

SA 230 (R) – Audit Documentation.

Q.1 What is Audit Documentation?

According to SA-230 Audit documentation refers to the record of

- audit procedures performed,
- relevant audit evidence obtained, and
- conclusions the auditor reached

terms such as “working papers” or “work papers” are also sometimes used for the same. When ever auditor is in process of obtaining sufficient and appropriate audit evidences he prepares some working papers like audit plan, program, significant observations, query, on the other hand he obtains schedules, lists, confirmations from the management. Process of collecting and preparing working paper is known as Documentation.

Q.2 Why Documentation?

According to SA-230 Audit documentation serves a number of additional purposes, including the following:

Assisting the engagement team to plan and perform the audit:- If plan is well documented than the chances of leaving an important area under auditing will be less, on the contrary with the help of documented plan one could perform the task in a sequential and coordinated manner.

Assisting members of the engagement team responsible for supervision to direct and supervise the audit work :- As per SA-200 the work of the assistants and employees should be supervised and reviewed time to time by the auditor. If the observations, findings, objections are documented by the staff the auditor can supervise the process of audit more conveniently and on the basis of it he can issue further direction to staff on audit.

Enabling the engagement team to be accountable for its work. :- Documents prepared and signed and filed by engagement team make the accountable for how they executed the planned procedure .

Retaining a record of matters of continuing significance to future audits:- For Example documentation relating to estimates of future earnings relating to an asset for its revaluation or impairment are relevant for future period audit.

Enabling the conduct of quality control reviews and inspections in accordance with SQC-1

Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements:- If auditor has sufficient documentation regarding any of his observation resulting in a conclusion, these documents are known as audit evidence. Hence most of the audit evidences are in form of documentary evidences. In external inspections if auditor required to explain evidences in support of his conclusion documentation will a great help for him.

Q.3 When Documentation?

According to SA 230 “The auditor shall prepare audit documentation on a timely basis.” Now the question arises whether preparing documentation during the audit is more effective or we can document the matters once the audit is over. According to SA230 –“Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed. Hence we can conclude that working papers shall be prepared during the audit process itself.

Q.4 What matters are required to be documented?

According to SA 230 The auditor shall prepare audit documentation that is sufficient 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 the SAs and applicable legal and regulatory requirements; In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:

- The identifying characteristics of the specific items or **matters tested**:- For example Cash Sales , to what extent checked, what was the sample size, what supportive documents were verified etc.
- **Who performed the audit work and the date** such work was completed; and
- **Who reviewed the audit work performed and the date and extent of such review.**

(b) The results of the audit procedures performed, and the audit evidence obtained; and

(c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.

Some other important matters an auditor should document are as follows

- (a) Discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place.
- (b) If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency.
- (c) If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in a SA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure.
- (d) If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document the same.

Q.5 Shall auditor assemble the Working paper file during the Audit or he may assemble later on?

According to SA-230 auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis (SQC-1 defined within 60 days)after the date of the auditor's report.

Q.6 Can Auditor modify, delete or discard such assembled documents ?

Further it is provided that the auditor shall not delete or discard audit documentation so assembled before the end of its retention period. If subsequently auditor want to modify the assembled documentation he can do so but in doing so regardless of the nature of the modifications or additions, document:

- (a) The specific reasons for making them; and
- (b) When and by whom they were made and reviewed.

The retention period for audit engagements ordinarily is not shorter than ten years from the date of the auditor's report (group auditor's report if any).

Q.7 Whose property these working papers are ? Does client have any right over them?

Standard on Quality Control (SQC) 1, "Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements", issued by the Institute, provides that, "unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients, provided such disclosure does not undermine the validity of the work performed, or, in the case of assurance engagements, the independence of the auditor or of his

After the WorldCom and Enron debacle of United state in 2002, and in 2008 Satyam fiasco in India the auditing profession all over the world is in the eyes of users of financial statements and regulatory authorities. All auditing bodies are redefining and re interpreting the auditors duties and responsibilities.