

**SMP TASK FORCE  
COMMENTS ON DOCUMENTATION ISSUES PAPER****1. Title for Revised ISA 230: (Para 2<sup>1</sup> of page no. 1 of 18)****Comments:**

The revised title of ISA should reflect more closely what the revised ISA is really effectively intended to address i.e. 'Audit Documentation- Foundation Principles & Guidance' (or something to that effect) rather than the proposed wider title "Audit Documentation".

**TF response:** The TF did not believe this would really serve the purpose so no change was made.

**2. Disposal of IOSCO comment on QC aspects of documentation (paragraph 5 of page no. 2 of 18)****Comments:**

Perhaps IOSCO's proposed wording 'The auditor should be aware of relevant systems operated within the office, the firm, the professional organisation or any relevant regulatory bodies outside the profession. Working papers and the way they are retained should be tailored according to requirements set by such systems' (or something to that effect) might be considered as an appropriate substitute to the existing first sentence of paragraph 2 of the proposed ISA 230 'The performance of an audit is framed within the context of the quality control policies and procedures adopted by the firm' since the IOSCO text addresses relevant regulatory issues going beyond merely those relating to the firm.

**TF response:** This is addressed in paragraph 1 of the first read, which requires the auditor to consider applicable law or regulation.

**3. Small Entity Audits: (Para 18 & 19 of page no. 4 & 5 of 18)****Issue:**

Does the IAASB agree with the Task forces approach with regard to small audit documentation guidance in IAPS 1005?

**Comments:**

Particularly in view of the application of the 'hybrid approach' by IAASB on audit documentation matters, whereby ISA 230 only tackles foundation principles while

<sup>1</sup> Paragraph numbers refer to the issues paper and preliminary draft presented at the February 2004 IAASB meeting.

subject-matter-specific documentation issues are handled in the appropriate relevant ISAs, generally speaking there do not appear to be any major initial concerns on the documents as here presented from an SMP / SME perspective, and the foundation principles and guidance set out in the proposed revised ISA 230 appear to be equally applicable to smaller firms / audit client scenarios.

However, we agree with the approach that references to IAPS 1005 should be included as appropriate in the Standard for documentation.

**TF response:** Relevant parts of IAPS 1005 have been subsumed into the revised ISA 230 but no cross-references are used.

#### **4. Significant Matters for Documentation: (Para 29 & 30 of page no. 8 of 18)**

**Issue:**

Does the IAASB agree to expand guidance on significant matters?

**Comments:**

We support additional guidance on significant matters, for audit documentation, this would be extremely helpful for the SMP who may not have context.

**TF response:** See paragraph 14 in first read.

#### **5. Paperless Audit Documentation: (Para 36 to 38 of page no. 9 of 18)**

**Issue:**

Strengthening guidance in the area of paperless audit documentation.

**Comments:**

As more practitioners move in to this area, it is critical that additional guidance be provided. Further, provision for tracking down the log of changes made in audit documentation particularly after the audit is over should be ensured.

**TF response:** See guidance in paragraphs 28 and 29 of first read.

#### **6. Para 5 of page no. 3 of 10**

**Issue:**

“Audit Documentation” represents the record of audit procedures performed, evidence obtained and conclusions reached by the auditor during the audit

**Comments:**

Documentation should include a reference to the planning of the audit.

**TF response:** Not agreed since audit procedures include planning.

**7. Form, Content and Extent of Audit Documentation: Para 7 of page. No 4 of 10****Issue:**

The paragraph benchmarks the quality and extent of audit documentation to that required for the purposes of members of the audit team with supervision and review responsibilities.

**Comments:**

The benchmark does not adequately relate to sole practitioners situations and it is suggested that the benchmark be amended or clarified appropriately in this regard

**TF response:** Paragraph 6 of the first read now includes experienced auditors.

**8. Paragraph 19 of page no. 6 of 10****Issue:**

The paragraph states that “to improve audit efficiency, the auditor may also utilize relevant schedules, analyses and other documentation prepared by the entity, whether in paper, electronic or other form.

**Comments:**

A mention be made of the need to use appropriate professional judgement/ caution when using such documentation prepared by client for audit purposes.

**TF response:** See paragraph 12.

**9. Paragraph 23 of page no. 7 of 10 of proposed revision ISA 230****Issue:**

Amendments to audit file after the audit report has been issued

**Comments:**

The guidance set out in para 42 and para 43 of the Issues Paper appear clear and reasonable, but unfortunately does not appear to be reflected clearly and strongly in para 23 of the proposed revised ISA. ‘The auditor exercises care and professional

judgement in making such changes after the auditors report has been issued' does not seem specific enough to clearly distinguish between the issues of documentation of existing vs. new evidence as very ably done in Issues Paper.

**TF response:** The language has now been strengthened in the first read – see paragraphs 21 to 25.

#### 10. Para 29 of page no. 8 of 10 of proposed revision ISA 230

**Issue:**

To protect the integrity, reliability and accessibility of electronic audit evidence obtained, the auditor should adopt appropriate procedures.

**Comments:**

Further needs to be reflected that archival documents need to be protected from change to maintain the integrity of the documentation, such as read only status.

**TF response:** Noted but the actual details of implementation are left to the firms to choose.

#### 11. Factors that determine the length of retention period of audit documentation (Para 31 of page no. 8 of 10)

**Issue:**

One of the clauses of Para 31 prescribes following as one of the factor that determines the length of the retention period as well as the nature and extent of audit documentation to be retained:

“Owner—managers, in case of small entities, who might request specific accounting information from the audit documentation to assist them in the administration of their entities”.

**Comments:**

While the extra emphasis in case of small entities is understood, the requirements should be framed for all types of entities. In case of large entities, the management might also and do so in many cases, request for specific accounting information from audit documentation.

**TF response:** This paragraph has been superseded in the first read, so the comment is no longer applicable.

**12. Para 32 of page no. 8 of 10****Issue:**

“Audit documentation is the property of the auditor. Although portions of or extracts from the audit documentation may be made available to the entity at the discretion of the auditor, they are not a substitute for the entity’s accounting records”.

Suitable mention be made in the paragraph 32 that, the auditor should not disclose the portions or extracts from audit documentation to any person other than his client without the consent of his client, or otherwise than as required by any law for the time being in force.

**TF response:** See paragraph 27 in the first read addressing confidentiality.

**COMMENTS OF THE DOCUMENTATION TEAM {CONSISTING OF ASHOK  
CHANDAK (LEADER), DALE AND BEN} ON REVISION OF ISA 230  
“DOCUMENTATION”**

**(A) Preferences on guidance requested**

The following preferences are expressed in connection with the issues on which guidance was requested by the Task Force. Comments are provided in those cases where there is not a perfect concurrence with the Task Force’s proposals.

1	Is it agreed to restrict the scope to revising ISA 230 for audits only, and to consider projects to address documentation for other types of engagements at a later stage?	Yes
2	Is it agreed to keep the construct of ISA 230 as an overarching Standard?	Yes
3	Is it considered useful / appropriate to include in ISA 230, possibly in an appendix (which could be updated by Staff), a list of ISAs that include further guidance on documentation?	On balance no, since it appears as a slight unnecessary overkill. However if strong representations are made on the matter from other quarters, would not resist the inclusion of such an appendix.

4	Is it agreed not to open up other ISAs for contemporaneous revision?	If the other ISAs are not reviewed for consistency with any revisions of ISA 230 contemporaneously or soon after, there is the obvious risk that different IAASB pronouncements could be predicated different messages / principles at the same time. Such a clearly unhappy situation should be given adequate and serious consideration.
5	Is it agreed that validation of existing documentation principles or guidance in other pronouncements against revised ISA 230 should be done on an individual basis by the Revisions Committee or the appropriate Task Forces?	No view – internal administration matter.
6	Is there agreement on the Task Force's approach with regard to small-audit documentation guidance in IAPS 1005?	Yes
7	Is it agreed to provide guidance regarding document retention at a high level as opposed to detailed rules on the nature and types of documentation that should be retained?	Yes
8	Is it agreed that it would not be appropriate to specify a given period of retention in the Standard for jurisdictions that do not have specific legal, regulatory or professional requirements in this regard?	No. There is a general disagreement with Task Force proposed approach and general concurrence with IOSCO's position, as set out in para 23 of Issues Paper. Although tax laws often derive record retention, the revised Standard should provide specific minimum guidance.

9	Is it agreed that guidance on a period of retention could be provided in terms of criteria as set out in paragraph 26 of the Issues Paper?	Yes
10	Is it agreed to align the definition of audit documentation with the US or Canadian standards?	Yes
11	Is it agreed to expand guidance on significant matters?	Yes
12	Is it agreed that revised ISA 230 should not mandate documentation for the objective of re-performance?	Yes
13	Is it agreed that guidance for the auditor to document specific items tested on tests of control and tests of details would be appropriate?	Yes
14	Is it agreed to strengthen guidance in the area of paperless audit documentation?	Yes
15	Is it agreed that it would not be practicable to mandate that the auditor should not make changes to the audit file after the auditor's report has been issued?	Yes
16	Is it agreed that changes may be made if they merely clarify existing documentation or document evidence obtained at the time the audit procedures were performed?	Yes
17	What are the views on the issue of documenting new evidence obtained as a result of facts discovered after the auditor's report has been issued?	In agreement with paragraphs 42 and 43 of Issues Paper.

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