

ASA 230
(October 2009)

Explanatory Statement

ASA 230 Audit Documentation

Issued by the **Auditing and Assurance Standards Board**

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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Reasons for Issuing Auditing Standard ASA 230 *Audit Documentation*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 230 *Audit Documentation* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is as an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards. The IAASB has undertaken a programme to redraft, and in some cases, revise, in “clarity” format, the entire suite of ISAs. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

Operative Date

ASA 230 *Audit Documentation* is operative for financial reporting periods commencing on or after 1 January 2010.

Purpose of Auditing Standard ASA 230 *Audit Documentation*

The purpose of the Auditing Standard is to establish Requirements and to provide Application and Other Explanatory Material to auditors regarding their responsibility to prepare audit documentation for an audit of a financial report.

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Main Features

This Auditing Standard:

- (a) requires the auditor to prepare audit documentation on a timely basis that provides:
 - (i) a sufficient appropriate record of the basis for the auditor's report; and
 - (ii) evidence that the audit was planned and performed in accordance with Australian Auditing Standards and applicable legal and regulatory requirements;
- (b) describes the form, content and extent of audit documentation;
- (c) describes the documentation required where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant Requirement;
- (d) describes the documentation required where in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report;
- (e) requires the assembly of the final audit file, including the prohibition of deletions and the permission for certain modifications and additions, on a timely basis after the date of the auditor's report; and
- (f) requires the auditor to adopt procedures for maintaining the confidentiality, safe custody, integrity, accessibility and retrievability of audit documentation.

Preamble and Overall Objectives

ASA 230 is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. ASA 230 is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

In implementing the FRC's Strategic Direction, the AUASB has undertaken a process of revision and redrafting of the Australian Auditing Standards that has:

- updated the form, layout and content of the Australian Auditing Standards;
- addressed the legal enforceability of mandatory obligations;
- maintained clarity of the auditor's obligations;
- incorporated appropriate references to Australian laws and regulations;
- clearly identified, by use of the prefix "Aus", AUASB additions to paragraphs in the Requirements or the Application and Other Explanatory Material; and
- included other amendments as necessary.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 09/08 *Proposed Auditing Standard: Audit Documentation* (Re-issuance of ASA 230), was issued on 15 September 2008 with a 30 day comment period.

As an integral part of its consultation with the public, the AUASB sought comments on specific questions including:

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- the completeness and accuracy of references in the Auditing Standard to relevant laws and regulations;
- the significant costs, if any, and benefits, of compliance with any additional Requirements under the Auditing Standard; and
- whether or not there exist any matters of public interest affecting the issuance of the Auditing Standard.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulation Impact Statement

A *Regulation Impact Statement* (RIS) has been prepared in connection with the redrafting of Australian Auditing Standards in Clarity format, including *ASA 230 Audit Documentation*.

The RIS has considered both the expected benefits and expected costs of the introduction of clarified auditing standards, including comments provided by stakeholders during the redrafting process. It concluded that expected benefits to users of audit services, users of audit reports, auditors and the Australian economy in general are, on balance, likely to outweigh expected costs.

Main Differences from ASA 230 Audit Documentation (April 2006)

The main differences between the Auditing Standard and the Auditing Standard that it supersedes, *ASA 230 Audit Documentation* (April 2006), are:

1. Auditing Standard ASA 230 is written in the 'clarity' format using the equivalent International Standard on Auditing (*ISA 230 Audit Documentation*) as the underlying Auditing Standard. Consequently, the format, layout, and paragraph numbering styles are different from the extant Auditing Standard.
2. To improve clarity, certain requirements and guidance in the extant Auditing Standard have been re-written, however, the equivalent meanings have been retained.
3. Certain guidance material in the extant Auditing Standard has been elevated to Requirements.

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4. New guidance material is provided in relation to audit documentation relating to:
- compliance with the Australian Auditing Standards; and
 - the audits of smaller entities.

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