Official Releases

SAS No. 96—Audit Documentation


INTRODUCTION

1. The auditor should prepare and maintain audit documentation, the form and content of which should be designed to meet the circumstances of the particular audit engagement. Audit documentation is the principal record of auditing procedures applied, evidence obtained, and conclusions reached by the auditor in the engagement. The quantity, type, and content of audit documentation are matters of the auditor's professional judgment.

2. Other Statements on Auditing Standards 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. Audit documentation serves mainly to:

a. Provide the principal support for the auditor's report, including the representation regarding observance of the standards of fieldwork, which is implicit in the reference in the report to generally accepted auditing standards.\(^4\)

b. Aid the auditor in the conduct and supervision of the audit.

CONTENT OF AUDIT DOCUMENTATION

4. Audit documentation should be sufficient to show that standards of fieldwork have been observed as follows:

a. The work has been adequately planned and supervised.

b. A sufficient understanding of internal control has been obtained to plan the audit and to determine the nature, timing, and extent of tests to be performed.

c. Sufficient competent evidential matter has been obtained through the auditing procedures applied to afford a reasonable basis for an opinion.

5. Examples of audit documentation are audit programs,\(^5\) analyses, memoranda, letters of confirmation and representation, abstracts or copies of entity documents, and schedules or comments prepared or obtained by the auditor.

6. Audit documentation should be sufficient to enable members of the engagement team with supervision and review responsibilities to understand the nature, timing, extent, and results of auditing procedures performed, and the evidence obtained.\(^6\) This includes the engagement team member(s) who performed and reviewed the work, and (i) show that the accounting records agree or reconcile with the financial statements or other information being reported on.

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

\(\text{\begin{itemize}
\item Risk of material misstatement associated with the assertion, or account or class of transactions involved.}
\item Extent of judgment involved in performing the work and evaluating the results.
\item Nature of the auditing procedures.
\item Significance of the evidence obtained to the assertion being tested.
\item Nature and extent of exceptions identified.
\item Need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed.
\item Audit documentation should include abstracts or copies of significant contracts or agreements that were examined to evaluate the accounting for significant transactions. Additionally, audit documentation of tests of operating effectiveness of controls and substantive tests of details that involve inspection of documents or confirmation should include an identification of the items tested.
\end{itemize}}\)

8. In addition, 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. Significant audit findings or issues include the following:

\(\text{\begin{itemize}
\item Matters that both (a) are significant and (b) involve issues regarding the appropriate selection, application, and consistency of accounting principles with regard to the financial statements, including related disclosures. Such matters often relate to (a) accounting for complex or unusual transactions or (b) estimates and uncertainties and, if applicable, the related management assumptions.
\item Results of auditing procedures that indicate that the financial statements or disclosures could be materially misstated or that auditing procedures need to be significantly modified.
\end{itemize}}\)

\(\footnote{The identification of the items tested may be satisfied by indicating the source from which the items were selected and the specific selection criteria, for example:}

\(\footnote{\begin{itemize}
\item When a haphazard or random sample is selected, the documentation should include identifying characteristics (for example, the specific invoice numbers of the items included in the sample).
\item When all items over a specified dollar amount are selected from a listing, the documentation need describe only the scope and the identification of the listing (for example, all invoices over $25,000 from the December sales journal).
\item 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 250th report from that point.)}

1. Audit documentation also may be referred to as working papers.

2. However, there is no intention to imply that the auditor would be precluded from supporting his or her report by other means in addition to audit documentation.

3. The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern, AICPA, Professional Standards, vol. 1, AU sec. 341.)


5. A firm of independent auditors has a responsibility to adopt a system of quality control policies and procedures to provide the firm with reasonable assurance that its personnel complies with applicable professional standards, including generally accepted auditing standards, and the firm's standards of quality in conducting individual audit engagements. Review of audit documentation and discussions with engagement team members are among the procedures a firm performs when monitoring compliance with the quality control policies and procedures that it has established. (Also, see SAS No. 23, The Relationship of Generally Accepted Auditing Standards to Quality Control Standards [AICPA, Professional Standards, vol. 1, AU sec. 161]).
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in applying auditing procedures the auditor considered necessary.

Other findings that could result in modification of the auditor’s report.

OWNERSHIP AND CONFIDENTIALITY OF AUDIT DOCUMENTATION

10. 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.

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

12. The auditor also should adopt reasonable procedures to prevent unauthorized access to the audit documentation.

13. Certain audit documentation may sometimes serve as a useful reference source for the client, but it should not be regarded as a part of, or a substitute for, the client’s accounting records.

EFFECTIVE DATE

14. This Statement is effective for audits of financial statements for periods beginning on or after May 15, 2002. Earlier application is permitted.

APPENDIX A

Audit Documentation Requirements in Other Statements on Auditing Standards

1. 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, SAS No. 96 does not change the requirement in:

2. Other findings that could result in modification of the auditor’s report.

3. The procedures should enable the auditor to access electronic audit documentation throughout the retention period.


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. 47, Management’s Responsibility for Internal Control (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 use 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, SAS No. 96 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 resuming (or continuing to the reassurance 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. 64, 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 prior periods or other conditions identified during 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 scope of the engagement.

n. SAS No. 74, Compliance Auditing Considered (AICPA, Professional Standards, vol. 1, AU sec. 301.23), 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 scope of the engagement.

o. SAS No. 82, Consideration of Fraud in a Financial Statement Audit (AICPA, Professional Standards, vol. 1, AU sec. 316.37), to include in audit documentation the assessment of the risk of material misstatement due to fraud and the auditor’s response to risk factors identified. Also, SAS No. 96 does not change the requirement to document any fraud risk factors identified during the audit and any further response that the auditor concluded was appropriate.


APPENDIX B

Amendments to Statements on Auditing Standards

Amendment to Statement on Auditing Standards (SAS) No. 47, Audit Risk and Materiality in Conducting an Audit (AICPA, Professional Standards, vol. 1, AU sec. 312)

1. This amendment adds a requirement to SAS No. 47 to document the nature and effect of misstatements that the auditor aggregates as well as the auditor’s conclusion as to whether the aggregated misstatements cause the financial statements to be materially misstated. The amendment adds the following paragraph to SAS No. 47:

2. Paragraphs 41 and 42 of SAS No. 47 will be renumbered as paragraphs 41 and 42, respec-
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doubt about the entity’s ability to continue as a going concern for a reasonable period of time.
b. The elements of management’s plans that the auditor considered to be particularly significant to overcoming the adverse effects of the conditions or events.
c. The auditing procedures performed and evidence obtained to evaluate the significant elements of management’s plans.
d. The auditor’s conclusion as to whether there was substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time.

Amendment to 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)

5. The following amendment adds a requirement to SAS No. 59 for the auditor 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 there is 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. The new section and paragraph, which will immediately follow paragraph 16, are the following:

Documentation

17. As stated in paragraph 3 of this Statement, the auditor considers whether the results of the auditing procedures performed in planning, gathering evidential matter relative to the various audit objectives, and completing the audit identify conditions and events that, when considered in the aggregate, indicate there could be substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time. If, after considering the identified conditions and events in the aggregate, the auditor believes there is substantial doubt about the ability of the entity to continue as a going concern for a reasonable period of time, he or she follows the guidance in paragraphs 7 through 16. In connection with that guidance, the auditor should document all of the following:

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 for a reasonable period of time.
b. The elements of management’s plans that the auditor considered to be particularly significant to overcoming the adverse effects of the conditions or events.
c. The auditing procedures performed and evidence obtained to evaluate the significant elements of management’s plans.
d. The auditor’s conclusion as to whether there was substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time.

Amendment to Statement on Auditing Standards No. 96, Audit Documentation (AICPA, Professional Standards, vol. 1, AT secs. 101–701)

1. This amendment to Statement on Auditing Standards for Attestation Engagements (SSAE) No. 10, Attestation Standards: Revision and Recodification, AICPA, Professional Standards, vol. 1, AT secs. 101–701, reflects the concepts and terminology used in Statement on Auditing Standards No. 96, Audit Documentation. The amendment is as follows: boldface italic denotes new language; strikethrough denotes deletion.

CHAPTER 1, PARAGRAPHS 1.100–1.104: Working Papers Attest Documentation

1.100 The practitioner should prepare and maintain working papers as part of the working-paper documentation, in a form and content that should be designed to meet the circumstances of the particular relationship of the attestation engagements. Working papers should be appropriate to the circumstances and the practitioner’s needs in the engagement to which they apply. Attest documentation is the principal record of attest procedures applied, information obtained, and conclusions or findings reached by the practitioner in the engagement.

The quantity, type, and content of working papers and attest documentation are matters of the practitioner’s professional judgment. Working papers should provide the basis for the practitioner’s report and should indicate that:

a. The work was adequately planned and supervised.
b. Before reliance was obtained to provide a reasonable basis for the conclusions expressed in the practitioner’s report.

1.101 Attest documentation serves mainly to:

a. Provide the principal support for the practitioner’s report, including the representation regarding observance of the standards of fieldwork, which is implicit in the reference in the report to attest standards.
b. Aid the practitioner in the conduct and supervision of the attest engagement.

For examinations of prospective financial (continued on page 110)

SSAE No. 11—Attest Documentation

(Amendment to Statement on Standards for Attestation Engagements No. 10, Attestation Standards: Revision and Recodification, AICPA, Professional Standards, vol. 1, AT secs. 101–701)

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NOTE: Statements on Auditing Standards are issued by the Auditing Standards Board, the senior technical body of the Institute designated to issue pronouncements on auditing matters. Rule 202 of the Institute’s Code of Professional Conduct requires compliance with these standards.

SSAE No. 11—Attest Documentation

(Amendment to Statement on Standards for Attestation Engagements No. 10, Attestation Standards: Revision and Recodification, AICPA, Professional Standards, vol. 1, AT secs. 101–701)

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