INTERNATIONAL STANDARD ON AUDITING 230 (REVISED) (Clean)

AUDIT DOCUMENTATION

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

[Draft 6: May 24, 2004]

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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. This International Standard on Auditing (ISA) 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 and guidance. Laws or regulations may provide further documentation requirements.

2. The auditor should prepare and maintain audit documentation in order to support the auditor’s report and to provide evidence that the audit was carried out in accordance with ISAs.

Definitions
3. In this ISA:
   (a) “Date of the auditor’s report”* means the date the audit is completed.1 The audit is considered completed when the auditor has obtained sufficient appropriate audit evidence to support the auditor’s opinion;
   (b) “Date the historical financial information is issued”** means the date that the historical financial information and the accompanying auditor’s report are made available to third parties, often the date they are filed with a regulatory authority;
   (c) “Experienced auditor” means a partner or other person in the firm, an appropriately qualified external person, or a team made up of such individuals, with sufficient and appropriate experience to objectively evaluate the significant judgments the audit team made, and the conclusions it reached in formulating the auditor’s report; and
   (d) “Inspection”*** means, in relation to completed audit engagements, procedures designed to provide evidence of compliance by engagement teams with the firm’s quality control policies and procedures.

Nature and Purposes of Audit Documentation
4. Audit documentation is the principal record of audit procedures performed, relevant 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.

* As defined in ISA 560 (from ISA 700 conforming changes).
1 In some jurisdictions, law or regulation may prescribe when the audit is considered to be completed. In such circumstances, the auditor uses this date as the date of the auditor’s report.
** Adapted from the definition of “Date the financial statements are issued” in ISA 560 (from ISA 700 conforming changes).
*** As defined in ISA 220 (Revised) published in February 2004.
5. Audit documentation serves a number of primary purposes, including:
   (a) Assisting the audit team to plan and perform the audit;
   (b) Assisting members of the audit team responsible for supervision to direct and supervise the
       audit work, and to review the quality of work performed, in accordance with ISA 220
       (Revised), “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 regulatory
       and legal requirements;
   (e) Providing a record of evidence in order to support the auditor’s report;
   (f) Maintaining a record of matters of continuing significance to future audits of the same entity;
       and
   (g) Enabling experienced auditors to conduct quality control inspections 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,”\(^3\) or other
       requirements.

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

Form, Content and Extent of Audit Documentation
6. The auditor should prepare and maintain audit documentation that is sufficient and
   appropriate.

7. Audit documentation is sufficient and appropriate if:
   (a) It enables members of the audit team, including those responsible for supervision and review,
       to understand the nature, timing, extent and results of audit procedures performed, the
       relevant evidence obtained, and the conclusions reached, to the extent relevant to the
       performance of their duties; and
   (b) It enables an experienced auditor, having no previous connection with the audit, to understand
       conclusions reached on significant matters, and in respect of these matters (i) the nature,
       timing, extent and results of the audit procedures performed, and (ii) the relevant evidence
       obtained.

8. It is neither necessary nor practical to document every matter the auditor considers. The form,
   content and extent of audit documentation are matters of professional judgment and are affected
   by various considerations, including:
   • The nature, size and complexity of the entity.

\(^2\) ISA 220 (Revised) is effective for audits of historical financial information for periods commencing on or after June
15, 2005.
\(^3\) ISQC 1 is effective as of June 15, 2005.
• The nature and complexity of the entity’s computerized information systems, and their level of automation and integration.
• The nature, complexity and effectiveness of the entity’s internal control.
• The nature, significance and specificity of the transactions being audited.
• The risk of material misstatement associated with the audit area.
• The nature of the planned audit procedures.
• What judgment will be required in performing the work and evaluating the results.
• The source, form and significance of the evidence.
• Legal or regulatory requirements.
• Whether the auditor’s report will be qualified.
• The need for direction, supervision and review of work that audit team members performed.
• The specific audit methodology and documentation tools used, for example, proprietary audit software.

Identification of Preparer and Reviewer

9. Audit documentation should:

   (a) Identify which member(s) of the audit team prepared the audit documentation and the date the documented work was completed; 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.

10. Certain audit procedures are performed over an extended period. No procedure will be considered completed until the auditor judges, based on the audit evidence, that the objective of the audit procedure has been met. Accordingly, the working paper that records the work performed is dated when the audit procedure has been completed.

11. Recording who reviewed specific audit documentation and when such review was performed enables those responsible for supervision to prove that they have fulfilled an important part of their supervisory responsibilities. In reviewing a specific piece of audit documentation, the reviewer may refer to other working papers to gain an understanding of the work performed and the resulting conclusions. The reviewer need only sign off on the specific piece of audit documentation selected for review.

Documentation of Significant Matters

12. The auditor should prepare audit documentation for all matters that, in the auditor’s professional judgment, are significant, including documentation of:

   (a) The procedures performed to address these significant matters;

   (b) The relevant evidence obtained;

   (c) The final conclusions reached; and

   (d) The bases for the conclusions.
13. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Significant matters might include, for example:

- Matters that give rise to significant risks (as defined in ISA 315, “Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement”).
- 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 modification of the auditor’s report.

14. Documenting the bases for the conclusions reached on significant matters often helps the auditor to better understand the issues and enhances the quality of the auditor’s conclusions.

15. 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.”

16. **To the extent the auditor has identified information that materially contradicts the auditor’s final conclusions regarding significant matters, the auditor should document that information and how the auditor dealt with it.** The documentation of materially contradictory information, however, does not imply that the auditor needs to document information that is simply incorrect or superseded.

**Documentation of the Object of the Audit Procedure**

17. **The auditor should document the identifying characteristics of the object of the audit procedure.**

18. The object of an audit procedure may be, for example, an accounting record, a fixed asset, a specific internal control or process of the entity, or an employee of the entity to whom an inquiry has been directed. Documenting these 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.

19. The auditor need only retain copies of the entity’s records from which items were selected for audit procedures if they are needed to enable the individuals referred to in paragraph 7 to understand the work performed and conclusions reached, for example, copies or abstracts of significant and specific contracts and agreements.

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

20. After the date of the auditor’s report, the auditor should not make changes to audit documentation that reflect new evaluations or conclusions unless the auditor clearly documents:

(a) When and by whom such changes were made, and (where applicable) reviewed;

(b) The 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 Closing the Audit File

21. The requirement in paragraph 20 does not preclude the auditor from making those changes that ordinarily occur during the process of assembling and closing the audit file after the date of the auditor’s report but that do not reflect new evaluations or conclusions. Such changes include, for example:

• Documenting evidence that the auditor did not have time to document prior to releasing the signed auditor’s report to the entity, 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 housekeeping procedures such as deleting superseded documentation and sorting, collating and cross-referencing final working papers.

• Signing off on file completion checklists prior to closing and archiving the audit file.

22. To close the audit file, the auditor assembles a complete and final set of audit documentation within a reasonable period after the signed auditor’s report has been released to the entity. Such reasonable period is ordinarily not expected to exceed 60 days.

Changes to Audit Documentation after the Audit File has been Closed

23. After the audit file has been closed, the auditor should not delete audit documentation. Where the auditor finds it necessary to make an addition to audit documentation after the audit file has been closed, the auditor should document the addition in accordance with subparagraphs (a) to (c) of paragraph 20, regardless of the nature of the addition.

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

24. As 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 may determine, on the basis of professional judgment, that it is appropriate to evaluate the new information, taking into account factors such as the nature and significance of the information, and the length of time after the date of the auditor’s report that it is received.

25. To the extent that the auditor evaluates 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 20. 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 to 18 of ISA 560, “Subsequent Events.”

Confidentiality, Safe Custody, Retention and Ownership of Audit Documentation

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

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

27. 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 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.

28. Whether audit documentation is in paper, digital or other form, the integrity, reliability, 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 adopts appropriate controls for audit documentation to:

   (a) Clearly determine when and by whom audit documentation was created, changed or reviewed;
   (b) Protect the integrity and reliability 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;
(d) Allow effective access to the documentation by the audit team and other authorized parties as necessary to properly discharge their responsibilities; and

(e) Enable its retrieval during the retention period as necessary.

29. The auditor determines which controls will maintain the confidentiality, safe custody, integrity, reliability, accessibility and retrievability of audit documentation, taking into account considerations such as the nature of the audit and the cost effectiveness of the controls. For example, procedures for electronic audit documentation may include:

- The use of a password among audit team members to restrict access to the documentation to authorized users.
- Appropriate back-up routines for the documentation at appropriate stages during the audit.
- Procedures for distributing the documentation to the audit team members at the start of fieldwork, processing it during fieldwork, and collating it at the end of fieldwork.
- Procedures that allow archived documentation to be retrieved during the retention period, even though the underlying technology may have been upgraded or changed.
- Procedures that provide a record of changes made to audit documentation after the audit file has been closed.
- Procedures that enable authorized external experienced auditors, who may not be familiar with the auditor’s electronic documentation system, to effectively access and review specific audit documentation for quality control or other purposes.

30. For practical reasons, original paper documentation may be electronically scanned for inclusion in the audit file. In that case, the auditor adopts 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.

Original paper documentation that has been scanned may, however, still need to be retained for the same period as the audit file (although not necessarily with the audit file) for legal reasons, because original paper documentation has inherent authenticity that cannot be replicated by a digitized form.

31. Audit documentation is retained for a period sufficient to meet the relevant purposes set out in paragraph 5. 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, 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.
32. 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
33. 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 and Guidance in Other ISAs

The following lists the main paragraphs that contain specific documentation standards 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 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