

AU Section 339

Audit Documentation

(Supersedes SAS No. 96.)

Source: SAS No. 103.

See section 9339 for interpretations of this section.

Effective for audits of financial statements for periods ending on or after December 15, 2006.

Introduction

.01 The purpose of this section is to establish standards and provide guidance on audit documentation. The exercise of professional judgment is integral in applying the provisions of this section. For example, professional judgment is used in determining the quantity, type, and content of audit documentation consistent with this section.

.02 Other Statement on Auditing Standards contain specific documentation requirements (see appendix A [paragraph .36]). Additionally, specific documentation or document retention requirements may be included in other standards (for example, government auditing standards), laws, and regulations applicable to the engagement.

.03 The auditor must prepare audit documentation in connection with each engagement in sufficient detail to provide a clear understanding of the work performed (including the nature, timing, extent, and results of audit procedures performed), the audit evidence obtained and its source, and the conclusions reached. Audit documentation:

- a.* Provides the principal support for the representation in the auditor's report that the auditor performed the audit in accordance with generally accepted auditing standards.
- b.* Provides the principal support for the opinion expressed regarding the financial information or the assertion to the effect that an opinion cannot be expressed.

.04 Audit documentation is an essential element of audit quality. Although documentation alone does not guarantee audit quality, the process of preparing sufficient and appropriate documentation contributes to the quality of an audit.

.05 Audit documentation is the record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached. Audit documentation, also known as working papers or workpapers, may be recorded on paper or on electronic or other media. When transferring or copying paper documentation to another media, the auditor should apply procedures to generate a copy that is faithful in form and content to the original paper document.¹

¹ There may be legal, regulatory, or other reasons to retain the original paper document.

.06 Audit documentation includes, for example, audit programs,² analyses, issues memoranda, summaries of significant findings or issues, letters of confirmation and representation, checklists, abstracts or copies of important documents, correspondence (including e-mail) concerning significant findings or issues, and schedules of the work the auditor performed. Abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) should be included as part of the audit documentation if they are needed to enable an experienced auditor to understand the work performed and conclusions reached. The audit documentation for a specific engagement is assembled in an audit file.³

.07 The auditor need not retain in audit documentation superseded drafts of working papers or financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

.08 In addition to the objectives set out in paragraph .03, audit documentation serves a number of other purposes, including:

- Assisting the audit team to plan and perform the audit;
- Assisting auditors who are new to an engagement and review the prior year's documentation to understand the work performed as an aid in planning and performing the current engagement;
- Assisting members of the audit team responsible for supervision to direct and supervise the audit work, and to review the quality of work performed;
- Demonstrating the accountability of the audit team for its work by documenting the procedures performed, the audit evidence examined, and the conclusions reached;
- Retaining a record of matters of continuing significance to future audits of the same entity;
- Assisting quality control reviewers (for example, internal inspectors) who review documentation to understand how the engagement team reached significant conclusions and whether there is adequate evidential support for those conclusions;
- Enabling an experienced auditor to conduct inspections or peer reviews in accordance with applicable legal, regulatory, or other requirements; and
- Assisting a successor auditor who reviews a predecessor auditor's audit documentation.

.09 For the purposes of this section, *experienced auditor* means an individual (whether internal or external to the firm) who possesses the competencies and skills that would have enabled him or her to perform the audit. These competencies and skills include an understanding of (a) audit processes, (b) the SASs and applicable legal and regulatory requirements, (c) the business environment in which the entity operates, and (d) auditing and financial reporting issues relevant to the entity's industry.

² See paragraph .05 of section 311, *Planning and Supervision*, as amended, for guidance regarding preparation of audit programs.

³ The audit documentation contained within the audit file may consist of cross-references to documentation for audit engagements with related entities. For example, the documentation for an audit of the financial statements of an employee benefit plan may consist partly of cross-references to the documentation of dual-purpose payroll-related tests performed in connection with the audit of the financial statements of the plan's sponsor.

Form, Content, and Extent of Audit Documentation

.10 The auditor should prepare audit documentation that enables an experienced auditor, having no previous connection to the audit, to understand:

- a. The nature, timing, and extent of auditing procedures performed to comply with SASs and applicable legal and regulatory requirements;
- b. The results of the audit procedures performed and the audit evidence obtained;
- c. The conclusions reached on significant matters; and
- d. That the accounting records agree or reconcile with the audited financial statements or other audited information.

.11 The form, content, and extent of audit documentation depend on the circumstances of the engagement and the audit methodology and tools used. Oral explanations on their own do not represent sufficient support for the work the auditor performed or conclusions the auditor reached but may be used by the auditor to clarify or explain information contained in the audit documentation. It is, however, neither necessary nor practicable to document every matter the auditor considers during the audit.

.12 In determining the form, content, and extent of audit documentation, the auditor should consider the following factors:

- The nature of the auditing procedures to be performed;
- The identified risk of material misstatement associated with the assertion, or account or class of transactions, including related disclosures;
- The extent of judgment involved in performing the work and evaluating the results;
- The significance of the audit evidence obtained to the assertion being tested;
- The nature and extent of exceptions identified; and
- The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or evidence obtained.

.13 Certain matters, such as auditor independence and staff training, that are not engagement specific, may be documented either centrally within a firm or in the audit documentation for an audit engagement. Documentation of matters specific to a particular engagement should be included in the audit file for the specific engagement.

Significant Findings or Issues

.14 The auditor should document significant findings or issues, actions taken to address them (including any additional evidence obtained), and the basis for the final conclusions reached. Judging the significance of a finding or issue requires an objective analysis of the facts and circumstances. Significant findings or issues include, but are not limited to, the following:

- a. Significant matters involving the selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters include, but are not limited to (1) accounting for complex or unusual transactions or (2) accounting estimates and uncertainties and, if applicable, the related management assumptions.

- b. Results of audit procedures indicating (1) that the financial information or disclosures could be materially misstated or (2) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.
- c. Circumstances that cause the auditor significant difficulty in applying auditing procedures the auditor considered necessary,⁴ for example, the lack of responsiveness to confirmation or information requests, or the lack of original documents.
- d. Findings that could result in a modification of the auditor's report.
- e. Audit adjustments. For purposes of this section, an audit adjustment is a correction of a misstatement of the financial information that is identified by the auditor, whether or not recorded by management, that could, either individually or when aggregated with other misstatements, have a material effect on the company's financial information.

.15 The auditor should document discussions of significant findings or issues with management and others on a timely basis, including responses. The audit documentation should include documentation of the significant findings or issues discussed, and when and with whom the discussions took place. It is not limited to documentation prepared by the auditor but may include other appropriate evidence, such as minutes of meetings prepared by the entity's personnel. Others with whom the auditor may discuss significant findings or issues include those charged with governance;⁵ those responsible for the oversight of the financial reporting process; other personnel within the entity, for example, internal audit; and external parties, such as persons providing professional services to the entity.

.16 If the auditor has identified information that contradicts or is inconsistent with the auditor's final conclusions regarding a significant finding or issue, the auditor should document how the auditor addressed the contradiction or inconsistency in forming the conclusion.

.17 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 (except as required by paragraph .30). The documentation of the contradiction or inconsistency may include, but is not limited to, procedures performed in response to the information, and records documenting consultations on, or resolutions of, differences in professional judgment among members of the engagement team or between the engagement team and others consulted.

Identification of Preparer and Reviewer

.18 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

⁴ See paragraphs .34b and .39 of section 380, *The Auditor's Communication With Those Charged With Governance*, for guidance regarding communication with those charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit. [Footnote revised, February 2008, to reflect conforming changes necessary due to the effective date of Statement on Auditing Standards No. 114.]

⁵ The term *those charged with governance* means the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting and disclosure process. In some cases, those charged with governance are responsible for approving the financial statements (in other cases, management has this responsibility). For entities with a board of directors, this term encompasses the term *board of directors* or *audit committees* expressed elsewhere in the Statements on Auditing Standards.

- b. Who reviewed specific audit documentation and the date of such review.

.19 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. It should be clear from the audit documentation who reviewed specified elements of the audit work performed and when.

Documentation of Specific Items Tested

.20 Audit documentation of procedures performed, including tests of operating effectiveness of controls and substantive tests of details that involve inspection of documents or confirmation should include the identifying characteristics of the specific items tested.

.21 Recording the identifying characteristics serves a number of purposes. For example, it improves the ability of the auditor to supervise and review the work performed and thus demonstrates the accountability of the audit team for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the subject matter. 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 \$25,000 from the journal register).
- For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries, the names and job designations of the entity personnel, and the inquiry made.
- 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.
- 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 was selected from the shipping log for the period from X to Y, starting with report number 14564 and selecting every 250th report from that point).

Documentation of Departures From Statements on Auditing Standards

.22 As required by paragraph .04 of section 150, *Generally Accepted Auditing Standards*, as amended, when, in rare circumstances, the auditor departs from a presumptively mandatory requirement, the auditor must document in the working papers his or her justification for the departure and how the alternative procedures performed in the circumstances were sufficient to achieve the objectives of the presumptively mandatory requirement.

Revisions to Audit Documentation After the Date of the Auditor's Report

.23 The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that it has taken responsibility for them. This will ordinarily result in a report date that is close to the date the auditor grants the entity permission to use the auditor's report in connection with the financial statements (report release date).⁶ Delays in releasing the report may require the auditor to perform additional procedures to comply with the requirements of section 560, *Subsequent Events*, as amended.

Documentation of New Information

.24 If, as a result of consideration of the procedures performed and the evidence obtained, the auditor concludes that procedures considered necessary at the time of the audit in the circumstances then existing were omitted from the audit of the financial information, the auditor should follow the guidance in section 390, *Consideration of Omitted Procedures After the Report Date*. The audit documentation supporting the auditor's compliance with section 390 should be prepared in accordance with the requirements in this section.

.25 If the auditor subsequently becomes aware of information relating to financial information previously reported on by him or her, but that was not known to him or her at the date of the report, the auditor should follow the guidance in section 561, *Subsequent Discovery of Facts Existing at the Date of the Auditor's Report*, as amended.

.26 In the circumstances described in paragraphs .24–.25, the auditor should make the changes necessary to reflect either the performance of the new audit procedure or the new conclusion reached, including:

- When and by whom such changes were made and (where applicable) reviewed;
- The specific reasons for the changes; and
- The effect, if any, of the changes on the auditor's conclusions.

Changes Resulting From the Process of Assembling and Completing the Audit File

.27 The auditor should complete the assembly of the final audit file on a timely basis, but within 60 days following the report release date (documentation completion date). Statutes, regulations, or the audit firm's quality control policies may specify a shorter period of time in which this assembly process should be completed.

⁶ In many cases, the report release date will be the date the auditor delivers the audit report to the entity.

.28 At anytime prior to the documentation completion date, the auditor may make changes to the audit documentation to:

- a. Complete the documentation and assembly of audit evidence that the auditor has obtained, discussed, and agreed with relevant members of the audit team prior to the date of the auditor's report;
- b. Perform routine file-assembling procedures such as deleting or discarding superseded documentation and sorting, collating, and cross-referencing final working papers;
- c. Sign off on file completion checklists prior to completing and archiving the audit file; and
- d. Add information received after the date of the auditor's report, for example, an original confirmation that was previously faxed.

.29 The report release date should be recorded in the audit documentation.

Changes After the Documentation Completion Date

.30 After the documentation completion date, the auditor must not delete or discard audit documentation before the end of the specified retention period, as discussed in paragraph .32. When the auditor finds it necessary to make an addition (including amendments) to audit documentation after the documentation completion date, the auditor should document the addition in accordance with paragraph .26.

Ownership and Confidentiality of Audit Documentation

.31 Audit documentation is the property of the auditor, and some states recognize this right of ownership in their statutes. The auditor may make available to the entity at the auditor's discretion copies of the audit documentation, provided such disclosure does not undermine the independence or the validity of the audit process.

.32 The auditor should adopt reasonable procedures to retain and access audit documentation for a period of time sufficient to meet the needs of his or her practice and to satisfy any applicable legal or regulatory requirements for records retention. Such retention period, however, should not be shorter than five years from the report release date. Statutes, regulations, or the audit firm's quality control policies may specify a longer retention period.

.33 The auditor has an ethical and, in some situations, a legal obligation to maintain the confidentiality of client information.⁷ Because audit documentation often contains confidential client information, the auditor should adopt reasonable procedures to maintain the confidentiality of that information.

.34 Whether audit documentation is in paper, electronic, or other media, the integrity, accessibility, and retrievability of the underlying data may be compromised if the documentation could be altered, added to, or deleted without the auditor's knowledge, or could be permanently lost or damaged. Accordingly, the auditor should apply appropriate and reasonable controls for audit documentation to:

- a. Clearly determine when and by whom audit documentation was created, changed, or reviewed;

⁷ Also, see Rule 301, *Confidential Client Information*.

- b.* Protect the integrity of the information at all stages of the audit, especially when the information is shared within the audit team or transmitted to other parties via electronic means;
- c.* Prevent unauthorized changes to the documentation; and
- d.* Allow access to the documentation by the audit team and other authorized parties as necessary to properly discharge their responsibilities.

Effective Date

.35 This section is effective for audits of financial statements for periods ending on or after December 15, 2006. Earlier application is permitted.

Appendix A

Audit Documentation Requirements in Other Statements on Auditing Standards

- A1. Documentation requirements are included in other Statements on Auditing Standards (SASs). This section does not change the requirements in:
- a. Paragraph .05*d* of section 337, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments*, to document in either the audit inquiry letter or a separate letter to the client's lawyer that the client has assured the auditor that the letter has disclosed all unasserted claims that the lawyer has advised the client are probable of assertion and must be disclosed in accordance with Financial Accounting Standards Board *Accounting Standards Codification* 450, *Contingencies*. Also, this section does not change the requirement in paragraph .10 of section 337 to document the conclusions reached as a result of responses obtained in a conference relating to matters covered by the audit inquiry letter.
 - b. Paragraph .08 of section 311, *Planning and Supervision*, to establish an understanding with the client regarding the services to be performed for each engagement and to document the understanding through a written communication with the client.
 - c. Paragraph .19 of section 311 to develop an audit plan in which the auditor documents the audit procedures to be used that, when performed, are expected to reduce audit risk to an acceptably low level. Paragraph .21 of section 311 requires the auditor to document changes to the original audit plan.
 - d. Paragraph .69 of section 312, *Audit Risk and Materiality in Conducting an Audit*, to document (a) the levels of materiality and tolerable misstatement, including any changes thereto, used in the audit and the basis on which those levels were determined; (b) a summary of uncorrected misstatements, other than those that are trivial, related to known and likely misstatements; (c) the auditor's conclusion as to whether uncorrected misstatements, individually or in aggregate, do or do not cause the financial statements to be materially misstated, and the basis for that conclusion; and (d) all known and likely misstatements identified by the auditor during the audit, other than those that are trivial, that have been corrected by management.
 - e. Paragraph .70 of section 312 to document uncorrected misstatements in a manner that allows the auditor to (a) separately consider the effects of known and likely misstatements, including uncorrected misstatements identified in prior periods; (b) consider the aggregate effect of misstatements on the financial statements; and (c) consider the qualitative factors that are relevant to the auditor's consideration whether misstatements are material.
 - f. Paragraph .122 of section 314, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*,

to document (a) the discussion among the audit team regarding the susceptibility of the entity's financial statements to material misstatement due to error or fraud, including how and when the discussion occurred, the subject matter discussed, the audit team members who participated, and significant decisions reached concerning planned responses at the financial statement and relevant assertion levels; (b) key elements of the understanding obtained regarding each of the aspects of the entity and its environment identified in paragraph .21, including each of the components of internal control identified in paragraph .41, that assess the risks of material misstatement of the financial statements; the sources of information from which the understanding was obtained; and the risk assessment procedures; (c) the assessment of the risks of material misstatement both at the financial statement level and at the relevant assertion level as required by paragraph .102 and the basis for the assessment; and (d) the risks identified and related controls evaluated as a result of the requirements in paragraphs .110 and .117.

- g. Paragraph .77 of section 318, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, to document (a) the overall responses to address the assessed risks of misstatement at the financial statement level; (b) the nature, timing, and extent of the further audit procedures; (c) the linkage of those procedures with the assessed risks at the relevant assertion level; (d) the results of the audit procedures; and (e) the conclusions reached with regard to the use in the current audit of audit evidence about the operating effectiveness of controls that was obtained in a prior audit.
- h. Paragraph .02 of section 534, *Reporting on Financial Statements Prepared for Use in Other Countries*, to obtain written representations from management regarding the purpose and uses of financial statements prepared in conformity with the accounting principles of another country.
- i. Paragraph .17 of section 317, *Illegal Acts by Clients*, to document oral communications to the audit committee or others with equivalent authority and responsibility regarding illegal acts that come to the auditor's attention.
- j. Paragraph .22 of section 329, *Analytical Procedures*, to document (a) the expectation, where that expectation is not otherwise readily determinable from the documentation of the work performed, and factors considered in its development; (b) the results of the comparison of the expectation to the recorded amounts or ratios developed from recorded amounts; and (c) any additional auditing procedures performed in response to significant unexpected differences arising from the analytical procedure and the results of such additional procedures.
- k. Paragraph .71 of section 508, *Reports on Audited Financial Statements*, for the predecessor auditor to obtain representation letters from management of the former client and from the successor auditor before reissuing (or consenting to the reissue of) a report previously issued on the financial statements of a prior period.

- l.* Paragraph .18 of section 341, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, to document (a) the conditions or events that led him or her to believe that there is substantial doubt about the entity's ability to continue as a going concern; (b) the work performed in connection with the auditor's evaluation of management's plans; (c) the auditor's conclusion as to whether substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains or is alleviated; and (d) the consideration and effect of that conclusion on the financial statements, disclosures, and the audit report.
- m.* Paragraph .64 of section 380, *The Auditor's Communication With Those Charged With Governance*, to document any matters that have been communicated orally. When matters have been communicated in writing, the auditor should retain a copy of the communication.
- n.* Paragraph .29 of section 330, *The Confirmation Process*, to document oral confirmations. Also, when the auditor has not requested confirmations in the examination of accounts receivable, this section does not change the requirement in paragraph .35 of section 330 to document how the auditor overcame this presumption.
- o.* Paragraphs .39–.42 of section 801, *Compliance Audits*, to document (a) the risk assessment procedures performed, including those related to gaining an understanding of internal control over compliance; (b) the auditor's responses to the assessed risks of material noncompliance, the procedures performed to test compliance with the applicable compliance requirements, and the results of those procedures, including any tests of controls over compliance; (c) materiality levels and the basis on which they were determined; and (d) how the auditor complied with the specific governmental audit requirements that are supplementary to GAAS and *Government Auditing Standards*.
- p.* Section 333, *Management Representations*, to obtain written representations from management.
- q.* Section 316, *Consideration of Fraud in a Financial Statement Audit*, to document (a) the discussion among engagement personnel in planning the audit regarding the susceptibility of the entity's financial statements to material misstatement due to fraud, including how and when the discussion occurred, the audit team members who participated, and the subject matter discussed; (b) the procedures performed to obtain information necessary to identify and assess the risks of material misstatement due to fraud; (c) specific risks of material misstatement due to fraud that were identified and a description of the auditor's response to those risks; (d) if the auditor has not identified in a particular circumstance improper revenue recognition as a risk of material misstatement due to fraud, the reasons supporting the auditor's conclusion; (e) the results of the procedures performed to further address the risk of management override of controls; (f) other conditions and analytical relationships that caused the auditor to believe that additional auditing procedures or other responses were required and any further responses the auditor concluded were appropriate to address such risks or other conditions; and (g) the nature of the communications about fraud made to management, the audit committee, and others.

- r. Section 722, *Interim Financial Information*, to prepare documentation in connection with a review of interim financial information, the form and content of which should be designed to meet the circumstances of the particular engagement.

[Revised, May 2006, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards No. 112; Revised, December 2007, to reflect conforming changes necessary due to the issuance of Statement on Auditing Standards Nos. 107–110 and 114. Revised, February 2008, to reflect conforming changes necessary due to the effective date of Statement on Auditing Standards No. 108. Revised, June 2009, to reflect conforming changes necessary due to the issuance of FASB ASC. Revised, December 2010, to reflect conforming changes necessary due to the issuance of SAS No. 117.]
