

INTERNATIONAL STANDARD ON AUDITING 230

AUDIT DOCUMENTATION

(Effective for audits of financial information for periods beginning on or after June 15, 2006)*

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International Standard on Auditing (ISA) 230, "Audit Documentation" should be read in the context of the "Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services," which sets out the application and authority of ISAs.

* ISA 230 gave rise to conforming amendments to ISQC 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information and Other Assurance and Related Service Engagements," ISA 200, "Objective and General Principles Governing an Audit of Financial Statements," and ISA 330, "The Auditor's Procedures in Response to Assessed Risks." The conforming amendments to ISQC 1, and ISAs 200 and 330 have been incorporated in the text of those Standards. The IAASB's clarity drafting conventions have been applied to ISA 230. ISA 230 (Redrafted), "Audit Documentation" can be found in Part II of the Handbook of International Auditing, Assurance, and Ethics Pronouncements. It is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on audit documentation. The Appendix lists other ISAs containing subject matter-specific documentation requirements and guidance. Laws or regulations may establish additional documentation requirements.
2. **The auditor should prepare, on a timely basis, audit documentation that provides:**
 - (a) **A sufficient and appropriate record of the basis for the auditor’s report; and**
 - (b) **Evidence that the audit was performed in accordance with ISAs and applicable legal and regulatory requirements.**
3. 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 at the time the work is performed is likely to be more accurate than documentation prepared subsequently.
4. Compliance with the requirements of this ISA together with the specific documentation requirements of other relevant ISAs is ordinarily sufficient to achieve the objectives in paragraph 2.
5. In addition to these objectives, audit documentation serves a number of 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 discharge their review responsibilities in accordance with ISA 220, “Quality Control for Audits of Historical Financial Information;”
 - (c) Enabling the audit team to be accountable for its work;
 - (d) Retaining a record of matters of continuing significance to future audits;
 - (e) Enabling an experienced auditor to conduct quality control reviews and inspections¹ 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;” and

¹ As defined in ISA 220, “Quality Control for Audits of Historical Financial Information.”

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

Definitions

- 6. In this ISA:
 - (a) “Audit documentation” means the record of audit procedures performed,² relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used); and
 - (b) “Experienced auditor” means an individual (whether internal or external to the firm) who has a reasonable understanding of (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.

Nature of Audit Documentation

- 7. Audit documentation may be recorded on paper or on electronic or other media. It includes, for example, audit programs, analyses, issues memoranda, summaries of significant matters, letters of confirmation and representation, checklists, and correspondence (including e-mail) concerning significant matters. Abstracts or copies of the entity’s records, for example, significant and specific contracts and agreements, may be included as part of audit documentation if considered appropriate. Audit documentation, however, is not a substitute for the entity’s accounting records. The audit documentation for a specific audit engagement is assembled in an audit file.
- 8. The auditor ordinarily excludes from 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.

Form, Content and Extent of Audit Documentation

- 9. **The auditor should prepare the audit documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand:**
 - (a) **The nature, timing, and extent of the audit procedures performed to comply with ISAs and applicable legal and regulatory requirements;**

² Audit procedures performed include audit planning, as addressed in ISA 300, “Planning an Audit of Financial Statements.”

- (b) **The results of the audit procedures and the audit evidence obtained; and**
 - (c) **Significant matters arising during the audit and the conclusions reached thereon.**
10. The form, content and extent of audit documentation depend on factors such as:
- The nature of the audit procedures to be performed;
 - The identified risks of material misstatement;
 - The extent of judgment required in performing the work and evaluating the results;
 - 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; and
 - The audit methodology and tools used.
- It is, however, neither necessary nor practicable to document every matter the auditor considers during the audit.
11. 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.

Documentation of the Identifying Characteristics of Specific Items or Matters Being Tested

12. **In documenting the nature, timing and extent of audit procedures performed, the auditor should record the identifying characteristics of the specific items or matters being tested.**
13. Recording the identifying characteristics serves a number of purposes. For example, it enables the audit 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 being tested. For example:
- 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 subject matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.

Significant Matters

14. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Significant matters include, amongst others:
 - Matters that give rise to significant risks (as defined in ISA 315, “Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement”).
 - Results of audit procedures indicating (a) that the financial information could be materially misstated, or (b) a need to revise the auditor’s previous assessment of the risks of material misstatement and the auditor’s responses to those risks.
 - Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
 - Findings that could result in a modification to the auditor’s report.
15. 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.
16. **The auditor should document discussions of significant matters with management and others on a timely basis.**

17. The audit documentation includes records of the significant matters discussed, and when and with whom the discussions took place. It is not limited to records prepared by the auditor but may include other appropriate records such as agreed minutes of meetings prepared by the entity's personnel. Others with whom the auditor may discuss significant matters include those charged with governance, other personnel within the entity, and external parties, such as persons providing professional advice to the entity.
18. **If the auditor has identified information that contradicts or is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor should document how the auditor addressed the contradiction or inconsistency in forming the final conclusion.**
19. 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.

Documentation of Departures from Basic Principles or Essential Procedures

20. The basic principles and essential procedures in ISAs are designed to assist the auditor in meeting the overall objective of the audit. Accordingly, other than in exceptional circumstances, the auditor complies with each basic principle and essential procedure that is relevant in the circumstances of the audit.
21. **Where, in exceptional circumstances, the auditor judges it necessary to depart from a basic principle or an essential procedure that is relevant in the circumstances of the audit, the auditor should document how the alternative audit procedures performed achieve the objective of the audit, and, unless otherwise clear, the reasons for the departure.** This involves the auditor documenting how the alternative audit procedures performed were sufficient and appropriate to replace that basic principle or essential procedure.
22. The documentation requirement does not apply to basic principles and essential procedures that are not relevant in the circumstances, i.e., where the circumstances envisaged in the specified basic principle or essential procedure do not apply. For example, in a continuing engagement, nothing in ISA 510, "Initial Engagements—Opening Balances," is relevant. Similarly, if an ISA includes conditional requirements, they are not relevant if the specified conditions do not exist (for example, the requirement to modify the auditor's report where there is a limitation of scope).

Identification of Preparer and Reviewer

23. **In documenting the nature, timing and extent of audit procedures performed, the auditor should record:**
 - (a) **Who performed the audit work and the date such work was completed; and**



- (b) **Who reviewed the audit work performed and the date and extent of such review.**³
24. 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 audit documentation, however, evidences who reviewed specified elements of the audit work performed and when.

Assembly of the Final Audit File

25. **The auditor should complete the assembly of the final audit file on a timely basis after the date of the auditor's report.**
26. ISQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of audit files. As ISQC 1 indicates, 60 days after the date of the auditor's report is ordinarily an appropriate time limit within which to complete the assembly of the final audit file.
27. 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:
- Deleting or discarding superseded documentation.
 - Sorting, collating and cross-referencing working papers.
 - 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 audit team before the date of the auditor's report.
28. **After the assembly of the final audit file has been completed, the auditor should not delete or discard audit documentation before the end of its retention period.**
29. ISQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. As ISQC 1 indicates, 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.

³ Paragraph 26 of ISA 220 establishes the requirement for the auditor to review the audit work performed through review of the audit documentation, which involves the auditor documenting the extent and timing of the reviews. Paragraph 25 of ISA 220 describes the nature of a review of work performed.

30. **When 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 should, regardless of the nature of the modifications or additions, document:**
- (a) **When and by whom they were made, and (where applicable) reviewed;**
 - (b) **The specific reasons for making them; and**
 - (c) **Their effect, if any, on the auditor's conclusions.**

Changes to Audit Documentation in Exceptional Circumstances after the Date of the Auditor's Report

31. **When exceptional circumstances arise after the date of the auditor's report that require the auditor to perform new or additional audit procedures or that lead the auditor to reach new conclusions, the auditor should document:**
- (a) **The circumstances encountered;**
 - (b) **The new or additional audit procedures performed, audit evidence obtained, and conclusions reached; and**
 - (c) **When and by whom the resulting changes to audit documentation were made, and (where applicable) reviewed.**
32. Such exceptional circumstances include the discovery of facts regarding the audited financial information that existed at the date of the auditor's report that might have affected the auditor's report had the auditor then been aware of them.

Effective Date

33. This ISA is effective for audits of financial information for periods beginning on or after June 15, 2006.

Appendix**Specific Audit Documentation Requirements and Guidance in Other ISAs**

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

- ISA 210, “Terms of Audit Engagements”–Paragraph 5
- ISA 220, “Quality Control for Audits of Historical Financial Information”–Paragraphs 11-14, 16, 25, 27, 30, 31 and 33
- ISA 240, “The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements”–Paragraphs 60 and 107-111
- ISA 250, “Consideration of Laws and Regulations”–Paragraph 28
- ISA 260, “Communication of Audit Matters with Those Charged with Governance”–Paragraph 16
- ISA 300, “Planning an Audit of Financial Statements”–Paragraphs 22-26
- 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”–Paragraphs 73, 73a and 73b
- ISA 505, “External Confirmations”–Paragraph 33
- ISA 580, “Management Representations”–Paragraph 10
- ISA 600, “Using the Work of Another Auditor”–Paragraph 14

INTERNATIONAL STANDARD ON AUDITING 240
THE AUDITOR’S RESPONSIBILITY TO CONSIDER FRAUD
IN AN AUDIT OF FINANCIAL STATEMENTS

(Effective for audits of financial statements for periods
beginning on or after December 15, 2004)*

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* The IAASB’s clarity drafting conventions have been applied to ISA 240. ISA 240 (Redrafted), “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements” can be found in Part II of the *Handbook of International Auditing, Assurance, and Ethics Pronouncements*. It is effective for audits of financial statements for periods beginning on or after December 15, 2009.

