



Organización Internacional de Comisiones de Valores  
International Organisation of Securities Commissions  
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Organizaç o Internacional das Comiss es de Valore

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Mr. James Sylph  
Technical Director  
International Auditing and Assurance Standards Board  
545 Fifth Avenue, 14<sup>th</sup> Floor  
New York, NY 10017

Email [Edcomments@ifac.org](mailto:Edcomments@ifac.org)

Re: Exposure Draft of Proposed Pronouncements on Audit Documentation

Dear Mr. Sylph:

IOSCO's Standing Committee No. 1 on Multinational Disclosure and Accounting appreciates the opportunity to comment on the above-mentioned Exposure Draft. As securities regulators representing the public interest, we are committed to enhancing the integrity of international markets through promotion of high quality accounting, auditing, and professional standards. Our comments in this letter reflect those matters on which we have achieved a consensus among members of Standing Committee No. 1 and are not intended to include all comments that might be provided by individual members on behalf of their respective jurisdictions.

We commend the Board for undertaking a project to update and improve the existing Audit Documentation standard. Ensuring the sufficiency and appropriateness of documentation is an essential element of a high quality audit in that it demonstrates that audit work has been done and that sufficient audit evidence has been obtained to support the auditor's report. After an audit is completed, it is the documentation file that provides the official record of the audit evidence. And, as stated in the Exposure Draft, audit documentation also plays a critical role in the planning and performance of the audit, in providing a record of the basis for the auditor's report, and in quality control reviews and inspections.

We believe the proposed standard has the potential to bring greater discipline and consistency to the process of audit documentation but we believe further improvement is needed. The specific matters we have addressed in our comments relate to:

1. the need to emphasize the importance of prompt preparation of documentation to support audit procedures performed, evidence gathered and conclusions reached;

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2. the need for greater clarity with respect to the matters addressed in the section of the Exposure Draft dealing with “Changes to Audit Documentation after the Date of the Auditor’s Report;
3. the issues associated with specifying a particular time period within which the audit file must be assembled and completed;
4. the need for audit firms and firm networks to establish internal policies and procedures for completing audit documentation on a timely basis; and
5. the need to be explicit as to the scope of audit documentation required with respect to audit work performed by other auditors.

### **1. The importance of prompt preparation of documentation**

The proposed standard needs to give greater emphasis to the importance of ensuring that documentation of audit procedures performed, evidence gathered and conclusions reached is prepared promptly. We believe addressing this issue satisfactorily is an essential element in bringing greater clarity to the guidance on changes to audit documentation after the date of the auditor’s report. . As each member of the audit team performs audit work, that work should be documented as quickly as possible. In our view, the discipline of ensuring that activities are documented promptly contributes significantly to a high quality audit by facilitating effective review and evaluation of key evidence gathered and decisions made. In addition, we believe emphasizing this goal will reduce the risk of auditors concluding inappropriately that paragraphs 18 and 19 permit significant latitude in preparing documentation after the date of the auditor’s report. We comment further on this in point 3 below.

We support the principle set out in paragraph 2 of the ED that the auditor should prepare audit documentation that is sufficient and appropriate to provide a record of the basis for the auditor's report and to demonstrate that the audit was performed in accordance with ISAs and with applicable legal and regulatory requirements. In our view, however, this needs to be supplemented by a clear statement that sufficient documentation to support the audit report should be prepared and undergo a quality control review before the audit opinion is signed and issued. In our view, this should be a mandatory requirement.

### **2. Changes to documentation after the date of the Auditor’s Report**

To clarify the routine and non-routine sequence of activities in an audit, we believe the IAASB should rearrange the content and reorder certain paragraphs in the proposed standard. Paragraphs 17 to 23 of the ED address matters that are a mixture of the routine and the exceptional. We believe this is confusing. The ED seems to mix talking about the same thing more than once and talking about different conditions.

Our expectation is that the normal situation in a typical audit would be that, following the date of the audit report, the auditor would assemble and complete the audit file on a timely basis. This would be done without the need to perform audit procedures to address new information coming to light after the date of the audit report and without the need to perform additional audit procedures to address omissions in audit work. We believe it would be helpful to address first this “routine” condition, which would seem to be focus of the guidance in paragraph 18. Other types of conditions that can arise, such as cases where new information comes to light, or when there is an occurrence of a subsequent event, such as the

situations described in paragraph 21, could then be discussed following the guidance for the "routine" situation.

With regard to paragraph 17, we believe the IAASB should provide guidance as to the type of "exceptional circumstances" that might give rise to a need for additional audit procedures after the date of an auditor's report. This issue is raised in the current paragraph 17 but not adequately explained, and referring to ISA 560 as noted in the paragraph does not produce any guidance that helps the reader understand what constitutes an "exceptional circumstance" that would warrant new procedures and new documentation.

### **3. Time period for completion and assembly of the final audit documentation file**

In this section, we have comments on: the nature of the file assembly and completion process and the time period for completion.

#### *Nature of the file assembly and completion process*

Entirely apart from the questions of whether a particular number of days should be specified, what the starting point should be, and what the number of days should be, all of our members believe the standard should emphasize as an overriding principle that the auditor must assemble a complete and final audit file without undue delay after the date of the auditor's report. We recognize that this principle is reflected using the present tense in paragraph 19 of the proposed standard but we believe its importance should be elevated.

Consistent with our earlier comments on the need for prompt and complete documentation at the time audit procedures are performed, we believe the file assembly and completion process should be a largely administrative exercise in organization and compilation. In this regard, we are concerned that the first bullet in paragraph 18 is capable of being construed as permitting extensive backfilling of documentation that could and should have been prepared at an earlier date. Our concern is driven by the emphasis we believe should be placed on ensuring the documentation of performance of audit procedures, evidence gathered and conclusions reached is carried out sufficiently comprehensively to support the auditor's opinion before a report is signed and issued. In our view, failure to achieve this goal represents a potential threat to audit quality since it increases the risk that senior members of the audit team may not be in a position to evaluate comprehensively audit procedures undertaken, evidence gathered and conclusions reached throughout the audit. We would underline that this does not mean we believe absolutely everything must have been completely documented prior to signing and issuing a report. However, final documentation of the resolution of an issue after signing and issuing a report must be restricted to those circumstances in which it is a matter of necessity and such situations should be strictly limited.

#### *Time period for completion*

With regard to whether a specific period should be established for completion of the final audit file, we understand the potential value of establishing a specific "outside limit" in the ISA for purposes of quality control and inspection and to provide greater discipline in documenting audits. However, some of our members believe the matter of a specific time limit is an issue that should be left to national oversight and inspection bodies to address.

These members believe it would be preferable for the ISA to establish clearly the principle of assembling and completing the final audit file without undue delay but to refrain from specifying a particular limit.

However, we would observe that the existence of different time limits and different starting points for specifying the completion of the final audit documentation in different jurisdictions is an undesirable situation. We would therefore encourage the IAASB to work with national auditing standards setters to identify an approach that could be used consistently, on a global basis. We believe this will become increasingly important in conducting high-quality cross-border audits, as well as facilitating the work of regulators and oversight bodies who are involved in reviewing audit work done in different countries. We also encourage the IAASB to engage national auditor oversight bodies in working cooperatively to seek a consistent approach in addressing this issue. If a specific time limit is retained in the final standard, we urge that it be accompanied by guidance emphasizing that the time limit is an outside limit, not a target.

#### **4. Internal firm policies on file completion**

Regardless of whether a specific time limit for file assembly and completion is retained in the final standard, we believe it would be helpful for the proposed standard to state, either directly in this ISA or more likely in an addition to ISQC 1, that audit firms and firm networks should establish internal policies and procedures relating to (i) the prompt completion of audit documentation; and (ii) the assembly and completion of audit files without undue delay. If the IAASB decides not to retain in the final standard a specific time limit for file assembly and completion, we believe it will be particularly important to require establishment of internal firm policies on this matter.

#### **5. Scope of audit documentation**

We note the revised standard makes no mention that audit documentation is needed for work performed by other auditors, which include auditors associated with other offices of the firm, affiliated firms, or non-affiliated firms. We believe the Board should address the assembly and review of audit documentation prepared by other auditors, or at least state explicitly in paragraph 2 that the documentation should demonstrate that *all* audit work, *including work performed by related auditors and other auditors*, was performed in accordance with ISAs and applicable legal and regulatory requirements. (*Italics* our suggested addition to present text).

Thank you for the opportunity to comment on this ED. If you have questions regarding any of our comments, please do not hesitate to contact me or Susan Koski-Grafer at (202) 942-4400.

Sincerely,



Scott Taub

Chairman

IOSCO Standing Committee No. 1