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# Proposed statement on auditing standards : Audit documentation; Audit documentation; Exposure draft (American Institute of Certified Public Accountants), 2005, Jan. 12

American Institute of Certified Public Accountants. Auditing Standards Board

American Institute of Certified Public Accountants. Audit Documentation Task Force

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# EXPOSURE DRAFT

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## PROPOSED STATEMENT ON AUDITING STANDARDS

### AUDIT DOCUMENTATION

(To Supersede Statement on Auditing Standards No. 96, *Audit Documentation*)

**January 12, 2005**

Prepared by the AICPA Auditing Standards Board for comment from persons interested in auditing and reporting issues

Comments should be received by May 15, 2005, and should be addressed to  
Sherry Boothe, Audit and Attest Standards,  
AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775  
or via the Internet to [sboothe@aicpa.org](mailto:sboothe@aicpa.org).

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January 12, 2005

Accompanying this letter is an exposure draft, approved by the Auditing Standards Board (ASB), of a proposed Statement on Auditing Standards (SAS) entitled *Audit Documentation*. This proposed SAS revises the guidance on audit documentation.

A summary of the significant provisions of the proposed SAS accompanies this letter.

Comments or suggestions on any aspect of this exposure draft will be appreciated. To facilitate the ASB's consideration of responses, comments should refer to specific paragraphs and include supporting reasons for each suggestion or comment.

Written comments on the exposure draft will become part of the public record of the AICPA and will be available for public inspection at the offices of the AICPA after June 15, 2005, for one year. Responses should be sent to Sherry Boothe, Audit and Attest Standards, AICPA, 1211 Avenue of the Americas, New York, NY 10036-8775 in time to be received by May 15, 2005. Responses may also be sent by electronic mail to [sboothe@aicpa.org](mailto:sboothe@aicpa.org).

Sincerely,

John A. Fogarty  
*Chair*  
*Auditing Standards Board*

Charles E. Landes  
*Director*  
*Audit and Attest Standards*

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## SUMMARY

### WHY ISSUED AND WHAT IT DOES

This exposure draft introduces a proposed Statement on Auditing Standards (SAS) that will replace SAS No. 96, *Audit Documentation* (AICPA, *Professional Standards*, vol. 1, AU sec. 339). This proposed SAS establishes standards and provides guidance to an auditor on audit documentation for audits of financial statements or other financial information being reported on.

Issues surrounding audit documentation continue to be discussed due to events affecting the profession that post-date the development and issuance of SAS No. 96. Specifically, some state regulators and government auditors seek more uniformity in the preparation, filing, and retention of audit documentation of nonissuers. Audit documentation is an essential element of audit quality. Although audit documentation alone does not guarantee audit quality, the process of preparing sufficient and competent audit documentation contributes to the quality of an audit.

The Auditing Standards Board (ASB) believes this exposure draft is responsive to the issues that have been raised in the U.S. nonissuer community and will improve audit practice and serve the public interest.

In developing this exposure draft, the ASB considered the documentation requirements of the Public Company Accounting Oversight Board's Auditing Standard No. 3, *Audit Documentation*; the International Auditing and Assurance Standards Board's exposure draft, ISA 230, *Audit Documentation*, issued in September 2004; suggestions received from the National Association of State Boards of Accountancy; and Government Auditing Standards issued by the Comptroller General of the United States.

The proposed SAS—

1. Uses an “experienced auditor” as a reference point. The proposed SAS requires the auditor to consider, when preparing audit documentation, the needs of an experienced auditor having no previous connection with the audit to understand the procedures performed, the evidence obtained, and specific conclusions reached. An *experienced auditor*, for the purposes of this Statement, is defined as an individual who possesses the competencies and skills that would have enabled him or her to perform the audit and therefore has an understanding of audit processes and of auditing and reporting issues relevant to the industry in which the entity operates.
2. Lists factors that the auditor should consider in determining the nature and extent of the audit documentation to be prepared for a particular audit area or auditing procedure.
3. Requires the auditor, in documenting the nature, timing, and extent of audit procedures performed, to record (a) who performed the audit work and the date of such work and (b) who reviewed specific audit documentation and the date of such review.
4. Guides the auditor when making further changes to audit documentation after delivery of the auditor's report. It provides guidance on the auditor's response to information that becomes known in the period after the auditor's report. When new procedures are performed after this date, the auditor should document the change, when and by whom the changes were made, and the effect of the changes on the auditor's previous conclusions.
5. Proposes that the auditor assemble the audit documentation to form the final engagement file within 60 days following the delivery of the auditor's report to the entity.

After this date, the proposed SAS requires the auditor not to delete or discard existing audit documentation, and to appropriately document any subsequent additions or changes.

6. Provides guidance on documentation that should be retained and requires the auditor to document audit evidence that is identified as being contradictory or inconsistent with the final conclusions, and how the auditor addressed the contradiction or inconsistency.
7. Specifies a minimum file retention period that is ordinarily not expected to be shorter than five years from the date of the auditor's report, recognizing that state statutes or other regulatory requirements may specify a longer retention period.
8. Requires the auditor to document his or her justification for a departure from the SASs in the working papers.

In addition to the proposed audit documentation SAS, the exposure draft includes proposed amendments to SAS No. 1, *Codification of Auditing Standards and Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 530.01 and .05, "Dating of the Independent Auditor's Report"). The proposed amendment requires that the auditor's report not be dated earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements.

It also proposes an amendment to SAS No. 95, *Generally Accepted Auditing Standards* (AICPA, *Professional Standards*, vol. 1, AU sec. 150.04, "Generally Accepted Auditing Standards"). The amendment adds a requirement for the auditor to document his or her justification for a departure from the SASs in the working papers.

The comment period for this exposure draft ends on May 15, 2005.

#### **HOW IT AFFECTS EXISTING STANDARDS**

This proposed SAS would supersede SAS No. 96 and amend SAS No. 1 and SAS No. 95.

# PROPOSED STATEMENT ON AUDITING STANDARDS AUDIT DOCUMENTATION

## INTRODUCTION

1. The purpose of this Statement on Auditing Standards (SAS) on audit documentation is to establish the standards for and provide general guidance on audit documentation for audits of financial statements or other financial information being reported on. The exercise of professional judgment is integral in applying the provisions of this Statement. For example, professional judgment is used in determining the quantity, type, and content of audit documentation consistent with this Statement.

2. Other SASs contain specific documentation requirements (see Appendix A). Additionally, specific documentation requirements may be included in other standards (for example, government auditing standards), laws, and regulations applicable to the engagement.

3. The auditor should prepare audit documentation in connection with each engagement in sufficient detail to provide a clear understanding of the work performed, the source of the information, 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.

4. 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.

5. 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.<sup>1</sup> When transferring or copying paper documentation to another media, the auditor should apply procedures to take care that the copy is identical in form and content to the original paper document.

6. Audit documentation includes, for example, audit programs,<sup>2</sup> analyses, issues memoranda, letters of confirmation and representation, checklists, extracts of important documents, correspondence (including e-mail) concerning significant matters, and schedules of the work the auditor performed. The audit documentation for a specific engagement is assembled in an audit file.

7. In addition to the objectives set out in paragraph 3, audit documentation serves a number of other purposes, including:

- Assisting the audit team to plan and perform the audit;

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

<sup>2</sup> See Statement on Auditing Standard (SAS) No. 22, *Planning and Supervision* (AICPA, *Professional Standards*, vol. 1 AU sec. 311.05), for guidance regarding preparation of audit programs.



- 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 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.

8. For the purposes of this Statement, *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, and therefore has an understanding of audit processes and of auditing and financial reporting issues relevant to the industry in which the entity operates.

### **Form, Content, and Extent of Audit Documentation**

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

- a. The nature, timing, extent, and results of auditing procedures performed;
- b. The audit evidence obtained;
- c. The conclusions reached on significant matters;
- d. In relation to audit procedures designed to address identified risks of material misstatement, conclusions that are not otherwise readily determinable from the documentation of the procedures performed or audit evidence obtained; and
- e. That the accounting records agree or reconcile with the financial statements or other information being reported on.

10. It is neither necessary nor practical to document every matter the auditor considers during the course of the audit. 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.

11. In determining the nature and extent of the documentation for a particular audit area or auditing procedure, the auditor should consider the following factors:

- Nature of the auditing procedure;

- Risk of material misstatement associated with the assertion, or account or class of transactions;
- Extent of judgment involved in performing the work and evaluating the results;
- Significance of the evidence obtained to the assertion being tested;
- 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.

12. Certain matters, such as auditor independence, staff training, and other matters, may be documented either centrally within a firm or in the audit documentation for an audit engagement.

### *Significant Matters*

13. The auditor should document audit findings or issues that in his or her judgment are significant, actions taken to address them (including any additional evidence obtained), and the basis for the final conclusions reached. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Significant matters fall into one of the following categories:

- a. Matters that both (1) are significant and (2) involve issues regarding the appropriate selection, application, and consistency of accounting principles with regard to the financial statements including related disclosures. Such matters often relate to (1) accounting for complex or unusual transactions or (2) 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,<sup>3</sup> for example, the lack of responsiveness to confirmation or information requests due to legal restrictions, or the lack of original documents.
  - d. Findings that could result in modification of the auditor's report.
  - e. Audit adjustments. For purposes of this Statement, 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.
14. The auditor should document on a timely basis (a) oral discussions of significant matters with management, including identification of management personnel involved and the dates of discussions, and (b) management's responses. The auditor similarly should document oral discussions of significant matters with those who have responsibility for the oversight of the financial reporting process, including the dates and the names of individuals participating in them.
15. If the auditor has identified information that contradicts or is inconsistent with the auditor's final conclusions regarding a significant matter, the auditor should document how the auditor addressed the contradiction or inconsistency in forming the conclusion.

<sup>3</sup> See SAS No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU sec. 380.16), for guidance regarding communication with the audit committee or the group charged with governance of any serious difficulties encountered in dealing with management related to the performance of the audit.

16. The documentation of such information, however, does not imply that the auditor needs to retain documentation that is incorrect or superseded. The relevant records to be retained include, but are 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*

17. In documenting the nature, timing, and extent of audit procedures performed, the audit documentation should identify:
  - a. Who performed the audit work and the date of such work; and
  - b. Who reviewed specific audit documentation and the date of such review.

#### *Documentation of Specific Items Tested*

18. 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.
19. Recording the identifying characteristics serves a number of purposes. For example, it 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:
  - A detailed test of entity-generated purchase orders 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 documentation should include the dates of the inquiries and the names and job designations of the entity personnel.
  - For an observation procedure, the documentation should identify the process or subject matter being observed, the relevant individuals and what they were responsible for, and when the observation was carried out.
  - When a systematic sample is selected from a population of documents, the documentation need only provide an identification of the source of the documents and an indication of 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 250<sup>th</sup> report from that point).
20. The auditor need only retain copies of the entity's records as part of the audit documentation if they are needed to enable an experienced auditor to understand the work performed and conclusions reached. For example, audit documentation should include abstracts or copies of significant contracts or agreements that were examined to evaluate the accounting for significant transactions.

21. Where, in exceptional circumstances, the auditor judges it necessary to depart from the Statements on Auditing Standards in order to achieve more effectively the objective of the audit, the auditor should document the reasons for the departure.

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

22. The auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements or other financial information being reported on.
23. After the report 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. Signing off on file completion checklists prior to completing and archiving the audit file;
  - d. Add information received after the date of the auditor's report, for example, an original confirmation that was previously faxed; and
  - e. Clarify audit documentation prepared during the audit.
24. Updated or revised audit documentation should contain all of the information, evidence, and conclusions that were in the original (superseded) documentation. If the information, evidence, or conclusion is no longer relevant or valid, the auditor need not retain it, except as noted in paragraph 30. However, the auditor should retain the information if it reflects a disparate point of view or disparate evidence relating to a significant issue or finding (see paragraphs 13 through 16).

### *Documentation of New Information*

25. The auditor may receive new information after the date of the auditor's report relating to the audit, for example, a belated third-party confirmation or confirmation of the final outcome of a material litigation case against the entity that was pending at the period end. The auditor should consider whether to perform audit procedures on the new information, taking into account factors such as the nature and significance of the information, or whether the passage of time has superseded the relevance of the information.
26. 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 SAS No. 46, *Consideration of Omitted Procedures After the Report Date* (AICPA, *Professional Standards*, vol. 1, AU sec. 390). The audit documentation supporting the auditor's compliance with SAS No. 46 should be prepared in accordance with the requirements in this Statement.
27. If the auditor subsequently becomes aware of information relating to financial information previously reported on by him or her, but which was not known to him or her at the date of the report, the auditor should follow the guidance in SAS No. 1, *Codification of Auditing Standards and Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 561, "Subsequent Discovery of Facts Existing at the Date of the Auditor's Report").

28. In the circumstances described in paragraphs 25 to 27, 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*

29. If the working papers are not in final form at the delivery date of the auditor's report to the entity, the auditor should assemble the audit documentation to form the final engagement file (audit file). The audit file should be completed within 60<sup>4</sup> days following the delivery of the auditor's report (documentation completion date).

#### *Changes After the Documentation Completion Date*

30. After the audit file has been completed, the auditor should not delete or discard audit documentation. Where the auditor finds it necessary to make an addition (including amendments) to audit documentation after the audit file has been completed, the auditor should document the addition in accordance with paragraph 28.

#### ***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 should adopt reasonable procedures to retain 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.<sup>5</sup> Such retention period, however, is ordinarily not expected to be shorter than five<sup>6</sup> years from the date of the auditor's report.
32. The auditor has an ethical, and in some situations, specific laws or regulations may impose a legal, obligation to maintain the confidentiality of client information.<sup>7</sup> Because audit documentation often contains confidential client information, the auditor should adopt reasonable procedures to maintain the confidentiality of that information.
33. 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;

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<sup>4</sup> Statutes, regulations, or the audit firm's quality control policies may specify a period of time in which this assembly process should normally be completed.

<sup>5</sup> The procedures should enable the auditor to access electronic audit documentation throughout the retention period.

<sup>6</sup> Statutes, regulations, or the audit firm's quality control policies may specify a retention period.

<sup>7</sup> Also, see Rule 301, *Confidential Client Information* (AICPA, *Professional Standards*, vol. 2, ET sec. 301), of the AICPA Code of Professional Conduct.

- 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.
34. Certain portions of or extracts from the audit documentation that the auditor may decide to make available to the entity are not a substitute for the entity's accounting records, such as internal controls documentation.

**Effective Date**

35. This Statement is effective for audits of financial statements or other financial information being reported on for periods beginning on or after December 15, 2005. 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 Statement does not change the requirement in:

- a. SAS No. 1, *Codification of Auditing Standards and Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 310.05, "Establishing an Understanding With the Client"), to document the understanding with the client.
- b. SAS No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments* (AICPA, *Professional Standards*, vol. 1, AU sec. 337.05d), 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 it 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 Statement of Financial Accounting Standards No. 5, *Accounting for Contingencies*. Also, this SAS does not change the requirement in SAS No. 12 (AU sec. 337.10) to document the conclusions reached as a result of responses obtained in a conference relating to matters covered by the audit inquiry letter.
- c. SAS No. 22, *Planning and Supervision* (AICPA, *Professional Standards*, vol. 1, AU sec. 311.05), to prepare a written audit program (or set of written audit programs) for every audit.
- d. SAS No. 47, *Audit Risk and Materiality in Conducting an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 312.40), to document the nature and effect of aggregated misstatements and the auditor's conclusion as to whether the aggregated misstatements cause the financial statements to be materially misstated.
- e. SAS No. 51, *Reporting on Financial Statements Prepared for Use in Other Countries* (AICPA, *Professional Standards*, vol. 1, AU sec. 534.02), to obtain written representations from management regarding the purpose and uses of financial statements prepared in conformity with the accounting principles of another country.
- f. SAS No. 54, *Illegal Acts by Clients* (AICPA, *Professional Standards*, vol. 1, AU sec. 317.17), 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.
- g. SAS No. 55, *Consideration of Internal Control in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 319.61), to document the understanding of the entity's internal control components obtained to plan the audit. Also, this SAS does not change the requirement in SAS No. 55 (AU sec. 319.83) for the auditor to document his or her conclusions about the assessed level of control risk.
- h. SAS No. 56, *Analytical Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 329.22), to document (1) the expectation, where that expectation is not otherwise readily determinable from the documentation of the work performed, and factors considered in its development; (2) the results of the comparison of the expectation to the recorded amounts or ratios developed from recorded amounts; and (3) any additional auditing procedures performed in response to significant unexpected differences arising from the analytical procedure and the results of such additional procedures.

- i. SAS No. 58, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 508.71), 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.
- j. SAS No. 59, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* (AICPA, *Professional Standards*, vol. 1, AU sec. 341.17), to document (1) 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; (2) the work performed in connection with the auditor's evaluation of management's plans; (3) 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 (4) the consideration and effect of that conclusion on the financial statements, disclosures, and the audit report.
- k. SAS No. 60, *Communication of Internal Control Related Matters Noted in an Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 325.09), to document oral communications with the audit committee or others with equivalent authority and responsibility of conditions noted by the auditor that are considered reportable or that are the result of agreement with the client.
- l. SAS No. 61, *Communication With Audit Committees* (AICPA, *Professional Standards*, vol. 1, AU sec. 380.03), to document any oral communications with the audit committee, made pursuant to the SAS, regarding the scope and results of the audit.
- m. SAS No. 67, *The Confirmation Process* (AICPA, *Professional Standards*, vol. 1, AU sec. 330.29), to document oral confirmations. Also, when the auditor has not requested confirmations in the examination of accounts receivable, this SAS does not change the requirement in SAS No. 67 (AU sec. 330.35) to document how the auditor overcame this presumption.
- n. SAS No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance* (AICPA, *Professional Standards*, vol. 1, AU sec. 801.23), to document the oral communications to management and the audit committee or others with equivalent authority and responsibility when the auditor becomes aware during an audit in accordance with generally accepted auditing standards that the entity is subject to an audit requirement that may not be encompassed in the terms of the engagement.
- o. SAS No. 85, *Management Representations* (AICPA, *Professional Standards*, vol. 1, AU sec. 333), to obtain written representations from management.
- p. SAS No. 99, *Consideration of Fraud in a Financial Statement Audit* (AICPA, *Professional Standards*, vol. 1, AU sec. 316), to document (1) 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; (2) the procedures performed to obtain information necessary to identify and assess the risks of material misstatement due to fraud; (3) specific risks of material misstatement due to fraud that were identified, and a description of the auditor's response to those risks; (4) if the auditor has not identified in a particular circumstance, improper revenue recognition as a risk of material misstatement due the fraud, the reasons supporting the auditor's conclusion; (5) the results of the procedures performed to further address the risk of management override of controls; (6) 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; (7) the nature of the communications about fraud made to management, the audit committee, and others.

- q.* SAS No. 100, *Interim Financial Information* (AICPA, *Professional Standards*, vol. 1, AU sec. 722), 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.

## Appendix B

### **Amendment to Statement on Auditing Standards No. 1, Codification of Auditing Standards and Procedures (AICPA, Professional Standards, vol. 1, AU sec. 530, “Dating of the Independent Auditor’s Report”)**

B1. This amendment changes the date of the auditor’s report from the date of completion of fieldwork to require that the auditor’s report not be dated earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial statements. New language is shown in boldface italics; deleted language is shown by strikethrough.

- .01 **The auditor’s report should not be dated earlier than the date on which the auditor has obtained sufficient competent audit evidence to support the opinion on the financial Statements or other financial information being reported on.** Generally, the date of completion of the field work should be used as the date of the independent auditor’s report. Paragraph .05 describes the procedure to be followed when a subsequent event occurring after the **date of the auditor’s report** completion of the field work is disclosed in the financial statements.

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- .05 The independent auditor has two methods available for dating the report when a subsequent event disclosed in the financial statements occurs after **the original date of the auditor’s report** completion of field work but before the issuance of the related financial statements. The auditor may use "dual dating," for example, "February 16, 20\_\_, except for Note \_\_, as to which the date is March 1, 20\_\_," or may date the report as of the later date. In the former instance, the responsibility for events occurring subsequent to the **original report date** completion of field work is limited to the specific event referred to in the note (or otherwise disclosed). In the latter instance, the independent auditor’s responsibility for subsequent events extends to the date of the report and, accordingly, the procedures outlined in section 560.12 generally should be extended to that date.

## Appendix C

### **Amendment to Statement on Auditing Standards No. 95, *Generally Accepted Auditing Standards* (AICPA, Professional Standards, vol. 1, AU sec. 150, “*Generally Accepted Auditing Standards*”)**

C1. This amendment adds a requirement that the auditor documents the justification of departures from the SASs. New language is shown in boldface italics; deleted language is shown by strikethrough.

- .04 The auditor should have sufficient knowledge of the SASs to identify those that are applicable to his or her audit. The nature of the 10 standards and the SASs requires the auditor to exercise professional judgment in applying them. Materiality and audit risk also underlie the application of the 10 standards and the SASs, particularly those related to field work and reporting.<sup>2</sup> The auditor should ~~be prepared to justify~~ ***document his or her justification for*** departures from the SASs ***in the working papers***.

<sup>2</sup> See section 312, *Audit Risk and Materiality in Conducting an Audit*.