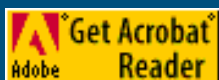


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New IAASB Standard Focuses on Improving Audit Documentation

(New York/September 28, 2005) -- At its meeting in September, the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) approved a revised International Standard on Auditing (ISA) 230, [Audit Documentation](#).

The standard will contribute to enhancing auditor performance and audit quality by establishing stricter requirements for audit documentation.

To establish the level and completeness of documentation, the standard requires that the auditor prepare audit documentation sufficient to allow an experienced auditor, who has had no previous connection with the audit, to understand the audit work performed, the audit evidence obtained, the significant matters arising during the audit, and the conclusions reached.

The standard establishes clear responsibilities for the auditor to assemble the final audit file on a timely basis and sets out specific rules regarding deletions, modifications or additions to audit documentation after the date of the auditor's report.

John Kellas, Chairman of the IAASB, explains: "The standard introduces important changes designed to improve the quality of audit documentation that the auditor prepares and retains. It requires the auditor to prepare documentation promptly and to close the files within a reasonable time. It also severely limits the amendments that can be made to a closed file to certain exceptional circumstances. There are new documentation requirements for those very rare occasions when

an auditor finds it necessary to depart from the requirement of a standard in order to achieve the objective of the audit. The IAASB thinks that it is in the public interest that the auditor should be required to document the circumstances in the working papers."

An appendix to this press release details the significant changes in the revised ISA 230.

The standard is effective for audits of financial periods beginning on or after June 15, 2006. The standard may be downloaded at no charge from the IFAC online bookstore at <http://www.ifac.org/store>.

About IAASB and IFAC

The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB is part of the International Federation of Accountants, which is dedicated to serving the public interest, strengthening the worldwide accountancy profession, and contributing to the development of strong international economies. Its current membership consists of over 160 professional accountancy bodies in 119 countries, representing more than 2.5 million accountants in public practice, education, government service, industry and commerce. In addition to setting international auditing and assurance standards through the IAASB, IFAC sets ethics, education, and public sector accounting standards and develops guidance to encourage high quality performance by professional accountants in business.

Press Release Appendix **Significant Changes in the Revised International Standard on Auditing (ISA) 230, *Audit Documentation***

The revised ISA 230:

- Places a new emphasis on the timely preparation of audit documentation necessary to provide a sufficient and appropriate record of the basis for the auditor's report, and evidence that the audit was carried out in accordance with ISAs and applicable legal and regulatory requirements.
- Establishes a new requirement that the auditor prepare the audit documentation so as to enable an experienced auditor, having no previous connection with the audit, to understand the audit work

performed, the results and audit evidence obtained, and the significant matters identified and conclusions reached thereon. It also defines the meaning of an "experienced auditor." The previous ISA only suggested that the auditor may find it useful to consider what would be necessary to provide another auditor, having no previous experience with the audit, with an understanding of the work performed and the basis for the main decisions taken.

- Establishes a new requirement that, if in exceptional circumstances the auditor judges it necessary to depart from relevant ISA requirements, the auditor document how the alternative audit procedures performed meet the objective of the audit and, if not otherwise clear, the reasons for the departure.
- Establishes a new requirement that the auditor complete the assembly of the final audit file on a timely basis after the date of the auditor's report, and provides guidance indicating that an appropriate time limit for this would ordinarily be 60 days after the date of the auditor's report. The revised ISA also resulted in the establishment of a new requirement in International Standard on Quality Control (ISQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*, for firms to set up policies and procedures for the timely completion of the assembly of the final engagement files.
- Establishes a new requirement that the auditor not delete or discard audit documentation after the final audit file has been assembled, unless the retention period for the audit documentation has elapsed. The revised ISA also resulted in expanded guidance in ISQC 1 on the retention of engagement documentation. This guidance indicates that the retention period for audits 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.

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