

**Audit Documentation Frequently Asked Questions – Cover Note****Objective of this Agenda Item**

The objective of this Agenda Item is to obtain Board support for the issuance of the Frequently Asked Questions on Audit Documentation set out in **Agenda Item 3-A**.

**I. Introduction**

1. Audit documentation was highlighted as a key matter in the feedback from respondents to the Discussion Paper (DP), [Audits of Less Complex Entities \(LCEs\): Exploring Possible Options to Address the Challenges in Applying the ISAs](#). Respondents noted the following:
  - Documentation requirements may be disproportionately affecting LCEs. These requirements are not seen by some to add value or enhance audit quality for these entities (i.e., it can be burdensome to go through a process of elimination to determine which requirements do not apply, as well as to document why they may not be applicable to satisfy regulatory demands for documentation);
  - There were views that documentation requirements have become increasingly onerous, voluminous and overly complicated especially within the specific ISAs covering the planning and completion stages of the audit;
  - Respondents commented that there is lack of coherence in the documentation requirements which have been added piecemeal to the ISAs over many years, causing confusion among practitioners and regulators alike, and unnecessary conflict between them; and
  - Calls were made for providing greater clarity about:
    - The relationship between ISA 230<sup>1</sup> and the specific documentation requirements in other ISAs;
    - The nature and extent of documentation required for judgmental matters and thought processes; and
    - Providing guidance and examples that show the variability in the extent of documentation based on the level of complexity within the entity.

**II. Frequently Asked Questions – Audit Documentation**

2. The Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group reviewed all documentation requirements in the ISAs to understand what other documentation requirements the IAASB requires outside of ISA 230. This enabled the Working Group to see if there was evidence that ISA 230 failed to capture an important documentation principle. As noted to the IAASB in April 2021, the Working Group concluded that the principles in ISA 230 are sufficiently strong and broad, and that high-level non-authoritative material would help support the application of the documentation requirements in ISA 230 and within individual ISAs. The non-authoritative material can also provide further clarity on the application of ISA 230.

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<sup>1</sup> ISA 230, *Audit Documentation*

3. The Draft Frequently Asked Questions (FAQ) on Audit Documentation is set out in **Agenda Item 3-A**. The FAQ is intended to respond to some of the points made by respondents, particularly:
- Emphasizing the importance of audit documentation and why it is prepared;
  - Explaining the relationship between ISA 230 and the individual documentation requirements in the ISAs;
  - How the auditor may determine that sufficient and appropriate audit documentation was prepared;
  - Providing examples of what may be documented for different types of performance requirements in the ISAs; and
  - How professional skepticism can be documented (evidenced).

In developing the FAQ, the Working Group has sought to stay close to the text of ISA 230 and avoid interpretations of material in the standards. This is consistent with the approach outlined for non-authoritative materials in the [Framework for Activities](#).

4. The Working Group believes that these FAQs will assist users of the ISAs in better understanding the documentation requirements of the ISAs. They are not intended to be a panacea for all concerns about audit documentation – this would be beyond the scope of non-authoritative material – but these FAQs deal with some of the critical areas that the CUSP Working Group has heard are central to wider documentation matters.
5. The CUSP Working Group included an FAQ on the documentation of professional skepticism. This question benefited from input from the Professional Skepticism Working Group. The question draws heavily from the 2012 publication, [Professional Skepticism In An Audit Of Financial Statements](#). While the FAQs under consideration are focused on documentation, not professional skepticism, the Working Group believed that limited reference should be made to the documentation of professional skepticism as this was an area of commentary by respondents.

**Matter for IAASB Consideration:**

1. The Board is asked for their views on whether they support the issuance of the Frequently Asked Questions on Audit Documentation as set out in **Agenda Item 3-A**.

### III. Way Forward

6. Given the potential interest in material related to audit documentation, the draft FAQ have been circulated to the Board under “Channel 4” of the [Framework for Activities](#). Based on the feedback received from the Board during the October 2021 meeting, the CUSP Working Group will finalize the FAQs for issuance in Q4 2021, subject to clearance by the Chair, Working Group Chair and Technical Director.