

# INTERNATIONAL STANDARD ON AUDITING 230

## DOCUMENTATION

(This Standard is effective, but contains conforming amendments that become effective at a future date)\*

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International Standard on Auditing (ISA) 230, "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.

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\* The Audit Risk Standards, comprising ISA 315, "Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement," ISA 330, "The Auditor's Procedures in Response to Assessed Risks," and ISA 500 (Revised), "Audit Evidence," gave rise to conforming amendments to ISA 230. These amendments are effective for audits of financial statements for periods beginning on or after December 15, 2004.

## Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance regarding documentation in the context of the audit of financial statements.
2. **The auditor should document matters which are important in providing audit evidence to support the auditor's opinion and evidence that the audit was carried out in accordance with ISAs.**
3. "Documentation" means the material (working papers) prepared by and for, or obtained and retained by the auditor in connection with the performance of the audit. Working papers may be in the form of data stored on paper, film, electronic media or other media.
4. Working papers:
  - (a) Assist in the planning and performance of the audit;
  - (b) Assist in the supervision and review of the audit work; and
  - (c) Record the audit evidence resulting from the audit work performed to support the auditor's opinion.

## Form and Content of Working Papers

5. **The auditor should prepare working papers which are sufficiently complete and detailed to provide an overall understanding of the audit.**
6. **The auditor should record in the working papers information on planning the audit, ~~work~~, the nature, timing and extent of the audit procedures performed, and the results thereof, and the conclusions drawn from the audit evidence obtained.** Working papers ~~would~~ include the auditor's reasoning on all significant matters which require the exercise of judgment, together with the auditor's conclusion thereon. In areas involving difficult questions of principle or judgment, working papers ~~will~~ record the relevant facts that were known by the auditor at the time the conclusions were reached.
7. The extent of working papers is a matter of professional judgment since it is neither necessary nor practical to document every matter the auditor considers. In assessing the extent of working papers to be prepared and retained, it may be useful for the auditor to consider what would be necessary to provide another auditor who has no previous experience with the audit with an understanding of the work performed and the basis of the principle decisions taken but not the detailed aspects of the audit. That other auditor may only be able to obtain an understanding of detailed aspects of the audit by discussing them with the auditors who prepared the working papers.

8. The form and content of working papers are affected by matters such as the following:
- Nature of the engagement.
  - Form of the auditor's report.
  - Nature, size and complexity of the business.
  - Nature and complexity condition of the entity's ~~accounting and~~ internal control ~~systems~~.
  - Needs in the particular circumstances for direction, supervision and review of work performed by assistants.
  - Specific audit methodology and technology used in the course of the audit.
9. Working papers are designed and organized to meet the circumstances and the auditor's needs for each individual audit. The use of standardized working papers (for example, checklists, specimen letters, standard organization of working papers) may improve the efficiency with which such working papers are prepared and reviewed. They facilitate the delegation of work while providing a means to control its quality.
10. To improve audit efficiency, the auditor may utilize schedules, analyses and other documentation prepared by the entity. In such circumstances, the auditor would need to be satisfied that those materials have been properly prepared.
11. Working papers ordinarily include the following:
- Information obtained in understanding the entity and its environment, including its internal control, such as the following:
    - ~~→~~ Information concerning the legal and organizational structure of the entity.
    - ~~→~~ Extracts or copies of important legal documents, agreements and minutes.
    - ~~→~~ Information concerning the industry, economic environment and legislative environment within which the entity operates.
    - Extracts from the entity's internal control manual.
  - Evidence of the planning process including audit programs and any changes thereto.
  - ~~Evidence of the auditor's understanding of the accounting and internal control systems.~~

- ~~Evidence of inherent and control risk assessments and any revisions thereof.~~
  - Evidence of the auditor's consideration of the work of internal auditing and conclusions reached.
  - Analyses of transactions and balances.
  - Analyses of significant ratios and trends.
  - The identified and assessed risks of material misstatements at the financial statement and the assertion level.
  - A record of the nature, timing and extent of audit procedures performed in response to risks at the assertion level and the results of such procedures.
  - Evidence that the work performed by assistants was supervised and reviewed.
  - An indication as to who performed the audit procedures and when they were performed.
  - Details of audit procedures applied regarding components whose financial statements are audited by another auditor.
  - Copies of communications with other auditors, experts and other third parties.
  - Copies of letters or notes concerning audit matters communicated to or discussed with management or those charged with governance~~the entity~~, including the terms of the engagement and material weaknesses in internal control.
  - Letters of representation received from the entity.
  - Conclusions reached by the auditor concerning significant aspects of the audit, including how exceptions and unusual matters, if any, disclosed by the auditor's procedures were resolved or treated.
  - Copies of the financial statements and auditor's report.
12. In the case of recurring audits, some working paper files may be classified as "permanent" audit files which are updated with new information of continuing importance, as distinct from current audit files which contain information relating primarily to the audit of a single period.

### **Confidentiality, Safe Custody, Retention and Ownership of Working Papers**

13. **The auditor should adopt appropriate procedures for maintaining the confidentiality and safe custody of the working papers and for retaining**

**them for a period sufficient to meet the needs of the practice and in accordance with legal and professional requirements of record retention.**

14. Working papers are the property of the auditor. Although portions of or extracts from the working papers may be made available to the entity at the discretion of the auditor, they are not a substitute for the entity's accounting records.