client information. Because audit documentation often contains confidential client information, the auditor should adopt reasonable procedures to maintain the confidentiality of that information.	Deleted as the requirement is addressed by SQCS No. 7, paragraph 64.
34	Whether audit documentation is in paper, electronic, or other 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 should apply appropriate and	Deleted as the requirement is addressed by SQCS No. 7, paragraph 65.

§ in SAS No. 103	Statements	Rationale or Comments
	<p>reasonable controls for audit documentation to:</p> <ul style="list-style-type: none"> <i>a.</i> Clearly determine when and by whom audit documentation was created, changed, or reviewed; <i>b.</i> 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 electronic means; <i>c.</i> Prevent unauthorized changes to the documentation; and <i>d.</i> Allow access to the documentation by the audit team and other authorized parties as necessary to properly discharge their responsibilities. 	

II. Requirements that have been changed to application material

§ in SAS No. 103	Statements	§ in Proposed SAS	Rationale or Comments
12	In determining the form, content, and extent of audit documentation, the auditor should consider the following factors:...	A2	Application material pertaining to the requirement in paragraph 8.
13	Certain matters, such as auditor independence and staff training, that are not engagement specific, may be documented either centrally within a firm or in the audit documentation for an audit engagement. Documentation of specific matters to a particular engagement should be included in the audit file for the specific engagement.	A23	The intent of the second sentence is to provide a contrast to the first sentence, so “should” has been changed to “would”. This paragraph has been repositioned as guidance to the requirement in paragraph 35.
19	The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. It should be clear from the audit documentation who reviewed specified elements of the audit work performed and when.	A13	Application material pertaining to the requirement in paragraph 10.

DETAILED DIFFERENCES BETWEEN ISA 230 AND THE PROPOSED SAS

New material is shown in boldface italics; deleted material is shown in strikethrough.

ISA 230	Proposed SAS
Introduction	Introduction
Scope of this ISA	Scope of this ISA Statement on Auditing Standards
<p>1. This International Standard on Auditing (ISA) deals with the auditor’s responsibility to prepare audit documentation for an audit of financial statements. It is to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The Appendix lists other ISAs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs do not limit the application of this ISA. Laws or regulations may establish additional documentation requirements.</p>	<p>1. This International Standard on Auditing (ISA) Statement on Auditing Standards (SAS) deals addresses with the auditor’s responsibility to prepare audit documentation for an audit of financial statements. It is to be adapted as necessary in the circumstances when applied to audits of other historical financial information. The Appendix Exhibit A lists other ISAs SASs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs SASs do not limit the application of this ISASAS. Laws, or regulations or other standards (for example, Government Auditing Standards) may establish additional documentation requirements.</p>
<i>Nature and Purposes of Audit Documentation</i>	<i>Nature and Purposes of Audit Documentation</i>
<p>2. Audit documentation that meets the requirements of this ISA and the specific documentation requirements of other relevant ISAs provides:</p> <p>(a) Evidence of the auditor’s basis for a conclusion about the achievement of the overall objective of the auditor; and</p> <p>(b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.</p>	<p>2. Audit documentation that meets the requirements of this ISA SAS and the specific documentation requirements of other relevant ISAs SASs provides:</p> <p>a) Evidence of the auditor’s basis for a conclusion about the achievement of the overall objective of the auditor; and</p> <p>b) Evidence that the audit was planned and performed in accordance with the ISAs generally accepted auditing standards and applicable legal and regulatory requirements.</p>
<p>3. Audit documentation serves a number of additional purposes, including the following:</p> <ul style="list-style-type: none"> • Assisting the engagement team to plan and perform the audit. • Assisting members of the engagement 	<p>3. Audit documentation serves a number of additional purposes, including the following:</p> <ul style="list-style-type: none"> • Assisting the engagement team to plan and perform the audit. • Assisting members of the engagement team

¹ [Proposed] ISA 220 (Redrafted), “Quality Control for an Audit of Financial Statements.”

ISA 230	Proposed SAS
<p>team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with [proposed] ISA 220 (Redrafted).¹</p> <ul style="list-style-type: none"> • Enabling the engagement team to be accountable for its work. • Retaining a record of matters of continuing significance to future audits. • Enabling the conduct of quality control reviews and inspections in accordance with [proposed] ISQC 1 (Redrafted).² • Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements. 	<p>responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with [proposed] ISA 220 (Redrafted). <i>to review the quality of work performed.</i></p> <ul style="list-style-type: none"> • Enabling the engagement team to <i>demonstrate that it is</i> be accountable for its work <i>by documenting the procedures performed, the audit evidence examined, and the conclusions reached.</i> • Retaining a record of matters of continuing significance to future audits <i>of the same entity.</i> • Enabling the conduct of quality control reviews and inspections in accordance with [proposed] ISQCSQCS No. 7, A Firm's System of Quality Control (Redrafted). • Enabling the conduct of external inspections <i>or peer reviews</i> in accordance with applicable legal, regulatory or other requirements. • <i>Assisting a successor auditor who reviews a predecessor auditor's audit documentation.</i> • <i>Assisting auditors who are new to an engagement and review the prior year's documentation to understand the work performed as an aid in planning and performing the current engagement.</i>
Effective Date	Effective Date
4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.	4. This ISA-SAS is effective for audits of financial statements for periods beginning on or after December 15, 2009 <i>[Date]</i> ³ .
Objective	Objective
5. The objective of the auditor is to prepare documentation that provides: (a) A sufficient and appropriate record of the	5. The objective of the auditor is to prepare documentation that provides: a) A sufficient and appropriate record of the basis

² [Proposed] ISQC 1 (Redrafted), “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements.”

³ This date will not be earlier than December 15, 2010.

ISA 230	Proposed SAS
basis for the auditor’s report; and (b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.	for the auditor’s report; and b) Evidence that the audit was planned and performed in accordance with ISAs generally accepted auditing standards and applicable legal and regulatory requirements.
Definitions	Definitions
6. For purposes of the ISAs, the following terms have the meanings attributed below:	6. For purposes of the ISAs SASs , the following terms have the meanings attributed below:
(a) Audit documentation – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).	a) Audit documentation – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as <i>working papers</i> or <i>workpapers</i> are also sometimes used).
(b) Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.	b) Audit file – One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
(c) Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of: <ul style="list-style-type: none"> (i) Audit processes; (ii) ISAs and applicable legal and regulatory requirements; (iii) The business environment in which the entity operates; and (iv) Auditing and financial reporting issues relevant to the entity’s industry. 	c) Experienced auditor – An individual (whether internal or external to the firm) who has practical audit experience ¹ , and a reasonable understanding of: <ul style="list-style-type: none"> (i) Audit processes; (ii) ISAs SASs and applicable legal and regulatory requirements; (iii) The business environment in which the entity operates; and (iv) Auditing and financial reporting issues relevant to the entity’s industry. <p>¹ <i>Having practical audit experience is equivalent to possessing the competencies and skills that would have enabled the experienced auditor to perform the audit.</i></p>
No equivalent	<p>d) Report release date - the date the auditor grants the entity permission to use the auditor’s report in connection with the financial statements.²</p> <p>² <i>In many cases, the report release date will be the date the auditor delivers the audit report to the entity. Delays in releasing the report may require the auditor to perform additional procedures to comply with the requirements of section 560,</i></p>

ISA 230	Proposed SAS
	Subsequent Events, (AICPA, Professional Standards, vol. 1), as amended.
No equivalent	<i>e) Documentation completion date – the date, no later than 60 days following the report release date, on which the auditor has assembled for retention a complete and final set of audit documentation in an audit file.</i>
Requirements	Requirements
Timely Preparation of Audit Documentation	Timely Preparation of Audit Documentation
7. The auditor shall prepare audit documentation on a timely basis. (Ref: Para. A1)	7. The auditor shall should prepare audit documentation on a timely basis throughout the audit . (Ref: Para. A1)
Documentation of the Audit Procedures Performed and Audit Evidence Obtained	Documentation of the Audit Procedures Performed and Audit Evidence Obtained
<i>Form, Content and Extent of Audit Documentation</i>	<i>Form, Content and Extent of Audit Documentation</i>
8. The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand: (Ref: Para. A2-A5, A16-A17) (a) The nature, timing, and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements; (Ref: Para. A6-A7) (b) The results of the audit procedures performed, and the audit evidence obtained; and (c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Ref: Para. A8-A11)	8. The auditor shall should prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand: (Ref: Para. A2-A5, A17-A18) a) The nature, timing, and extent of the audit procedures performed to comply with the ISAs SASs and applicable legal and regulatory requirements; (Ref: Para. A6-A7) b) The results of the audit procedures performed, and the audit evidence obtained; and c) Significant matters findings or issues arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Ref: Para. A8-A11)
[For ISA equivalent see paragraph A3.]	9. The auditor may should include abstracts or copies of significant contracts or agreements in the documentation of auditing procedures pertaining to those contracts or agreements. the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.
9. In documenting the nature, timing and extent	10. In documenting the nature, timing and extent of

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<p>of audit procedures performed, the auditor shall record:</p> <p>(a) The identifying characteristics of the specific items or matters tested; (Ref: Para. A12)</p> <p>(b) Who performed the audit work and the date such work was completed; and</p> <p>(c) Who reviewed the audit work performed and the date and extent of such review. (Ref: Para. A13)</p>	<p>audit procedures performed, the auditor shallshould record:</p> <p>a) The identifying characteristics of the specific items or matters tested; (Ref: Para. A12)</p> <p>b) Who performed the audit work and the date such work was completed; and</p> <p>c) Who reviewed the audit work performed and the date and extent of such review. (Ref: Para. A13)</p>
<p>10. The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place. (Ref: Para. A14)</p>	<p>11. The auditor shallshould document discussions of significant mattersfindings or issues with management, those charged with governance, and others, including the nature of the significant mattersfindings or issues discussed, the responses, and when and with whom the discussions took place. (Ref: Para. A14)</p>
<p>11. If the auditor identified information that is inconsistent with the auditor’s final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency. (Ref: Para. A15)</p>	<p>12. If the auditor identified information that is inconsistent with the auditor’s final conclusion regarding a significant matterfinding or issue, the auditor shallshould document how the auditor addressed the inconsistency. (Ref: Para. A15-A16)</p>
<p><i>Departure from a Relevant Requirement</i></p>	<p><i>Departure from a Relevant Requirement</i></p>
<p>12. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in an ISA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A18-A19)</p>	<p>13. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant presumptively mandatory requirement³ in an ISA a SAS, the auditor shallmust document in the working papers his or her justification for the departure and how the alternative audit procedures performed in the circumstances were sufficient to achieve the aimobjective of that requirement, and the reasons for the departure. (Ref: Para. A19-A20)</p> <p>³ For a definition of presumptively mandatory requirement refer to AU section 120, <i>Defining Professional Requirements in Statements on Auditing Standards (AICPA, Professional Standards, vol. 1)</i>.</p>
<p><i>Matters Arising after the Date of the Auditor’s Report</i></p>	<p><i>Matters Arising after the Date of the Auditor’s Report</i></p>
<p>13. If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor’s</p>	<p>14. If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor’s report,</p>

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<p>report, the auditor shall document: (Ref: Para. A20)</p> <ul style="list-style-type: none"> (a) The circumstances encountered; (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and (c) When and by whom the resulting changes to audit documentation were made and reviewed. 	<p>the auditor shall should document (Ref: Para. A21)</p> <ul style="list-style-type: none"> a) The circumstances encountered; b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and c) When and by whom the resulting changes to audit documentation were made and reviewed.
<p>Assembly of the Final Audit File</p>	<p>Assembly of the Final Audit File</p>
<p>14. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. (Ref: Para. A21-A22)</p>	<p>15. The auditor shall should assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely no later than 60 days following the report release date basis after the date of the auditor's report. (Ref: Para. A22-A24)</p>
<p>No equivalent</p>	<p>16. The auditor should document the report release date in the audit documentation</p>
<p>15. After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period. (Ref: Para. A23)</p>	<p>17. After the assembly of the documentation completion date, final audit file has been completed, the auditor shall should not delete or discard audit documentation of any nature before the end of its the specified retention period.⁴ (Ref: Para. A25)</p> <p>⁴ <i>Firms are required by paragraph 127 of Statement on Quality Control Standards (SQCS) No. 7, A Firm's System of Quality Control (AICPA, Professional Standards, vol. 2, QC sec. 10), to establish policies and procedures for the retention of engagement documentation.</i></p>
<p>16. In circumstances other than those envisaged in paragraph 13 where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (Ref: Para. A24)</p> <ul style="list-style-type: none"> (a) The specific reasons for making them; and (b) When and by whom they were made and reviewed. 	<p>18. In circumstances other than those envisaged in paragraph 39 where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, documentation completion date the auditor shall should, regardless of the nature of the modifications or additions, document: (Ref: Para. A26-A27)</p> <ul style="list-style-type: none"> a) The specific reasons for making them; and b) When and by whom they were made and reviewed.

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Application and Other Explanatory Material	Application and Other Explanatory Material
Timely Preparation of Audit Documentation (Ref: Para. 7)	Timely Preparation of Audit Documentation (Ref: Para. 7)
A1. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor’s report is finalized. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.	A1. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor’s report is finalized. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.
Documentation of the Audit Procedures Performed and Audit Evidence Obtained	Documentation of the Audit Procedures Performed and Audit Evidence Obtained
<i>Form, Content and Extent of Audit Documentation</i> (Ref: Para. 8)	<i>Form, Content and Extent of Audit Documentation</i> (Ref: Para. 8)
A2. The form, content and extent of audit documentation depend on factors such as: <ul style="list-style-type: none"> • The size and complexity of the entity. • The nature of the audit procedures to be performed. • The identified risks of material misstatement. • The significance of the audit evidence obtained. • The nature and extent of exceptions identified. • The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained. • The audit methodology and tools used. 	A2. The form, content and extent of audit documentation depend on factors such as: <ul style="list-style-type: none"> • The size and complexity of the entity. • The nature of the audit procedures to be performed. • The identified risks of material misstatement <i>associated with the assertion, or account or class of transactions, including related disclosures.</i> • The significance of the audit evidence obtained <i>to the assertion being tested.</i> • The nature and extent of exceptions identified. • The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained. • The audit methodology and tools used. • <i>The extent of judgment involved in performing the work and evaluating the results.</i>

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<p>A3. Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:</p> <ul style="list-style-type: none"> • Audit programs. • Analyses. • Issues memoranda. • Summaries of significant matters. • Letters of confirmation and representation. • Checklists. • Correspondence (including e-mail) concerning significant matters. <p>The auditor may include abstracts or copies of the entity’s records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity’s accounting records.</p>	<p>A3. Audit documentation may be recorded on paper or on electronic or other media.⁵ Examples of audit documentation include:</p> <ul style="list-style-type: none"> • Audit programs. • Analyses. • Issues memoranda. • Summaries of significant matters findings or issues. • Letters of confirmation and representation. • Checklists. • Correspondence (including e-mail) concerning significant matters findings or issues. <p>The auditor may include abstracts or copies of the entity’s records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity’s accounting records. [see requirement in paragraph 9]</p> <p>⁵ See SQCS No. 7 paragraphs 67-68 for guidance dealing with the transfer of paper documentation to another media.</p>
<p>A4. The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>	<p>A4. The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.</p>
<p>A5. Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit documentation.</p>	<p>A5. On their own, oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit documentation.</p>
<p>Documentation of Compliance with ISAs (Ref: Para. 8(a))</p>	<p><i>Documentation of Compliance with ISAs</i> SASs (Ref: Para. 8a)</p>
<p>A6. In principle, compliance with the requirements of this ISA will result in the audit documentation being sufficient and appropriate in</p>	<p>A6. In principle, compliance with the requirements of this ISA SAS will result in the audit documentation being sufficient and appropriate in the</p>

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<p>the circumstances. Other ISAs contain specific documentation requirements that are intended to clarify the application of this ISA in the particular circumstances of those other ISAs. The specific documentation requirements of other ISAs do not limit the application of this ISA. Furthermore, the absence of a documentation requirement in any particular ISA is not intended to suggest that there is no documentation that will be prepared as a result of complying with that ISA.</p>	<p>circumstances. Other ISAs SASs contain specific documentation requirements that are intended to clarify the application of this ISA SAS in the particular circumstances of those other ISAs SASs. The specific documentation requirements of other ISAs SASs do not limit the application of this ISA SAS. Furthermore, the absence of a documentation requirement in any particular ISA SAS is not intended to suggest that there is no documentation that will be prepared as a result of complying with that ISA SAS.</p>
<p>A7. Audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:</p> <ul style="list-style-type: none"> • The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit. • The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance. • An auditor’s report containing an appropriately qualified opinion demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs. • In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the 	<p>A7. Audit documentation provides evidence that the audit complies with the ISAs SASs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:</p> <ul style="list-style-type: none"> • The existence of an adequately documented audit plan⁶ demonstrates that the auditor has planned the audit. • The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance. • An auditor’s report containing an appropriately qualified opinion demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs in accordance with generally accepted auditing standards. • In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:

⁴ ISA 315 (Redrafted), “Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment,” paragraph 10.

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<p>audit file:</p> <ul style="list-style-type: none"> ○ For example, there may be no single way in which the auditor’s professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor’s exercise of professional skepticism in accordance with the ISAs. Such evidence may include specific procedures performed to corroborate management’s responses to the auditor’s inquiries. ○ Similarly, that the engagement partner has taken responsibility for the direction, supervision and performance of the audit in compliance with the ISAs may be evidenced in a number of ways within the audit documentation. This may include documentation of the engagement partner’s timely involvement in aspects of the audit, such as participation in the team discussions required by ISA 315 (Redrafted).⁴ 	<ul style="list-style-type: none"> ○ For example, there may be no single way in which the auditor’s professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor’s exercise of professional skepticism in accordance with the ISAsSAs. Such evidence may include specific procedures performed to corroborate management’s responses to the auditor’s inquiries. ○ Similarly, that the engagement partner has taken responsibility for the direction, supervision and performance of the audit in compliance with the ISAs may be evidenced in a number of ways within the audit documentation. This may include documentation of the engagement partner’s timely involvement in aspects of the audit, such as participation in the team discussions required by ISA 315 (Redrafted) paragraph .14 of AU section 314, Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, (AICPA, Professional Standards, vol. 1). <p>⁶ <i>AU section 311, Planning and Supervision (AICPA, Professional Standards, vol. 1), addresses the auditor’s responsibility to plan an audit of financial statements.</i></p>
<p>Documentation of Significant Matters and Related Significant Professional Judgments (Ref: Para. 8(c))</p>	<p>Documentation of Significant Matters Findings or Issues and Related Significant Professional Judgments (Ref: Para. 8c)</p>
<p>A8. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:</p> <ul style="list-style-type: none"> • Matters that give rise to significant risks (as defined in ISA 315 (Redrafted)). • Results of audit procedures indicating 	<p>A8. Judging the significance of a matter finding or issue requires an objective analysis of the facts and circumstances. Examples of significant matters findings or issues include:</p> <ul style="list-style-type: none"> • Matters, which are significant, involving the selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters include, but are

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<p>(a) that the financial statements 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.</p> <ul style="list-style-type: none"> • Circumstances that cause the auditor significant difficulty in applying necessary audit procedures. • Findings that could result in a modification to the audit opinion or the inclusion of an Emphasis of Matter paragraph in the auditor’s report. 	<p><i>not limited to (1) accounting for complex or unusual transactions or (2) accounting estimates and uncertainties and, if applicable, the related management assumptions.</i></p> <ul style="list-style-type: none"> • Matters that give rise to significant risks (as defined in <i>AU section 314</i> ISA-315 (Redrafted)). • Results of audit procedures indicating <i>(a1)</i> that the financial statements could be materially misstated, or <i>(b2)</i> 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 the audit opinion or the inclusion of an Emphasis of Matter paragraph in the auditor’s report. • <i>Corrected and uncorrected misstatements, in accordance with AU section 312, Audit Risk and Materiality in Conducting and Audit (AICPA, Professional Standards, vol. 1)</i>
<p>A9. An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results. Documentation of the professional judgments made, where significant, serves to explain the auditor’s conclusions and to reinforce the quality of the judgment. Such matters are of particular interest to those responsible for reviewing audit documentation, including those carrying out subsequent audits when reviewing matters of continuing significance (for example, when performing a retrospective review of accounting estimates).</p>	<p>A9. An important factor in determining the form, content and extent of audit documentation of significant matters <i>findings or issues</i> is the extent of professional judgment exercised in performing the work and evaluating the results. Documentation of the professional judgments made, where significant, serves to explain the auditor’s conclusions and to reinforce the quality of the judgment. Such matters <i>findings or issues</i> are of particular interest to those responsible for reviewing audit documentation, including those carrying out subsequent audits when reviewing matters <i>items</i> of continuing significance (for example, when performing a retrospective review of accounting estimates).</p>
<p>A10. Some examples of circumstances in which,</p>	<p>A10. Some examples of circumstances in which, in</p>

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<p>in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:</p>	<p>accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters findings, issues and judgments are significant:</p>
<ul style="list-style-type: none"> • The rationale for the auditor’s conclusion when a requirement provides that the auditor ‘shall consider’ certain information or factors, and that consideration is significant in the context of the particular engagement. 	<ul style="list-style-type: none"> • The rationale for the auditor’s conclusion when a requirement provides that the auditor ‘shall consider’ certain information or factors, and that consideration is significant in the context of the particular engagement.
<ul style="list-style-type: none"> • The basis for the auditor’s conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates). 	<ul style="list-style-type: none"> • The basis for the auditor’s conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).
<ul style="list-style-type: none"> • The basis for the auditor’s conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic. 	<ul style="list-style-type: none"> • The basis for the auditor’s conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.
<p>A11. The auditor may consider it helpful to prepare and retain as part of the audit documentation a summary (sometimes known as a completion memorandum) that describes the significant matters identified during the audit and how they were addressed, or that includes cross-references to other relevant supporting audit documentation that provides such information. Such a summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. Further, the preparation of such a summary may assist the auditor’s consideration of the significant matters. It may also help the auditor to consider whether, in light of the audit procedures performed and conclusions reached, there is any individual relevant ISA objective that the auditor has not met or is</p>	<p>A11. The auditor may consider it helpful to prepare and retain as part of the audit documentation a summary (sometimes known as a completion memorandum) that describes the significant matters identified during the audit and how they were addressed, or that includes cross-references to other relevant supporting audit documentation that provides such information. Such a summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. Further, the preparation of such a summary may assist the auditor’s consideration of the significant matters. It may also help the auditor to consider whether, in light of the audit procedures performed and conclusions reached, there is any individual relevant ISA SAS objective that the auditor has not met or is unable to meet that would prevent the</p>

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unable to meet that would prevent the auditor from achieving the auditor’s overall objective.	auditor from achieving the auditor’s overall objective.
<i>Identification of Specific Items or Matters Tested, and of the Preparer and Reviewer</i> (Ref: Para. 9)	<i>Identification of Specific Items or Matters Tested, and of the Preparer and Reviewer</i> (Ref: Para. 10)
<p>A12. Recording the identifying characteristics serves a number of purposes. For example, it enables the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. For example:</p> <ul style="list-style-type: none"> • For a detailed test of entity-generated purchase orders, the auditor 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 a specified amount from the journal register). • For a procedure requiring systematic sampling from a population of documents, the auditor may identify the documents selected by recording their source, the starting point and the sampling interval (for example, a systematic sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report). • For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries and the names and job designations of the entity personnel. • For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out. 	<p>A12. Recording the identifying characteristics serves a number of purposes. For example, it <i>improves the ability of the auditor to supervise and review the work performed and thus demonstrates the accountability</i> enables the of the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. For example:</p> <ul style="list-style-type: none"> • For a detailed test of entity-generated purchase orders, the auditor 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 a specified amount from the journal register). • For a procedure requiring systematic sampling from a population of documents, the auditor may identify the documents selected by recording their source, the starting point and the sampling interval (for example, a systematic sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report).⁷ • For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries, and the names and job designations of the entity personnel <i>and the inquiry made</i>. • For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective

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	<p>responsibilities, and where and when the observation was carried out.</p> <p><i>7 The AICPA's Accounting and Auditing Guide, Audit Sampling, provides guidance relating to the identifying characteristics that the auditor might document when using statistical sampling.</i></p>
<p>A13. The auditor is required to review the audit work performed through review of the audit documentation.⁵ The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.</p>	<p>A13. <i>Paragraph 57 of SQCS No. 7 requires the firm to establish policies and procedures that address engagement performance, supervision responsibilities, and review responsibilities.</i> The auditor is required to review the audit work performed through review of the audit documentation. The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.</p>
<p>Documentation of Discussions of Significant Matters with Management, Those Charged with Governance, and Others (Ref: Para. 10)</p>	<p><i>Documentation of Discussions of Significant Matters with Management, Those Charged with Governance, and Others (Ref: Para. 11)</i></p>
<p>A14. The documentation is not limited to records prepared by the auditor but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.</p>	<p>A14. The <i>audit</i> documentation is not limited to records<i>documents</i> prepared by the auditor but may include other appropriate records<i>documents</i> such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters<i>findings or issues</i> may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.</p>
<p>Documentation of how Inconsistencies have been Addressed (Ref: Para. 11)</p>	<p><i>Documentation of how Inconsistencies have been Addressed (Ref: Para. 12)</i></p>
<p>A15. The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded.</p>	<p>A15. The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded.</p>
<p>No equivalent</p>	<p>A16. <i>The documentation of the inconsistency may include, but is not limited to, procedures performed in response to the information, and records</i></p>

⁵ [Proposed] ISA 220 (Redrafted), paragraph [16]. Paragraph [A12] of [proposed] ISA 220 (Redrafted) describes the nature of a review.

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	<i>documenting consultations on, or resolutions of, differences in professional judgment among members of the engagement team or between the engagement team and others consulted.</i>
Considerations Specific to Smaller Entities (Ref. Para. 8)	<i>Considerations Specific to Smaller, Less Complex Entities</i> (Ref. Para. 8)
<p>A16. The audit documentation for the audit of a smaller entity is generally less extensive than that for the audit of a larger entity. Further, in the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (for example, there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement in paragraph 8 to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.</p>	<p>A17. The audit documentation for the audit of a smaller, less complex entity is generally less extensive than that for the audit of a larger, more complex entity. Further, in the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (for example, there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement in paragraph 8 to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.</p>
<p>A17. When preparing audit documentation, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross-references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality, assessed risks, significant matters noted during the audit, and conclusions reached.</p>	<p>A18. When preparing audit documentation, the auditor of a smaller, less complex entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross-references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller, less complex entity include the understanding of the entity and its internal control, the overall audit strategy and audit plan, materiality, assessed risks, significant matters findings or issues noted during the audit, and conclusions reached.</p>
<i>Departure from a Relevant Requirement</i> (Ref. Para. 12)	<i>Departure from a Relevant Requirement</i> (Ref. Para. 13)
<p>A18. The objectives and requirements in ISAs are designed to support the achievement of the overall objective of the auditor.⁶ Accordingly, other than in exceptional circumstances, the ISAs call for</p>	<p>A19. The objectives and requirements in ISAs SASs are designed to support the achievement of the overall objective of the auditor. Accordingly, other than in exceptional circumstances, the ISAs SASs call</p>

⁶ [Proposed] ISA 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing,” paragraphs [23-24].

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<p>compliance with each requirement that is relevant in the circumstances of the audit.</p>	<p>for compliance with each requirement that is relevant in the circumstances of the audit.</p>
<p>A19. The documentation requirement applies only to requirements that are relevant in the circumstances. A requirement is not relevant⁷ only in the cases where:</p> <p>(a) The ISA is not relevant (for example, in a continuing engagement, nothing in [proposed] ISA 510 (Redrafted)⁸ is relevant); or</p> <p>The circumstances envisioned do not apply because the requirement is conditional and the condition does not exist (for example, the requirement to modify the auditor’s opinion where there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).</p>	<p>A20. The documentation requirement applies only to requirements that are relevant in the circumstances. A requirement is not relevant only in the cases where:</p> <p>a) The ISA SAS is not relevant (for example, in a continuing engagement, need to add relevant SAS example); or</p> <p>b) The circumstances envisioned do not apply because the requirement is conditional and the condition does not exist. (for example, the requirement to modify the auditor’s opinion where there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).</p>
<p><i>Matters Arising after the Date of the Auditor’s Report</i> (Ref. Para. 13)</p>	<p><i>Matters Arising after the Date of the Auditor’s Report</i> (Ref. Para. 14)</p>
<p>A20. Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor’s report but which existed at that date and which, if known at that date, might have caused the financial statements to be amended or the auditor to modify the opinion in the auditor’s report.⁹ The resulting changes to the audit documentation are reviewed in accordance with the review responsibilities set out in [proposed] ISA 220 (Redrafted), with the engagement partner taking final responsibility for the changes.</p>	<p>A21. Examples of exceptional circumstances <i>in which the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor’s report</i> include:</p> <ul style="list-style-type: none"> • <i>When, after the date of the auditor’s report, the auditor becomes aware of facts that</i> facts which become known to the auditor after the date of the auditor’s report but which existed at that date and which, if known at that date, might have caused the financial statements to be amended or the auditor to modify the opinion in the auditor’s report.⁸ <p>⁸ See AU section 561, Subsequent Discovery of Facts Existing at the Date of the Auditor’s Report (AICPA, Professional Standards, vol. 1).</p> <ul style="list-style-type: none"> • <i>When the auditor concludes that procedures necessary at the time of the audit, in the circumstances then existing, were omitted from the audit of the financial information.</i>⁹

⁷ [Proposed] ISA 200 (Revised and Redrafted), paragraph [27].

⁸ [Proposed] ISA 510 (Redrafted), “Initial Audit Engagements—Opening Balances.”

⁹ [Proposed] ISA 560 (Redrafted), “Subsequent Events,” paragraph [13].

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	<p>⁹ <i>AU section 390, Consideration of Omitted Procedures After the Report Date (AICPA. Professional Standards, vol. 1).</i></p> <p>The resulting changes to the audit documentation are reviewed in accordance with the review responsibilities set out in [proposed] ISA 220 (Redrafted), with the engagement partner taking final responsibility for the changes. <i>firm's quality control procedures as required by SQCS No. 7.</i></p>
<p>Assembly of the Final Audit File (Ref: Para. 14-16)</p>	<p>Assembly and Retention of the Final Audit File (Ref: Para. 15-18)</p>
<p>A21. Firms are required to establish policies and procedures for the timely completion of the assembly of audit files.¹⁰ An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.¹¹</p>	<p>A22. Firms are required to establish policies and procedures for the timely completion of the assembly of audit files. An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report <i>Statutes, regulations, or the audit firm's quality control policies may specify a shorter period of time shorter than 60 days following the report release date in which this assembly process is to be completed.</i></p>
<p>No equivalent</p>	<p>A23. <i>Certain matters, such as auditor independence and staff training, that are not engagement specific, may be documented either centrally within a firm or in the audit documentation for an audit engagement. Documentation of matters specific to a particular engagement should would be included in the audit file for the specific engagement.</i></p>
<p>A22. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:</p> <ul style="list-style-type: none"> • Deleting or discarding superseded documentation. • Sorting, collating and cross- 	<p>A24. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:</p> <ul style="list-style-type: none"> • Deleting or discarding superseded documentation. • Sorting, collating and cross-referencing

¹⁰ [Proposed] ISQC 1 (Redrafted), paragraph [52].

¹¹ [Proposed] ISQC 1 (Redrafted), paragraph [A50].

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<p>referencing working papers.</p> <ul style="list-style-type: none"> • Signing off on completion checklists relating to the file assembly process. • Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor’s report. 	<p>working papers</p> <ul style="list-style-type: none"> • Signing off on completion checklists relating to the file assembly process. • Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor’s report. • Adding information received after the date of the auditor’s report, for example, an original confirmation that was previously faxed.
<p>A24. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties.</p>	<p>A25. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring inspections performed by internal or external parties.</p>
<p>A23. Firms are required to establish policies and procedures for the retention of engagement documentation.¹² The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor’s report, or, if later, the date of the group auditor’s report.¹³</p>	<p>Firms are required to establish policies and procedures for the retention of engagement documentation. The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor’s report, or, if later, the date of the group auditor’s report. <i>Statutes, regulations, or the audit firm’s quality control policies may specify a retention period longer than five years.</i></p>
<p>No equivalent</p>	<p>A27. <i>Audit documentation is the property of the auditor, and some states recognize this right of ownership in their statutes. The auditor may make available to the entity at the auditor’s discretion copies of the audit documentation, provided such disclosure does not undermine the independence or the validity of the audit process. However audit documentation is not a substitute for the entity’s accounting records.</i></p>

¹² [Proposed] ISQC 1 (Redrafted), paragraph [54].

¹³ [Proposed] ISQC 1 (Redrafted), paragraph [A57].

