

# KAEG-I [INTL VERSION 2024]: ISA 230 Audit documentation

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# ISA 230 Audit Documentation

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## ISA 230 *Audit Documentation*

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

**International Standard on Auditing (ISA) 230, *Audit Documentation*, should be read in conjunction with ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*.**

## Introduction, Objective, Definitions

## International Standards on Auditing: ISA 230.01-06

## Introduction

## Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to prepare audit documentation for an audit of financial statements. The Appendix lists other ISAs that contain specific documentation requirements and guidance. The specific documentation requirements of other ISAs do not limit the application of this ISA. Law or regulation may establish additional documentation requirements.

## Nature and Purposes of Audit Documentation

2. Audit documentation that meets the requirements of this ISA and the specific documentation requirements of other relevant ISAs provides:

- (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor;<sup>1</sup> and
- (b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

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1 ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 11

3. Audit documentation serves a number of additional purposes, including the following:

- Assisting the engagement team to plan and perform the audit.
- Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with ISA 220 (Revised).<sup>2</sup>
- Enabling the engagement team to be accountable for its work.
- Retaining a record of matters of continuing significance to future audits.
- Enabling the conduct of engagement quality reviews<sup>3</sup> other types of engagement reviews<sup>4</sup> and monitoring activities under the firm's system of quality management
- Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

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2 ISA 220 (revised), *Quality Management for an Audit of Financial Statements*, paragraphs 29 - 34

3 International Standard on Quality Management (ISQM) 2, *Engagement Quality Reviews*

4 ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraph A135

## Effective Date

4. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

## Objective

5. The objective of the auditor is to prepare documentation that provides:

- (a) A sufficient and appropriate record of the basis for the auditor's report; and

- (b) Evidence that the audit was planned and performed in accordance with ISAs and applicable legal and regulatory requirements.

## Definitions

6. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) Audit documentation - The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as "working papers" or "workpapers" are also sometimes used).
- (b) Audit file - One or more folders or other storage media, in physical or electronic form, containing the records that comprise the audit documentation for a specific engagement.
- (c) Experienced auditor - An individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:
  - (i) Audit processes;
  - (ii) ISAs and applicable legal and regulatory requirements;
  - (iii) The business environment in which the entity operates; and
  - (iv) Auditing and financial reporting issues relevant to the entity's industry.

## Timely Preparation, Form, Content and Extent of Audit Documentation and Departure from a Relevant Requirement

### International Standards on Auditing: ISA 230.07-12 Requirements

#### Timely Preparation of Audit Documentation

7. The auditor shall prepare audit documentation on a timely basis. (Ref: Para. A1)

#### Documentation of the Audit Procedures Performed and Audit Evidence Obtained

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

8. The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor, having no previous connection with the audit, to understand: (Ref: Para. A2 - A5, A16 - A17)

- (a) The nature, timing and extent of the audit procedures performed to comply with the ISAs and applicable legal and regulatory requirements; (Ref: Para. A6 - A7)
- (b) The results of the audit procedures performed, and the audit evidence obtained; and

(c) Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions. (Ref: Para. A8 - A11)

9. In documenting the nature, timing and extent of audit procedures performed, the auditor shall record:

- (a) The identifying characteristics of the specific items or matters tested; (Ref: Para. A12)
- (b) Who performed the audit work and the date such work was completed; and
- (c) Who reviewed the audit work performed and the date and extent of such review. (Ref: Para. A13)

10. The auditor shall document discussions of significant matters with management, those charged with governance, and others, including the nature of the significant matters discussed and when and with whom the discussions took place. (Ref: Para. A14)

11. If the auditor identified information that is inconsistent with the auditor's final conclusion regarding a significant matter, the auditor shall document how the auditor addressed the inconsistency. (Ref: Para. A15)

### *Departure from a Relevant Requirement*

12. If, in exceptional circumstances, the auditor judges it necessary to depart from a relevant requirement in an ISA, the auditor shall document how the alternative audit procedures performed achieve the aim of that requirement, and the reasons for the departure. (Ref: Para. A18 - A19)

## ISA Application and Other Explanatory Material: ISA 230.A1-A19

### Application and Other Explanatory Material

#### **Timely Preparation of Audit Documentation (Ref: Para. 7)**

A1. Preparing sufficient and appropriate audit documentation on a timely basis helps to enhance the quality of the audit and facilitates the effective review and evaluation of the audit evidence obtained and conclusions reached before the auditor's report is finalized. Documentation prepared after the audit work has been performed is likely to be less accurate than documentation prepared at the time such work is performed.

#### **Documentation of the Audit Procedures Performed and Audit Evidence Obtained**

##### *Form, Content and Extent of Audit Documentation (Ref: Para. 8)*

A2. The form, content and extent of audit documentation depend on factors such as:

- The size and complexity of the entity.
- The nature of the audit procedures to be performed.
- The identified risks of material misstatement.
- The significance of the audit evidence obtained.
- The nature and extent of exceptions identified.

- The need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained.
- The audit methodology and tools used.

A3. Audit documentation may be recorded on paper or on electronic or other media. Examples of audit documentation include:

- Audit programs.
- Analyses.
- Issues memoranda.
- Summaries of significant matters.
- Letters of confirmation and representation.
- Checklists.
- Correspondence (including e-mail) concerning significant matters.

The auditor may include abstracts or copies of the entity's records (for example, significant and specific contracts and agreements) as part of audit documentation. Audit documentation, however, is not a substitute for the entity's accounting records.

A4. The auditor need not include in audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

A5. Oral explanations by the auditor, on their own, do not represent adequate support for the work the auditor performed or conclusions the auditor reached, but may be used to explain or clarify information contained in the audit documentation.

### Documentation of Compliance with ISAs (Ref: Para. 8(a))

A6. In principle, compliance with the requirements of this ISA will result in the audit documentation being sufficient and appropriate in the circumstances. Other ISAs contain specific documentation requirements that are intended to clarify the application of this ISA in the particular circumstances of those other ISAs. The specific documentation requirements of other ISAs do not limit the application of this ISA. Furthermore, the absence of a documentation requirement in any particular ISA is not intended to suggest that there is no documentation that will be prepared as a result of complying with that ISA.

A7. Audit documentation provides evidence that the audit complies with the ISAs. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgment made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:

- The existence of an adequately documented audit plan demonstrates that the auditor has planned the audit.
- The existence of a signed engagement letter in the audit file demonstrates that the auditor has agreed the terms of the audit engagement with management or, where appropriate, those charged with governance.
- An auditor's report containing an appropriately qualified opinion on the financial statements demonstrates that the auditor has complied with the requirement to express a qualified opinion under the circumstances specified in the ISAs.

- In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:
  - For example, there may be no single way in which the auditor's professional skepticism is documented. But the audit documentation may nevertheless provide evidence of the auditor's exercise of professional skepticism in accordance with the ISAs. For example, in relation to accounting estimates, when the audit evidence obtained includes evidence that both corroborates and contradicts management's assertions, documenting how the auditor evaluated that evidence, including the professional judgments made in forming a conclusion as to the sufficiency and appropriateness of the audit evidence obtained.
  - Similarly, that the engagement partner has taken responsibility for the direction, and supervision of the engagement team and the review of their work<sup>5</sup> may be evidenced in a number of ways within the audit documentation. This may include documentation that evidences the engagement partner's sufficient and appropriate involvement in the audit, such as participation in engagement team discussions

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5 ISA 220 (Revised), paragraph 29

## Documentation of Significant Matters and Related Significant Professional Judgments (Ref: Para. 8(c))

A8. Judging the significance of a matter requires an objective analysis of the facts and circumstances. Examples of significant matters include:

- Matters that give rise to significant risks (as defined in ISA 315 (Revised)).<sup>6</sup>
- Results of audit procedures indicating (a) that the financial statements could be materially misstated, or (b) a need to revise the auditor's previous assessment of the risks of material misstatement and the auditor's responses to those risks.
- Circumstances that cause the auditor significant difficulty in applying necessary audit procedures.
- Findings that could result in a modification to the audit opinion or the inclusion of an Emphasis of Matter paragraph in the auditor's report.

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6 ISA 315 (Revised), paragraph 4(e)

A9. An important factor in determining the form, content and extent of audit documentation of significant matters is the extent of professional judgment exercised in performing the work and evaluating the results. Documentation of the professional judgments made, where significant, serves to explain the auditor's conclusions and to reinforce the quality of the judgment. Such matters are of particular interest to those responsible for reviewing audit documentation, including those carrying out subsequent audits when reviewing matters of continuing significance (for example, when performing a retrospective review of accounting estimates).

A10. Some examples of circumstances in which, in accordance with paragraph 8, it is appropriate to prepare audit documentation relating to the use of professional judgment include, where the matters and judgments are significant:

- The rationale for the auditor's conclusion when a requirement provides that the auditor "shall consider" certain information or factors, and that consideration is significant in the context of the particular engagement.
- The basis for the auditor's conclusion on the reasonableness of areas of subjective judgments made by management.
- The basis for the auditor's evaluation of whether an accounting estimate and related disclosures are reasonable in the context of the applicable financial reporting framework, or are misstated.
- The basis for the auditor's conclusions about the authenticity of a document when further investigation (such as making appropriate use of an expert or of confirmation procedures) is undertaken in response to conditions identified during the audit that caused the auditor to believe that the document may not be authentic.
- When ISA 701 applies,<sup>7</sup> the auditor's determination of the key audit matters or the determination that there are no key audit matters to be communicated.

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<sup>7</sup> ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*

A11. The auditor may consider it helpful to prepare and retain as part of the audit documentation a summary (sometimes known as a completion memorandum) that describes the significant matters identified during the audit and how they were addressed, or that includes cross-references to other relevant supporting audit documentation that provides such information. Such a summary may facilitate effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits. Further, the preparation of such a summary may assist the auditor's consideration of the significant matters. It may also help the auditor to consider whether, in light of the audit procedures performed and conclusions reached, there is any individual relevant ISA objective that the auditor cannot achieve that would prevent the auditor from achieving the overall objectives of the auditor.

### *Identification of Specific Items or Matters Tested, and of the Preparer and Reviewer (Ref: Para. 9)*

A12. Recording the identifying characteristics serves a number of purposes. For example, it enables the engagement team to be accountable for its work and facilitates the investigation of exceptions or inconsistencies. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested. 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 a specified amount from the journal register).
- 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 selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125<sup>th</sup> report).
- For a procedure requiring inquiries of specific entity personnel, the auditor may record the dates of the inquiries and the names and job designations of the entity personnel.



- For an observation procedure, the auditor may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.

A13. ISA 220 (Revised) contains requirements and guidance on the review of audit documentation.<sup>8</sup> 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. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

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<sup>8</sup> ISA 220 (Revised), paragraph 29-34

### Documentation of Discussions of Significant Matters with Management, Those Charged with Governance, and Others (Ref: Para. 10)

A14. The documentation is not limited to records prepared by the auditor but may include other appropriate records such as minutes of meetings prepared by the entity's personnel and agreed by the auditor. Others with whom the auditor may discuss significant matters may include other personnel within the entity, and external parties, such as persons providing professional advice to the entity.

### Documentation of How Inconsistencies Have Been Addressed (Ref: Para. 11)

A15. The requirement to document how the auditor addressed inconsistencies in information does not imply that the auditor needs to retain documentation that is incorrect or superseded.

### Considerations Specific to Smaller Entities (Ref: Para. 8)

A16. The audit documentation for the audit of a smaller entity is generally less extensive than that for the audit of a larger entity. Further, in the case of an audit where the engagement partner performs all the audit work, the documentation will not include matters that might have to be documented solely to inform or instruct members of an engagement team, or to provide evidence of review by other members of the team (for example, there will be no matters to document relating to team discussions or supervision). Nevertheless, the engagement partner complies with the overriding requirement in paragraph 8 to prepare audit documentation that can be understood by an experienced auditor, as the audit documentation may be subject to review by external parties for regulatory or other purposes.

A17. When preparing audit documentation, the auditor of a smaller entity may also find it helpful and efficient to record various aspects of the audit together in a single document, with cross-references to supporting working papers as appropriate. Examples of matters that may be documented together in the audit of a smaller entity include the understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control, the overall audit strategy and audit plan, materiality determined in accordance with ISA 320,<sup>9</sup> assessed risks, significant matters noted during the audit, and conclusions reached.

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<sup>9</sup> ISA 320, *Materiality in Planning and Performing an Audit*

### Departure from a Relevant Requirement (Ref: Para. 12)

A18. The requirements of the ISAs are designed to enable the auditor to achieve the objectives specified in the ISAs, and thereby the overall objectives of the auditor. Accordingly, other than in exceptional

circumstances, the ISAs call for compliance with each requirement that is relevant in the circumstances of the audit.

A19. The documentation requirement applies only to requirements that are relevant in the circumstances.

A requirement is not relevant<sup>10</sup> only in the cases where:

- (a) The entire ISA is not relevant (for example, if an entity does not have an internal audit function, nothing in ISA 610 (Revised 2013)<sup>11</sup> is relevant); or
- (b) The requirement is conditional and the condition does not exist (for example, the requirement to modify the auditor's opinion where there is an inability to obtain sufficient appropriate audit evidence, and there is no such inability).

<sup>10</sup> ISA 200, paragraph 22

<sup>11</sup> ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, paragraph 2

## How do we comply with the Standards?

[ISA | KAEGHDWC]

### 1 Prepare audit documentation in compliance with auditing standards, legal and regulatory requirements and firm policy [ISA | 1639]

#### What do we do?

Prepare audit documentation in a timely manner to demonstrate that the engagement complied with auditing standards, relevant legal and regulations requirements and firm policy

#### Why do we do this?

In order for engagement reviewers and others to understand the work performed, we prepare audit documentation in a specific manner to evidence that our work is compliant with relevant auditing standards, firm policies and regulations.

We prepare audit documentation in a timely manner to enable those that review audit documentation to obtain timely access to the workpapers and allow for follow-up actions to be taken as appropriate.

### Execute the Audit

**What is audit documentation?** [ISA | 1639.1300]

Audit documentation is the record of audit procedures performed, audit evidence obtained, conclusions reached, and review performed. Audit documentation can take various forms, which may include:

- Audit plans and programs;

- Analyses and schedules;
- Memos;
- Summaries of significant findings or issues;
- Letters of confirmation and representation; and/or
- Correspondences (including e-mail) concerning significant findings or issues.

#### What is the purpose of audit documentation? [ISA | 1639.1400]

The primary purpose of audit documentation is to support the auditor's opinion on the financial statements, and may be used by different parties - e.g. the engagement team, internal or external reviewers.

The following table illustrates examples of how the audit documentation may be used by different parties.

Engagement Team	Internal/External Reviewer
Audit documentation enables us to demonstrate that we are accountable for our work by documenting the procedures performed, the audit evidence obtained, the conclusions reached and reviews performed.	Audit documentation enables an experienced auditor, having no previous connection with the audit to understand the nature, timing and extent of the audit procedures performed to comply with the relevant auditing standards and applicable laws and regulations.
Audit documentation serves to retain a record of matters of continuing significance to future audits of the same entity.	Audit documentation assists internal and external inspection teams that review documentation to assess audit quality and compliance with auditing and related professional practice standards; applicable laws, rules, and regulations; and our own quality control policies.
Audit documentation assists our reviews of a predecessor auditor's audit documentation.	Audit documentation assists others, including advisors engaged by the audit committee or representatives of a party to an acquisition.
Audit documentation assists us to understand the work performed in the prior year as an aid in planning and performing the current engagement.	

#### What is an "experienced auditor"? [ISA | 1639.12645]

An experienced auditor is an individual (whether internal or external to the firm) who has practical audit experience, and a reasonable understanding of:

- audit processes;
- relevant auditing standards and applicable laws and regulations;
- the business environment in which the entity operates; and
- auditing and financial reporting issues relevant to the entity's industry.

What is "practical audit experience"? [ISA | 1639.12646]

Practical audit experience means possessing the competencies and skills that enable the auditor to perform the audit but does not mean that the auditor has necessarily performed comparable audits.

How do we prepare audit documentation to demonstrate that the engagement complied with the auditing standards, the relevant legal and regulations, and firm policy? [ISA | 1639.10700]

We prepare audit documentation to demonstrate that the engagement complied with the auditing standards, the relevant legal and regulatory requirements, and firm policy by completing the relevant work screens in the KPMG Clara workflow attaching supporting documents, memos, etc. and performing the following activities:

- [Demonstrate work performed and maintain client confidentiality](#);
- [Document planning, performance, and conclusion](#);
- [Document significant findings or issues](#);
- [Read documents in the permanent file and review prior documents annually](#);
- [Obtain, review and retain documentation of work performed by other auditors](#); and
- [Complete all necessary procedures prior to the report date](#).

What do we do if we depart from the auditing standards? [ISA | 1639.10705]

If, in rare circumstances, we determine that it is appropriate to depart from the auditing standards, we document how the alternative procedures we performed achieved the aim of the standards and the reasons for the departure.

How do we prepare audit documentation in a timely manner? [ISA | 1639.10706]

We prepare audit documentation throughout the audit and assemble the final complete set of documentation upon completion of the audit

What required and other work papers do we complete? [ISA | 1639.10707]

We complete relevant work papers included in the "[KAEG Work Papers and Guidance](https://alex.kpmg.com/AROWeb/bridge/25081/27887?d=INTL,US) <https://alex.kpmg.com/AROWeb/bridge/25081/27887?d=INTL,US>" page that are applicable to the KPMG Clara workflow we have selected and relevant to the nature of the engagement and the entity. We attach the completed work papers to the KPMG Clara workflow.

## 1.1 Demonstrate work performed and maintain client confidentiality [ISA | 1640]

### What do we do?

Prepare audit documentation that demonstrates work performed and maintains confidentiality of client information.

## Why do we do this?

Audit documentation serves as the record of our procedures performed and results obtained, conclusions reached and review performed. The manner in which we prepare our documentation contributes to complying with auditing standards, legal and regulatory requirements, and other relevant firm policies, including maintaining client confidentiality.

## Execute the Audit

### How do we demonstrate work performed? [ISA | 1640.1300]

We demonstrate work performed by performing the following activities:

- [Prepare audit documentation in sufficient detail](#);
- [Identify certain items in the audit documentation](#);
- [Document when and by whom the work was performed and reviewed](#); and
- Document use of D&A routines, if applicable.

These activities are also applicable to everyone that participates in the audit, including the work of specialists and specific team members.

### Who prepares the audit documentation? [ISA | 1640.1600]

Audit documentation is the property of the auditor. We may make copies of the audit documentation available to the entity at our discretion, provided such disclosure does not undermine the effectiveness and integrity of the audit process.

### How do we maintain the confidentiality of client information? [ISA | 1640.1700]

We adopt reasonable procedures to maintain the confidentiality of client information, including taking precautions when handling confidential client information. For example, utilizing encryption or other mechanisms to securely transfer confidential data.

## 1.1.1 Prepare audit documentation in sufficient detail [ISA | 1641]

## What do we do?

Prepare audit documentation in sufficient detail, determining its form, context and extent.

## Why do we do this?

It may be difficult to demonstrate to others that we performed the audit appropriately, if we do not document its performance in sufficient detail.

## Execute the Audit

### Why do we prepare audit documentation in sufficient detail? [ISA | 1641.1400]

We prepare audit documentation in sufficient detail to enable an experienced auditor, having no previous connection with the audit, to understand:

- The nature, timing and extent of the audit procedures performed to comply with relevant auditing standards and applicable laws and regulations and firm policies;
- The results of audit procedures performed and the evidence obtained and conclusions reached; and
- The purpose and source of the documentation.

#### What do we mean by 'purpose and source' of the documentation? [ISA | 1641.10561]

Purpose refers to the reason for the performance of the procedures performed, in relation to the RMM or relevant financial statement assertion. Source refers to how the documentation was obtained.

#### Can we use audit documentation which has been prepared for the purpose of another report or engagement? [ISA | 1641.1500]

When working with multiple engagements within the KPMG Clara workflow, engagement teams may encounter situations where the same audit documentation is used to support multiple audit opinions. Although it is a leading practice to include all the audit documentation required to support the audit opinion within the individual engagement file that supports that opinion, engagement teams can continue to follow current laws, regulations and/or member firm policies and common practices regarding cross-referencing between engagement files. This includes making the decision as to whether to cross refer between individual engagement files or copy and repurpose the audit documentation.

For example, if we perform audit procedures in relation to a transaction that occurred during the first quarter of the year and we perform such procedures in conjunction with our quarterly review, we carry forward those procedures and the audit documentation prepared into the audit file supporting the annual financial statement auditor's report. We do not refer to the audit documentation contained within the interim review file.

#### What do we mean by "form", "content", and "extent"? [ISA | 1641.10562]

Form refers to the medium by which we document, including reference to client prepared schedules or contracts and agreements- e.g. whether we document the procedures performed and conclusions reached within an activity screen in the KPMG Clara workflow, or within a memo summarizing the procedures and results attached to an activity screen, or possibly a spreadsheet detailing the procedures performed and results obtained.

Content refers to the objectives covered by the audit documentation - e.g. the content of our documentation will depend on the nature of the procedures performed. If we perform a test of details, the content of our audit documentation may include the details of the procedure, the samples for which we performed such procedure, and the results of the procedures for each sample and for the test as a whole.

Extent refers to the amount of documentation - e.g. for procedures performed in response to a significant risk, our documentation may be more robust and the extent of our documentation may be higher.

#### How do we determine the content of our audit documentation? [ISA | 1641.10563]

The content of the audit documentation depends on the procedures performed. The audit documentation as a whole will include a combination of workpapers prepared by the engagement team and completion of the activities within the KPMG Clara workflow to evidence the procedures performed and the results we have obtained.

[How do we prepare workpapers?](#) [ISA | 1641.10680]

When preparing workpapers to include in our audit documentation we:

- Evidence the purpose of the workpaper by documenting the relevant assertions or RMMs we are performing the procedure in response to; and
- Document the details of the procedures performed, results obtained and conclusions reached; and

When preparing workpapers, our documentation may also include:

- Details of the samples selected for testing and the items inspected;
- The accounting literature or guidance considered and the conclusions reached based upon such guidance; and/or
- A reference to any schedules/analyses/contracts prepared by management which we utilized in the performance of the procedures.

[How do we determine the form, content, and extent of our audit documentation?](#) [ISA | 1641.1700]

The following table illustrates the factors we think about when determining the form, content and extent of audit documentation:

Factor	Impact on Audit Documentation	Examples
Nature of the audit procedures to be performed	As the complexity of the procedures increase, the extent of audit documentation is expected to also increase.	For example, if we perform a substantive analytical procedure with multiple dependent inputs, we expect the extent and content of the documentation to be greater than for a test of details with only a few attributes.
Size and complexity of the entity	The content and extent of audit documentation may be impacted by the size and complexity of the entity. We might expect that audit documentation for larger, more complex entities may be greater than that of the audit documentation for smaller, less complex	For example, the following are matters that may be documented together in the audit of a smaller, less complex entities: <ul style="list-style-type: none"> <li>• our understanding of the entity and its internal control;</li> <li>• the overall audit strategy and audit plan;</li> </ul>

	<p>entities, given the volume of the transactions and greater complexity of procedures performed for a larger, complex entity.</p> <p>When auditing a smaller, less complex entity, we may also find it helpful and efficient to record various aspects of the audit together in a single place, with cross-references to supporting working papers as appropriate.</p>	<ul style="list-style-type: none"> <li>• materiality;</li> <li>• identified risks of misstatement (RMs) and risks of material misstatements (RMMs),</li> <li>• significant findings or issues noted during the audit; and</li> <li>• conclusions reached.</li> </ul>
Identified risks of material misstatement	The extent of audit documentation will depend on the identified risks of material misstatement.	For example, we may expect that the extent of the audit documentation of procedures in response to the RMM that's elevated may be greater than that of the audit documentation in response to the RMM that isn't. As the complexity of the procedures increases, we expect the extent of audit documentation to increase.
Audit methodology and tools used	The audit methodology or tools used will impact the form of audit documentation. If a KPMG sampling technique is used to perform a test of details, the output of the KPMG sampling technique is included in the audit documentation.	
Extent of professional judgment applied in performing the work and evaluating the results	We expect the extent of audit documentation to increase as the extent of professional judgment applied increases. This is because we clearly evidence and document the professional judgment	



	exercised, and how our judgments impacted the conclusion reached, in addition to documenting the ultimate conclusion itself.	
Significance of the audit evidence obtained	Typically when we identify more significant audit evidence, the extent of audit documentation will be greater.	For example, audit documentation supporting a fraud risk may be more extensive and robust than audit documentation representing one of many pieces of evidence for an RMM assessed as Base.
Explicitly document a conclusion, or the basis for a conclusion, which is not readily determinable solely by documenting the work performed or audit evidence obtained	<p>When we explicitly document a conclusion which is not readily determinable solely by documenting the work performed or evidence obtained, the extent of audit documentation will increase in order to explicitly evidence the thought process and conclusion.</p> <p>The form of the audit documentation may also be impacted in that we may add additional memorandums or analyses in addition to the evidence obtained so it is clear how we reached our conclusion.</p>	For example, if management prepared a memo documenting their accounting conclusions and the source of the guidance used is unclear, we may explicitly document this in our workpapers.
Impact of multi-year arrangements and transactions that can affect more than one period	<p>Multi-year agreements or transactions can impact the form of the audit documentation in both the current and future years.</p> <p>Given this, our audit documentation may go beyond information about the current year audit and</p>	For example, the entity may enter into an agreement for a 5 year loan or enter into an agreement to lease a building for 10 years. These agreements will likely impact more than the period when the contract is entered into because the agreements last for more than one period.

	conclusions so that the impact in future periods is clear.	The agreement or contract may be subject to audit work in the future periods to which the contract or agreement relates to and will likely be utilized in the audits performed in subsequent periods.
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#### Why do we document the extent of professional judgment exercised? [ISA | 1641.10681]

Without documenting what we thought about and considered in reaching our conclusions, we may not be able to demonstrate that we exercised professional judgment appropriately. Documentation of the extent of our professional judgments exercised serves to explain our conclusions and to reinforce the quality of the judgment. This is especially relevant with respect to judgments made for significant matters in the audit or for items where our judgments may relate to items with impacts in future periods.

The following are circumstances in which it may be appropriate to prepare audit documentation relating to the exercise of professional judgment:

- Documenting the rationale for our conclusion when we consider certain information or factors, and that consideration is significant in the context of the particular engagement (for example, when considering disconfirming evidence related to the conclusion reached).
- Documenting the basis for our conclusion on the reasonableness of areas of subjective judgments (for example, the reasonableness of significant accounting estimates).
- Documenting the basis for our conclusions about the authenticity of a document when conditions identified during the audit that caused us to believe that the document may not be authentic.
- Documenting our considerations around potential disconfirming evidence.

#### Are there certain matters that are not documented? [ISA | 1641.1800]

We may not document every matter considered, or professional judgment made, in an audit.

Further, we may not document separately (e.g. in a checklist) compliance with matters for which compliance is demonstrated by documents included within the audit file.

For example:

- The existence of an adequately documented audit plan demonstrates that we have planned the audit.
- The existence of a signed engagement letter demonstrates that we have agreed to the terms of the audit engagement with management or, when appropriate, those charged with governance.
- The auditor's report containing an appropriately qualified opinion on the financial statements demonstrates that we have complied with the relevant circumstances in accordance with the applicable auditing standards.

There may be a number of ways in which we can demonstrate documentation throughout the audit.

For example, there may be no single way in which we document our professional skepticism. We may demonstrate our professional scepticism by documenting specific procedures performed to corroborate management's responses to our inquiries or to consider the impact of disconfirming evidence obtained.

We do not include in the audit documentation superseded drafts of working papers and financial statements, notes that reflect incomplete or preliminary thinking, previous copies of documents corrected for typographical or other errors, and duplicates of documents.

#### Do we retain meeting recordings in our audit documentation? [ISA | 1641.159379]

No. If we elect to record a meeting (e.g. a walkthrough), the recording is not included within our audit documentation nor is it kept beyond the time period for which it is needed in accordance with the firm's retention and/or preservation guidelines, as applicable. Once the transcription work is complete and appropriately reviewed, all copies of the recording are deleted.

#### What do we think about when documenting the use of a D&A routine in the audit file? [ISA | 1641.1810]

When documenting the use of a D&A routine in the audit file, we think about include including:

- the purpose and design (the objective and how this the objective is achieved - e.g. how the routine works, the data needs, input parameters, calculation/underlying logic, and expected output) of the D&A routine, including the RMM(s) covered, when applicable;
- whether the D&A routine is on the KPMG member firm SAT List; when we use SATs that are not included in our member firm SAT List and/or end-user routines, any specific considerations regarding the knowledge, skill, and experience of the team members, including employed KPMG specialists or other specific team members who developed the D&A routine and the need for and extent of testing of such routine, including evidence of any procedures performed and conclusions thereon, as applicable;
- procedures performed over the reliability of data used in the D&A routine;
- evaluation of output/results obtained from the D&A routine, including evaluation of outliers and portions of the population that may remain untested and additional procedures performed, as applicable; and
- conclusions reached.

#### What are end-user routines? [ISA | 1641.12628]

End-user routines are spreadsheets, databases, or automated techniques that we use in our audit to examine, sort, filter or analyze transactions or other data used as audit evidence or which generate results that supplement our judgment, which are either:

- developed by the engagement team (including specific team members and employed KPMG specialists) or by others at the direction of the engagement team using routine-enabling applications; or
- ready-to-use routines that have been customized by the engagement team to meet the specific circumstances of an audit engagement.

Examples of end-user routines include engagement specific Excel<sup>®</sup> macros or IDEA<sup>®</sup> or Alteryx<sup>®</sup> scripts. In applying this definition, automated techniques refers to the automation of all or a portion of an audit technique or procedure. For example, automating the match of subsequent cash receipts on an entity's bank statement to accounts receivable open at year-end using the remittance form and a relevant data element like invoice number.

[Are there specific considerations when documenting how we access and navigate through the information processed by a D&A routine?](#) [ISA | 1641.10684]

D&A routines often provide the ability to access and navigate through the information processed (e.g. accessing/sorting/filtering data, expanding or collapsing the level of detail of the data, changing the type of visualization of the data, etc.), through the routine's user interface.

For example, we may use a D&A routine to re-arrange the population of inventory items by creating strata ("bands") based on ranges of values and accumulating the records from the data into the appropriate bands. The main output file provided by the D&A routine may display an overview of the stratification with summarized totals for each band. However, we may sort the band based on different criteria or by drilling down through a particular band amount, to the detailed composition of the band - i.e. a list of the individual items that are included in the band.

The extent to which we document our access and navigation through such information is a matter of professional judgment; for the factors we think about - see question '[How do we determine the form, content, and extent of audit documentation?](#)'.

For example, as part of the procedures performed to address RMs relating to the entity's inventory cost we use a D&A routine to stratify the inventory by establishing the following bands:

	Total Value
(band 1) inventory items with unit cost between 0 and 9 m.u.	500 m.u.
(band 2) inventory items with unit cost between 10 and 20 m.u.	20,000 m.u.
(band 3) inventory items with unit cost higher than 20 m.u.	5,000 m.u.

Based on our knowledge of the entity's business, (band 1) and (band 2) costs are considered as "normal", while unit costs in (band 3) are unusual.

The D&A routine has stratified the inventory items in three different bands (sub-populations) but has not "tested" them. Based on the results of the stratification, we perform the following steps: (a) drill down through (band 3) to obtain a detailed list of inventory items in that band and (b) plan further

audit procedures on such items. In this case, in understanding the procedures performed and the conclusions reached, it may be relevant to document steps (a) and (b).

If we also drilled down through (band 1) and (band 2) and scanned certain items in those bands, it may not be relevant to document the details of that analysis unless it revealed any unusual significant findings that modified the conclusions reached. We use professional judgment to determine whether it is appropriate to document this as a procedure that has been performed.

#### What does "in sufficient detail" mean? [ISA | 1641.10698]

In sufficient detail means the amount of information we document in order to evidence the work performed and the conclusions reached.

The following table indicates the factors we think about regarding whether documentation is in sufficient detail:

Factor	What we think about
Complete	Documentation is complete when it is sufficient for a reviewer to understand the basis for the conclusions we reach, without further discussion. All of the appropriate documentation, including evidence of review and compliance with auditing standards, is included in the final audit file. To determine whether we have prepared complete documentation, we might remind ourselves that if something is not documented, it didn't happen.
Lean	We prepare documentation that is lean by including only what is appropriate and relevant to demonstrate how we reached our audit conclusions. When preparing documentation we avoid "just in case" documentation - i.e. a whole document provided by the client rather than the specific extracts that are relevant to the work performed. Excessive audit documentation can make it hard for reviewers to identify the significant information in the file that could affect our conclusions. To determine whether our documentation is lean we might critically assess whether rolled forward documents and the contents of prior year work papers are still relevant to the current period audit. We think about whether we have included client prepared information that we didn't use or evaluate when reaching our conclusions.
Easy to use	Documentation which is easy to use is concise, logical, and clearly organized to enable a more effective review. We might think about the questions a reviewer may ask, and then prepare our audit documentation in a manner that will help reviewers find those answers more easily.

## 1.1.2 Identify certain items in the audit documentation [ISA | 1642]

## What do we do?

Document the items inspected, including identifying characteristics of the items tested.

## Why do we do this?

We document the items inspected and identify characteristics of items tested to enable supervision and review of the work performed by providing evidence of procedures performed.

## Execute the Audit

What are "identifying characteristics"? [ISA | 1642.10425]

An identifying characteristic is the information relevant to request or find the specific item that we tested. Identifying characteristics will vary with the nature of the audit procedure and the item or matter tested.

For example:

- For a detailed test of entity-generated purchase orders, we may identify the documents selected for testing by their dates and unique purchase order numbers.
- For a procedure where we inspect all items over a specific amount from a given population, we may record the scope of the procedure and identify the population (for example, all journal entries over a specified amount from the journal register for the period being audited).
- For a procedure where we select a sample from a population of documents, we may identify the documents selected by recording their source, the starting point, and the sampling interval (for example, a sample of shipping reports selected from the shipping log for the period from April 1 to September 30, starting with report number 12345 and selecting every 125th report).
- For a procedure where we inquire of specific entity personnel, we may record the inquiries made, the dates of the inquiries, and the names and job designations of the entity personnel.
- For an observation procedure, we may record the process or matter being observed, the relevant individuals, their respective responsibilities, and where and when the observation was carried out.

## Examples

What are identifying characteristics? [ISA | 1642.1600]

### Fact Pattern 1

The engagement team is in the process of performing various audit procedures over revenue and accounts receivable (AR), including external AR confirmations to a selection of customers, confirming the AR balance as of 31 December ("Confirmation procedures")

### Analysis 1

Upon completing the AR confirmation procedures, in order to appropriately evidence the identifying characteristics of the procedures performed, the engagement team included the following audit documentation within the file:

- The name of customer selected for confirmation
- The customer's AR balance as of 31 December
- The date the confirmation was sent
- The medium in which the confirmation was sent - e.g. paper form by mail, or electronic by e-mail
- Whether a confirmation response was received and if so:
  - The amount of the balance confirmed
  - Whether the amount confirmed agrees with the confirmation request
- The details of the alternative procedure performed for each non-response, including:
  - The supporting documentation obtained to validate the balance
  - Whether the supporting documentation agrees to the balance selected for confirmation
- For any confirmation responses or alternative procedures performed where a difference was identified between the balance selected for confirmation and the supporting documentation, the amount of the difference identified

**Fact Pattern 2**

The engagement team is in the process of performing various audit procedures over revenue and accounts receivable, including inspecting supporting documents related to certain sales transactions to determine that they are recorded in the correct period ("Sales cut-off procedures")

**Analysis 2**

For each of the items selected, the engagement team may document all the identifying information for the documents inspected, including:

- The name of customer
- The invoice number and invoice date
- Amount of the transaction
- Period that the revenue was recorded in

## 1.1.3 Document when and by whom the work was performed and reviewed [ISA | 1643]

### What do we do?

Document who performed the work, the date the work was completed, who reviewed the work, and the date of review.

### Why do we do this?

The engagement partner determines their satisfaction with the sufficiency and appropriateness of audit evidence through review of the audit documentation and discussion with the engagement team. Identification of who prepared the work and when allows follow up with the individual when the documentation is reviewed. Identification also enables an experienced auditor to understand that the work was in fact performed and reviewed.

## Execute the Audit

### How do we document who performed the work and when? [ISA | 1643.1400]

The KPMG Clara workflow enables us to document both the preparer of the work through electronic sign offs, and the date on which a workpaper/screen was prepared as this is electronically time stamped. Further, we might evidence the preparer of the work and the date it was prepared through documenting such information within workpapers that are either embedded or attached within the KPMG Clara workflow.

### How do we document who reviewed the work and when? [ISA | 1643.1500]

The KPMG Clara workflow enables us to document the reviewer of the work through the electronic sign offs (and review notes if applicable) on each relevant workpaper/screen within the tool, and the date on which a workpaper/screen was reviewed.

## Examples

### When do we evidence the completion of audit documentation preparation which has been modified throughout the audit? [ISA | 1643.1600]

#### **Fact pattern**

The engagement team is preparing audit documentation related to one of the key controls within the revenue process. The relevant workpaper was modified by the preparer significantly based on the manager's review. The modification was made after the date the preparer of the documentation had indicated that he prepared it.

#### **Analysis**

The preparer of the audit documentation uses his judgment to determine the date the audit work was completed. In this case, the preparer documents an additional date of preparation when he completes the modifications of the documentation.

### How do we appropriately evidence the completion of audit documentation preparation which is prepared outside of the KPMG Clara workflow and later attached? [ISA | 1643.1700]

#### **Fact pattern**

A member of the engagement team has compiled a detailed reassessment of risk memorandum outside of the KPMG Clara workflow and has been preparing this memo throughout the performance of audit procedures. The memo was ultimately reviewed by the lead engagement partner, as well as a partner within Risk Management. The memo was then attached into the KPMG Clara workflow once finalized.

#### **Analysis**

The preparer of the memo indicates the date of initial preparation by manually signing or initialling and dating the memorandum, or through digital signature on the memorandum. Once the memorandum is final and attached to the KPMG Clara workflow, the preparer electronically signs off on the memorandum and the date tracked within the KPMG Clara workflow represents the final preparation completion date. The same process is taken in relation to the review of the memorandum.

### What do we do if the preparer of audit documentation leaves the firm prior to indicating he/she prepared the documentation? [ISA | 1643.1800]



**Fact pattern**

The engagement team is preparing the final audit documentation near the conclusion of the audit. The team identifies testwork which was performed by a member of the engagement who has since exited the firm, but was never marked as prepared by such individual.

**Analysis**

Another member of the engagement team with the appropriate level of experience will take responsibility for the work performed by reviewing, modifying as appropriate, and documenting the date the audit documentation was completed. The name of the individual who exited the firm and had performed the testwork may be included on the audit documentation.

[How do we evidence the preparer of audit documentation when multiple team members are involved in the preparation of the documentation?](#) [ISA | 1643.1900]

**Fact pattern**

The engagement team is preparing the final audit documentation near the conclusion of the audit. The team is preparing documentation over testwork which was performed by multiple team members at the senior associate and associate level.

**Analysis**

The member of the engagement team who prepared the majority of the documentation, or performed the majority of the work, takes responsibility for the documentation. An engagement team member may include the names of the individuals who were also involved in the performance of the work and who were also involved in the preparation of the audit documentation and note such information in the documentation prepared.

## 1.2 Document planning, performance, and conclusion [ISA | 1644]

### What do we do?

Document planning and risk assessment activities, performance of procedures and conclusions reached

### Why do we do this?

In order to sufficiently evidence key matters throughout the audit, we document planning and risk assessment activities, the performance of procedures and the conclusions we reach. These items help us evidence our conclusions over each of the relevant financial statement assertions.

## Execute the Audit

[How do we document planning and risk assessment activities, performance of procedures and conclusions reached?](#) [ISA | 1644.1300]

We document planning and risk assessment activities, performance of procedures and conclusions reached by performing the following activities.

- [Document planning and risk assessment activities](#);

- [Document audit procedures performed and conclusions reached](#); and
- [Document our resolution of information that is inconsistent with our conclusions](#).

## 1.2.1 Connect procedures performed with conclusions reached for the relevant assertions [ISA | 1647]

### What do we do?

Prepare audit documentation to connect the procedures we perform over the risks of material misstatement with the conclusions reached for the relevant financial statement assertions.

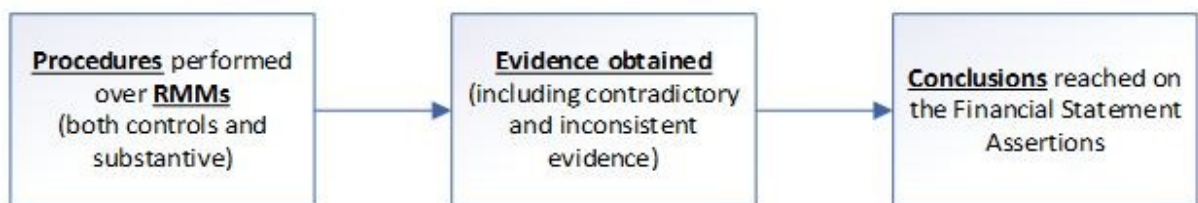
### Why do we do this?

Our audit documentation connects the procedures performed and evidence obtained for each risk of material misstatement to the conclusions reached for the related relevant assertions. Doing this helps us more clearly demonstrate the basis for our conclusions and ultimately our audit opinion.

## Execute the Audit

[How do we prepare audit documentation to connect our procedures with the conclusions reached for the relevant assertions?](#) [ISA | 1647.1300]

The following diagram illustrates how we prepare audit documentation to clearly connect the procedures performed and evidence obtained at the RMM level with the conclusions reached at the relevant assertion level:



We perform procedures to address each RMM related to a particular assertion, which helps us to conclude whether the relevant assertion has been addressed overall. By documenting our procedures performed and evidence obtained for the RMMs identified, our documentation will clearly reflect our work and conclusions reached for each relevant assertion to which the RMMs relate.

## 1.2.2 Document how we addressed information that is inconsistent with conclusions on significant matters [ISA | 1650]

## What do we do?

IF we identify information that is inconsistent with or contradicts our final conclusions regarding a significant finding or issue, THEN document how we addressed the matter.

## Why do we do this?

In addition to the documentation necessary to support our final conclusions, our audit documentation also includes:

- information relating to significant findings or issues that is inconsistent with or contradicts our final conclusions; and
- how we addressed the matter.

We do so because it:

- helps us to demonstrate effectively how we addressed the matter during the audit and how we properly considered all information identified in relation to the conclusions we have reached; and
- demonstrates we have exercised professional scepticism.

## Execute the Audit

[Do we retain information that is inconsistent with or contradicts our final conclusions for all matters?](#) [ISA | 1650.1300]

No. We retain information that is inconsistent with or contradicts our final conclusions regarding a significant finding or issue. However, it is not necessary to retain documentation when the inconsistencies or contradictions were the result of incomplete or inaccurate information, unless required otherwise.

[What do we include in our audit documentation about how we addressed the matter?](#) [ISA | 1650.1400]

Relevant documentation about how we addressed the matter includes, but is not limited to:

- procedures performed in response to the information; as well as
- documentation of consultations on, or resolution of, differences in professional judgment among members of the engagement team or between the engagement team and others consulted.

[What are examples of information that is inconsistent with or contradicts our final conclusions?](#) [ISA | 1650.1500]

Examples of information that is inconsistent with or contradicts our final conclusions may relate to disconfirming evidence (i.e. evidence that contradicts an assertion) and ultimately is outweighed by confirming evidence, or disagreements among members of the engagement team or others. Specific examples could include:

- the entity using a different revenue growth rate in its forecast for operational planning purposes compared to the revenue growth rate in the forecast used in an impairment analysis
- Inconsistent explanations received from different members of the entity's management regarding the expected outcome of a dispute with a significant customer

## 1.3 Document significant findings or issues [ISA | 1652]

## What do we do?

Document significant findings or issues, actions taken to address them, and the basis for conclusions reached, including significant judgments made in reaching those conclusions, in the completion screens within the KPMG Clara workflow.

## Why do we do this?

Preparing a summary of the significant findings or issues, actions taken to address them and the basis for the conclusions reached:

- facilitates our consideration of the significant matters;
- serves to better explain our conclusions and to reinforce the quality of our judgments; and
- facilitates effective and efficient reviews and inspections of the audit documentation, particularly for large and complex audits.

This information can be of particular interest to those responsible for reviewing audit documentation and team members carrying out subsequent audits when reviewing matters of continuing significance.

## Execute the Audit

### What are significant findings or issues? [ISA | 1652.1300]

Significant findings or issues are substantial matters that are important to the procedures performed, evidence obtained or conclusions reached. They are also referred to as 'significant matters'.

Significant findings or issues include, but are not limited to, the following:

- significant matters involving the selection, application, and consistency of accounting principles, including related disclosures;
- results of auditing procedures that indicate a need for significant modification of planned auditing procedures, the existence of material misstatements (including omissions in the financial statements), and the existence of significant deficiencies in internal control over financial reporting;
- accumulated misstatements and evaluation of uncorrected misstatements, including the quantitative and qualitative factors we considered to be relevant to the evaluation;
- disagreements among members of the engagement team or with others consulted during the engagement about final conclusions reached on significant accounting or auditing matters, including the basis for the final resolution of those disagreements. If an engagement team member disagrees with the final conclusions reached, he or she documents that disagreement.
- circumstances that cause significant difficulty in applying auditing procedures;
- significant changes in our risk assessments, including risks that were not identified previously, and the modifications to audit procedures or additional audit procedures performed in response to those changes;
- significant risks and the results of the auditing procedures performed in response to those risks; and
- any matters that could result in modification of the auditor's report.

### Are accounting estimates considered a significant finding or issue? [ISA | 1652.6012]

Accounting estimates are frequently identified as significant findings or issues due to the complex nature and amount of subjectivity involved.

#### How do we determine whether a finding or issue is significant? [ISA | 1652.1500]

We determine whether a finding or issue is significant by performing an objective analysis of the facts and circumstances.

#### Where do we document significant findings or issues? [ISA | 1652.1600]

We document summarized information about the significant findings or issues in the completion screens within the KPMG Clara workflow.

#### What do we document for each significant finding or issue? [ISA | 1652.6014]

We document enough information about each significant finding or issue so a reviewer can clearly understand:

- the significant finding or issue;
- the procedures performed to address the matter and the evidence obtained; and
- the basis for conclusions reached, including significant professional judgments made in reaching those conclusions.

As an alternative, we may provide a cross reference to where the audit documentation over the significant findings or issues exists.

An important factor in determining the form and extent of audit documentation of significant findings or issues is the extent of professional judgment exercised in performing the work and evaluating the results.

#### Do we include significant findings or issues identified in interim reviews in the summary of significant findings or issues in the audit? [ISA | 1652.6015]

Yes. When significant findings or issues identified in an interim review have continuing relevance for the audit, we include those findings or issues in the summary of significant findings or issues in the audit, updated as appropriate.

#### How do we document significant findings or issues identified by a specialist and/or specific team member? [ISA | 1652.6017]

We, along with the assistance of the specialist and/or specific team member, document the details of such findings in the KPMG Clara workflow. If we discuss with the specialist and/or specific team member the implications of an identified or potential control deficiency, we document our discussion and tag such items as a significant finding or issue within the KPMG Clara workflow.

## 1.4 Document discussions of significant findings or issues [ISA | 7722]

### What do we do?

Document discussions of significant findings or issues with management, those charged with governance and others, including the nature of the significant matters discussed and when and with whom the discussions took place.

## Why do we do this?

We document the discussions we have with management and those charged with governance about significant findings and issues from the audit because:

- these discussions and related documentation represent an aspect of how we addressed the matter; and
- it helps demonstrate effective two-way communications with management and those charged with governance.

## Execute the Audit

[What do we document in relation to our discussions of significant findings or issues with management, those charged with governance and others?](#) [ISA | 7722.6033]

We document the nature of the significant matters discussed and when and with whom the discussions took place.

[Who else might we discuss significant findings or issues with?](#) [ISA | 7722.6034]

In addition to management and those charged with governance, we may discuss significant findings or issues with:

- other personnel within the entity - for example, internal audit; and
- external parties - for example, persons providing professional advice to the entity.

[How do we document our discussions related to significant findings or issues?](#) [ISA | 7722.6035]

Our overall documentation of these discussions is not limited to documentation prepared by us but may include other appropriate documents such as minutes of meetings prepared by the entity's personnel that we consider an appropriate summary of the meeting.

## 1.5 Read documents in the permanent file [ISA | 1658]

### What do we do?

Read documents that are first included in a permanent file in their entirety AND examine the permanent file documentation in each subsequent audit to the extent necessary to determine whether it remains relevant.

### Why do we do this?

When we collect documents that will be applicable to multiple audit periods, like multi-year contracts or agreements, we consider whether to retain the documents in a permanent file for use in future audits.

When we include documents in a permanent file, we read the documents in their entirety to:

- determine whether the documents are appropriate and applicable to our audit in order to avoid including unnecessary documentation in the audit file.

- determine and conclude that we have considered all necessary aspects of the documents in our audit procedures performed.

When permanent files are carried forward to future audit periods, examining such documentation in each subsequent audit helps us to determine whether the documents remain relevant in the subsequent audit.

## Execute the Audit

### What is a permanent file? [ISA | 1658.1300]

A permanent file is considered part of the audit documentation. It contains documents with relevance to multiple audit periods, which we can access and cross-reference in both interim review and audit documentation. In some cases, we may choose to include a brief summary of certain documents in the permanent file, rather than the entire document - for example, longer documents where only certain sections are applicable to the audit.

Permanent files are not used as a document library. If we do not refer to the permanent file documents in our interim review and/or audit documentation, inclusion in the permanent file is likely unnecessary.

### What information might we chose to include in the permanent file? [ISA | 1658.1400]

Examples of documents that we may include in the permanent file are:

- loan agreements for a loan that extends over multiple audit periods;
- lease agreements for a lease that extends over multiple audit periods;
- significant contracts related to entities acquired or disposed of;
- legal structure and articles of association;
- customer agreements;
- supplier agreements;
- equity agreements;
- investment agreements;
- related party agreements;
- employee benefit plan agreements; and
- tax documents.

### Do we include copies of the entity's 'manuals' in the permanent file? [ISA | 1658.1500]

It is usually unnecessary to include the entity's manuals - for example, accounting policy manuals and human resource manuals - in the permanent file because these documents are frequently updated.

### Is a permanent file mandatory in an audit engagement? [ISA | 1658.6018]

No. Permanent files are optional. Including the documents or a summary of relevant documents in our current year audit documentation may be more effective than maintaining a permanent file.

### What do we do when we include documents in a permanent file? [ISA | 1658.6019]

What do we do when we include documents in a permanent file?

<b>When we first include the documents in the permanent file</b>	We read the documents in their entirety.
<b>In each subsequent audit</b>	<p>We examine the documents to establish the relevance of those documents to the current period audit.</p> <p>If the documents are no longer relevant to the audit, we remove them from the permanent file in a way that is consistent with the firm's documentation retention requirements.</p>

[How do we document that we read/examined the documents in the permanent file?](#) [ISA | 1658.6020]

We document that we read/examined the documents in the permanent file by signing off as preparer or reviewer. Alternatively, we may include a memo in our current year audit documentation documenting that we read/examined the documents in the permanent file.

## 1.6 Obtain, review and retain documentation of work performed by component auditors [ISA | 1591]

### What do we do?

Obtain, review and retain certain documentation related to the work performed by component auditors relevant to our conclusion with regard to the group audit.

### Why do we do this?

Since all of the component auditors' work performed is not included in the group auditor's audit files, we obtain, review and retain communications from component auditors that provide evidence of the work performed, relevant to our conclusion with regard to the group audit and to support the group audit opinion.

## Execute the Audit

[What documentation do we obtain, review and retain from component auditors relevant to our conclusion with regard to the group audit?](#) [ISA | 1591.1300]

As the group engagement team, we obtain, review and retain the following documentation requested from component auditors relevant to our conclusion with regard to the group audit:

Area	Matters requested / Documentation obtained
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<b>Overall findings or conclusions</b>	<p>When performing audit work related to the component</p> <ul style="list-style-type: none"> <li>• as part of the Clearance Memorandum, certain confirmations related to the work requested to be performed, including a confirmation that the component auditor has complied with our Group Audit Instructions and performed the work requested by us.</li> <li>• additionally, if local laws or regulations require the group auditor to receive a component auditor's report, we request and obtain such report.</li> </ul>
	<p>When performing audit procedures designed by the group auditor.</p> <p>A description in the Clearance Memorandum of the procedures performed and the results of those procedures.</p>
	<p>When using the component's statutory audit for the group audit</p> <p>A copy of the statutory financial statements together with the auditor's report.</p> <p>We may request the component auditor to perform audit procedures on the reconciliation between the statutory financial statements and the group reporting package submitted to group management for consolidation purposes</p>
<b>Significant matters, and other matters relevant to our conclusion with regard to the group audit</b>	<p>A Clearance Memorandum, which includes matters from the component's engagement completion screens and activities and other matters relevant to our conclusion with regard to the group audit.</p> <p>See question "<a href="#">What does the Clearance Memorandum include?</a>" for information about the content of the Clearance Memorandum.</p>
<b>Identification and reconciliation of the financial information of the component</b>	<p>Sufficient information to enable us to agree or reconcile the financial statement amounts audited by the component auditor to the information underlying the consolidated financial statements.</p> <p>This is achieved by obtaining a copy of the component's financial information (e.g. reports and supporting schedules included in the Group Reporting Package) that was subject to the work performed by the component auditor for purposes of the group audit.</p> <p>We may request the component auditor to perform audit procedures designed by us on the group reporting package. See question "<a href="#">What group auditor designed procedures may we request the</a></p>

	<a href="#">component auditor to perform on the component's group reporting package?</a> " for further guidance.
<b>Audit misstatements</b>	A schedule of accumulated misstatements above the Audit Misstatement Reporting Threshold (AMRT), including both corrected and uncorrected misstatements. The schedule also includes a description of the nature and cause of each accumulated misstatement, and an evaluation of uncorrected misstatements, including the quantitative and qualitative factors the auditor considered to be relevant to the evaluation.
<b>Deficiencies in internal control</b>	<p>A listing of all deficiencies in internal control.</p> <p>We, as the group auditor, conclude as to the severity of each deficiency in internal control. However, if the component auditor evaluated the severity of deficiencies in connection with its audit work related to the component, the component auditor communicates the severity of the deficiencies to us.</p>
<b>Final ethics and independence confirmation</b>	<p>A written confirmation that the component engagement team has complied, for the period covered by the group audit and through the date of the confirmation, with the ethical and independence requirements relevant to the group audit, as described in the group audit instructions.</p> <p>Refer to the activity '<a href="#">Request the component auditors to communicate matters relevant to ethics and independence</a>' for further information.</p>
<b>Completion and document retention</b>	<p>Confirmation that all necessary procedures have been completed, support for all conclusions has been obtained, the audit documentation has been prepared and reviewed, and all review notes have been cleared by the date of the group auditor's report. Refer to activities '<a href="#">Complete all necessary procedures prior to the date of the auditor's report</a>' and '<a href="#">Assembly of the Final Audit File</a>' for additional information regarding review notes.</p>
	Representation that the component auditor(s) will maintain separate audit documentation for the work performed to support the audit instructions issued by us
	A confirmation that the KPMG component auditor will close the audit file for the documentation related to the work performed for purposes of the group audit within:

	<ul style="list-style-type: none"> <li>7 calendar days of the date of the group auditor's report for all listed entities, all banks and all insurance companies (i.e. including non-listed banks and insurance companies); or</li> </ul> <p>14 calendar days of the date of the group auditor's report for all other entities.</p>
	<ul style="list-style-type: none"> <li>Confirmation that the audit documentation of the component auditor related to the work we performed as part of the group audit will be assembled by the audit file assembly date communicated by us</li> </ul>
	Confirmation that the KPMG component auditor will complete and provide the Documentation Assembly and Modification Working Paper-International or a memorandum that includes the relevant information from the working paper, if the component auditor is required to complete the Documentation Assembly and Modification Working Paper.
	Confirmation from KPMG component auditors (when part of another KPMG member firm) and non-KPMG component auditors, that they have and will comply with the documentation retention requirements set forth by us in the group audit instructions
	Confirmation from KPMG component auditors of other KPMG member firms and non-KPMG component auditors, that the audit documentation supporting the work performed for purposes of the group audit is accessible to us throughout the documentation retention period set forth in the group audit instructions
<b>Fees</b>	If relevant to the group audit, a summary of the KPMG component auditor's fees billed for the most recent fiscal year
<b>Letters of representations</b>	As part of the Clearance Memorandum, any exceptions noted in the written representations that the component auditor requested from component management (see question "What does the Clearance Memorandum include?")

#### What is the purpose of the Clearance Memorandum? [ISA | 1591.160064]

The Clearance Memorandum facilitates effective and efficient communication to the group auditor of the significant matters related to the audit work performed at the component.

#### What does the Clearance Memorandum include? [ISA | 1591.160065]

The Clearance Memorandum includes the following information:

- certain confirmations related to the work requested to be performed , including a confirmation that the component auditor has complied with our Group Audit Instructions and performed the work requested by us
- any significant outstanding or unresolved matters, including those that are to be followed up by us
- significant matters, which include, but are not limited to, the following:
  - a list of significant risks of the group financial statements associated with the component, the component auditor's responses , and the results of the component auditor's related procedures,
  - significant unusual transactions, excluding related party significant unusual transactions,
  - related parties, relationships or transactions with related parties, including related party significant unusual transactions,
  - significant matters identified during the review of interim financial information, if applicable ,
  - significant matters involving the selection, application and consistency of accounting principles, including related disclosures,
  - results of auditing procedures that indicate a need for significant modification of planned auditing procedures,
  - accumulated misstatements and the existence of material misstatements (including omissions in the component's financial information) based on component performance materiality ,
  - deficiencies in internal control over financial reporting,
  - disagreements among members of the engagement team of the component auditor or with others consulted on the engagement about final conclusions reached on significant accounting or auditing matters, including the basis for the final resolution of those disagreements. If an engagement team member disagrees with the final conclusions reached, they document that disagreement,
  - circumstances that cause significant difficulty in applying auditing procedures,
  - significant changes in the component auditor's risk assessments, including risks that were not identified previously, and the modifications to audit procedures or additional audit procedures performed in response to those changes,
  - any matters that could result in modification of the component auditor's report, if one is issued,
  - sufficient information relating to significant matters that are inconsistent with or contradict the final conclusions,
- any revisions to relevant statutory materiality measures used for purposes of the group audit, (i.e. the amount of the revised statutory performance materiality and/or, if applicable, lower statutory performance materiality for particular accounts or disclosures) and the rationale for the revision,
- any findings affecting the consolidating or combining of accounts in the group's consolidated financial statements,
- information on instances of identified or suspected:
  - non-compliance with laws or regulations, including illegal acts, other than clearly inconsequential matters, or

- fraud involving component management, employees who have significant roles in the group's system of internal control at the component, or others where the fraud resulted in a material misstatement of the component financial information, or
  - for US engagement teams, governmental agency enforcement investigations,
- at the component or group level,
- indicators of possible management bias,
  - all matters communicated or to be communicated to those charged with governance of the component. This also includes:
    - other significant matters that the component auditor communicated or expects to communicate to component management or those charged with governance of the component
    - any violations of applicable independence standards or regulations
    - matters for consideration to be communicated by the group auditor to those charged with governance of the group,
  - any exceptions noted in the written representations that the component auditor requested from component management
  - disagreements with component management about matters that, individually or in aggregate, could be significant to the component's financial information or our reporting,
  - when performing audit procedures designed by us, a description of the procedures performed and the results of those procedures.
  - any unusual or unexpected items identified as a result of performing final analytical procedures
  - any financial statement level risks of the group financial statements where the component auditor was requested to perform procedures over these risks, the component auditor's responses, and the results of the component auditor's related procedures,
  - the testing approach and results and findings related to journal entries and other adjustments, if the component auditor has been instructed to test journal entries and other adjustments
  - any events or conditions identified by the component auditor that may raise substantial doubt about the group's ability to continue as a going concern for a reasonable period of time and, if agreed with the group auditor, the component auditor's responses, and the results of the component auditor's related procedures
  - any litigation, claims and assessments affecting the component that could have an impact exceeding the AMRT or that the component auditor wishes to draw to our attention,
  - any consultations made by the component auditor, or matters that would have caused the component auditor to consult in a financial statement audit,
  - information relevant to describe key audit matter(s)/critical audit matter(s) in the group auditor's report, if requested by us
  - any other matters that may be relevant to the group audit or that the component auditor determines are appropriate to draw to our attention.

The Clearance Memorandum might include cross-references to other relevant supporting audit documentation within the component auditor's files. If so, that relevant supporting documentation is provided to us with the Clearance Memorandum.

[In what instances do we obtain the Clearance Memorandum?](#) [ISA | 1591.13502]

As the group auditor, we obtain the Clearance Memorandum from all component auditors performing audit work related to a component.

[When do component auditors provide us with the Clearance Memorandum?](#) [ISA | 1591.160067]

We request component auditors to provide us with the Clearance Memorandum on a timely basis, during completion of the audit, with sufficient time to review the Clearance Memorandum and address any issues that arise.

Additionally, when component auditors perform hard close procedures prior to year-end, we request them to provide us with a Clearance Memorandum as of the hard close date and an update as of year-end.

[What group auditor designed procedures may we request the component auditor to perform on the component's group reporting package?](#) [ISA | 1591.160068]

As the group auditor, we may request the component auditor to perform certain audit procedures designed by us that the component auditor would not already be performing as part of the scope of their work, such as:

- determine that the amounts in the general ledger and sub-ledgers of the component agree to the group reporting package to evaluate the classification of those amounts
- test the mathematical accuracy of the group reporting package
- test the movement of net equity and the reconciliation between reporting in the group reporting package and local GAAP
- test the completeness and accuracy of supporting schedules included in the group reporting package (e.g. roll forward schedule of property, plant and equipment)
- test the appropriateness of management's reconciliation from the group reporting package to the statutory financial statements to confirm their consistency with amounts submitted for the group audit and to confirm they are internally consistent
- when the component's local currency and the group's currency are different, evaluate whether the foreign currency translation of the component's financial information from the local currency to the group's currency is appropriate

[Who determines whether the audit documentation is sufficient to support the auditor's report?](#) [ISA | 1591.13513]

The engagement team issuing the report determines that audit documentation is sufficient to support the auditor's report. For a group auditor, this includes the work performed by component auditors.

[What are component auditors responsible for with regard to audit documentation?](#) [ISA | 1591.160059]

The component auditors involved in the group audit comply with the relevant audit documentation guidance included in the chapter on audit documentation ([ISA 230](#), [AU-C 230](#), [AS 1215](#)), including with respect to the audit documentation that the component auditor provides or makes accessible to the group auditor.

[What do we retain in our audit documentation in relation to the component auditors' work?](#) [ISA | 1591.1600]

As the group auditor, we retain the communications from the component auditor, such as the Clearance Memorandum and other reporting, which supports the audit procedures performed by the component auditors.

We also retain evidence of our review and evaluation of the communications received from component auditors.

**When do we obtain and review communications from component auditors relevant to our conclusion with regard to the group audit?** [ISA | 1591.1700]

As the group auditor, we do this before the date of the auditor's report. It is best to obtain and review the communications as soon as possible to allow sufficient time to review, perform any additional procedures necessary and properly resolve any issues that arise.

**How do we determine the appropriate timing for component auditor reporting?** [ISA | 1591.160069]

We think about the following, when determining the appropriate timing of component auditor reporting:

- the timing of the component auditor's work; for example, does the component auditor have sufficient time to complete the audit work related to a component, subsequent to period-end?
- the timing of our work after the component auditor's reporting; for example, do we have sufficient time to read, evaluate, respond to, where necessary, and document the conclusions on the component auditor's reporting?
- the timing of communications within the group; for example, where matters may need to be communicated at components, then up to group management;
- the timing and level of procedures to be performed by us at the group level, including procedures over the consolidation of components, evaluation of control deficiencies, audit misstatements, etc.

**How do we obtain the component auditors' documentation related to their work relevant to our conclusion with regard to the group audit?** [ISA | 1591.1800]

As the group auditor, we request component auditors to provide us with documentation related to their work relevant to our conclusion with regard to the group audit in writing. For KPMG component auditors, we use of the relevant Group Audit Instructions template. For non-KPMG component auditors, we may also use the relevant Group Audit Instructions template, which we adapt accordingly.

However, when a component engagement partner is also a partner for the group auditor and the group and component auditor are part of the same KPMG member firm, written communication from the component auditor of matters related to their work relevant to our conclusion with regard to the group audit is not always necessary, except when specifically required (e.g. confirmation of compliance with ethical and independence requirements), since we have full access to the component auditor's documentation in their audit file. In this case, when the component auditor's work is not documented in the same file as the group auditor's file, it is important that sufficient documentation of matters relevant to the group audit is included in the group auditor's file (e.g., significant matters, uncorrected misstatements).

**When work is performed by the group auditor or a component auditor on behalf of a component auditor, how is the work performed communicated?** [ISA | 1591.160061]

Sometimes, component auditors rely on work performed by another auditor (i.e. the group auditor or another component auditor) for purposes of their audit work related to the component or local statutory audit. For example, the group auditor may centralize the work performed over an assumption used in an estimate.

When the work performed is over the group's centralized services, the Centralized Services Scope Document and related appendices are used to communicate the work performed.

When the work performed is not over the group's centralized services and is only a centralized testing approach, there is no standard form of communication. The Centralized Services Scope Document and related appendices may be adapted for this purpose or a memorandum summarizing the work performed and the results obtained may be provided. However, the communication is not intended to contain all information necessary to enable the component auditor to complete all the fields within the relevant activities in the Workflow.

When the centralized services auditor is used for the purpose of a component's statutory audit, the communication is detailed enough to enable the component auditor to determine that work performed by the other auditor is relevant to their engagement and sufficient for their purposes.

**How do we review the component auditors' documentation related to their work?** [ISA | 1591.13514]

As the group auditor, we follow the guidance in the activity ["Evaluate the adequacy of component auditor's communications and discuss significant matters"](#).

**Can the information in the Clearance Memorandum be shared with management or others?** [ISA | 1591.1900]

Communicating certain information and matters to component or group management may impact the quality of our future audits because group and component management may be able to predict our audit procedures. Therefore, we, as the group auditor, or the component auditor do not provide component or group management with the following:

- the Clearance Memorandum in its entirety
- specific information regarding the nature, timing and extent of our audit procedures, other than matters that we are required to communicate (e.g. critical or key audit matters)
- conclusions on audit areas, significant matters or fraud risks, other than specific matters that are required to be communicated to those charged with governance (who may also be involved in managing the entity), such as our views on significant qualitative aspects of the entity's accounting practices
- disagreements among engagement team members, and
- EQC review or LSQC review procedures, findings and conclusions.

However, we may provide component or group management with a summary of certain information from the Clearance Memorandum to facilitate the discussion of reporting matters with component or group management and/or those charged with governance. Examples of these matters include:

- significant matters involving the selection, application and consistency of accounting policies or principles, including related disclosures
- unusual and/or significant transactions and/or balances
- control deficiencies
- uncorrected and corrected audit misstatements
- outstanding or unresolved matters, and
- communications made or expected to be made to those charged with governance.
  - Such summaries may be common practice where component auditors hold closing meetings at the component level and certain conclusions are discussed with component management.



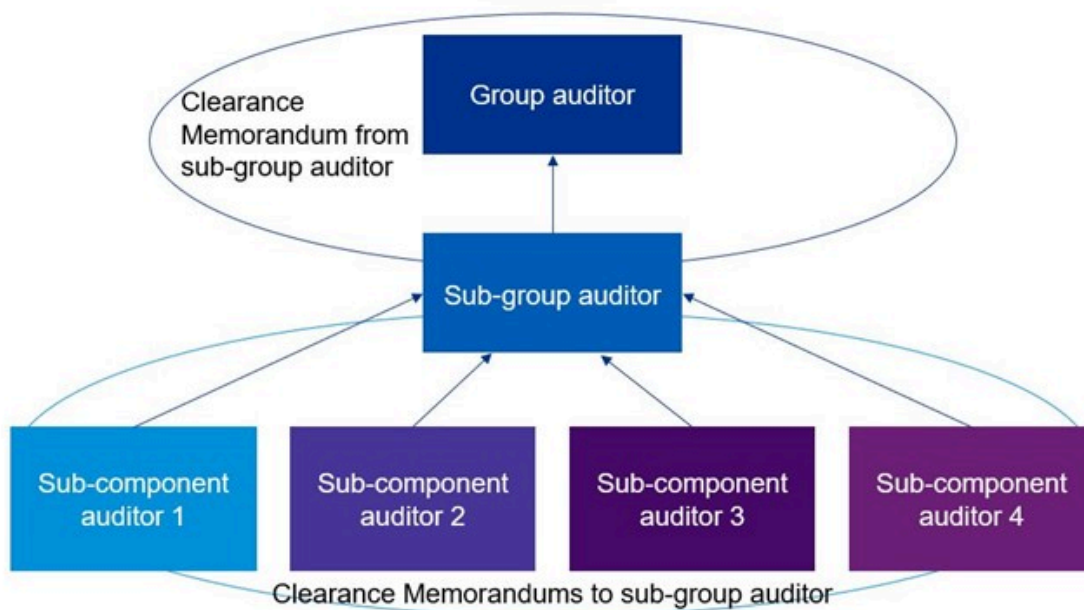
Many times the group auditor will attend these discussions (in person or via other means), as will group management.

- For all other parties, we follow the guidance about providing documentation in the relevant Risk Management Manual.

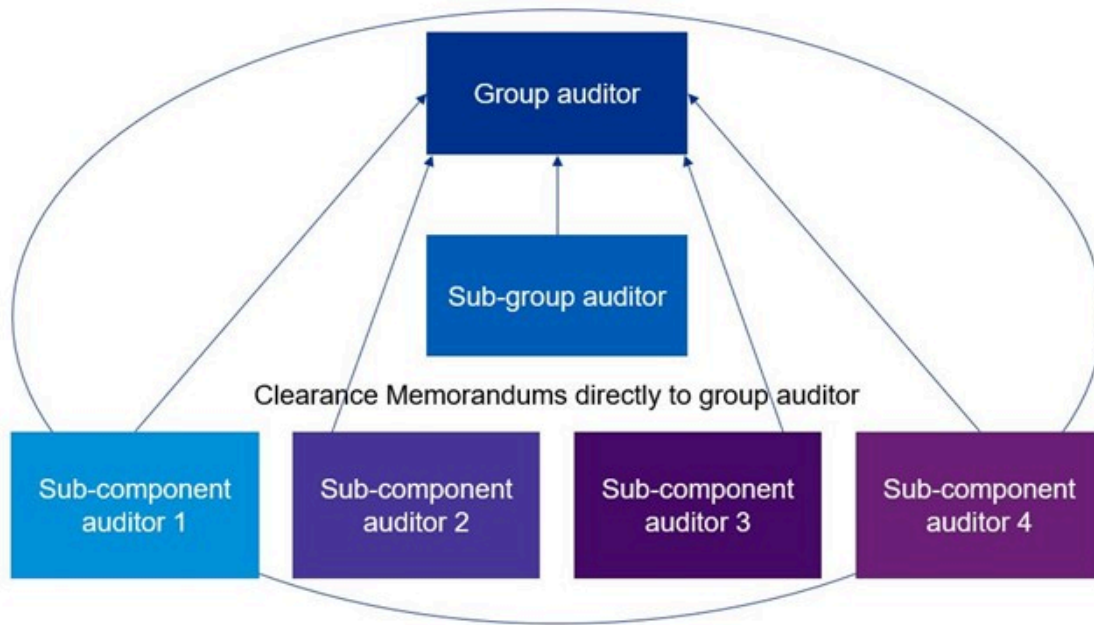
How do we obtain and review the component auditors' documentation related to their work in a multi-tiered audit? [ISA | 1591.2100]

It depends on the circumstances of the engagement. As the group auditor, we may follow one of the following approaches:

- **Sub-groups summarize underlying components:** If the sub-group auditor assists us in directing and supervising the component auditors of components within the sub-group (i.e. the sub-component auditors) and reviewing their work, the sub-group auditor communicates any findings relevant to our conclusion with regard to the group audit from the sub-component auditors to us within the sub-group auditor's Clearance Memorandum. In this case, we may also request that the sub-group auditor provides us with a copy of the Clearance Memorandum received from sub-component auditors.



- **No summarization at sub-group level** - If we directly direct and supervise sub-component auditors and review their work, we directly obtain, review and retain the sub-component auditors' Clearance Memorandum (even if the Clearance Memorandum is also delivered to the sub-group auditor), as well as the sub-group auditor's Clearance Memorandum for the work performed by the sub-group auditor.



## 1.7 Complete all necessary procedures prior to the date of the auditor's report [ISA | 1660]

### What do we do?

Complete all necessary audit procedures and obtain sufficient appropriate audit evidence to support the audit opinion prior to the date of the auditor's report.

### Why do we do this?

Because the auditor's opinion states that we have performed procedures to provide a reasonable basis for our opinion, we cannot sign and date the auditor's report until we have performed all necessary audit procedures and obtained sufficient appropriate audit evidence in order to opine on the financial statements.

Documenting procedures or modifying audit documentation after the date of the auditor's report may call into question whether audit conclusions were drawn before such date.

## Execute the Audit

**What do we mean by completing audit procedures and obtaining sufficient appropriate audit evidence prior to the date of the auditor's report?** [ISA | 1660.1300]

We cannot date the auditor's report until we have performed all necessary audit procedures and obtained sufficient appropriate audit evidence to support our opinion, including addressing/clearing review notes and providing support for all final conclusions.

This means we do not perform procedures, reach conclusions or obtain audit evidence after the date of the auditor's report.

[What is a review note? \[ISA | 1660.1400\]](#)

Review notes are created during the audit process when documentation is reviewed by a member of the team more senior than the preparer. Typically, review notes are left as an indication to the preparer that there may be action items to take related to the documentation of the procedures performed or the procedures themselves.

Review notes may be provided electronically - for example, within the KPMG Clara workflow - or on paper.

[Are all review notes cleared by the date of the auditor's report? \[ISA | 1660.13586\]](#)

Yes. All review notes are addressed and cleared prior to the date of the auditor's report. Clearing review notes is part of the process of preparing and reviewing the documentation prior to the date of the auditor's report.

## Matters Arising after the Date of the Auditor's Report

### International Standards on Auditing: ISA 230.13

#### *Matters Arising after the Date of the Auditor's Report*

13. If, in exceptional circumstances, the auditor performs new or additional audit procedures or draws new conclusions after the date of the auditor's report, the auditor shall document: (Ref: Para. A20)

- (a) The circumstances encountered;
- (b) The new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and
- (c) When and by whom the resulting changes to audit documentation were made and reviewed.

### ISA Application and Other Explanatory Material: ISA 230.A20

#### *Matters Arising after the Date of the Auditor's Report (Ref: Para. 13)*

A20. Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor's report but which existed at that date and which, if known at that date, might have caused the financial statements to be amended or the auditor to modify the opinion in the auditor's report.<sup>12</sup> The resulting changes to the audit documentation are reviewed in accordance with the review responsibilities set out in ISA 220 (Revised).<sup>13</sup>

<sup>12</sup> ISA 560, *Subsequent Events*, paragraph 14

<sup>13</sup> ISA 220 (Revised), paragraph 29-34

## How do we comply with the Standards? [\[ISA | KAEGHDWC\]](#)

# 1 Determine, after report date, whether procedures were performed and appropriate conclusions were reached, if necessary [ISA | 2710]

## What do we do?

IF, after the date of the auditor's report, we become aware that procedures may not have been performed or appropriate conclusions may not have been reached, THEN determine and demonstrate whether this is true.

## Why do we do this?

After the date of the auditor's report, we have no responsibility to retrospectively review our work. However, situations may arise in which we become aware that:

- an audit procedure considered necessary in the circumstances existing at the time of the audit may have been omitted;
- evidence may not have been obtained; or
- appropriate conclusions may not have not been reached.

If, after the date of the auditor's report, we become aware that audit procedures may not have been performed, evidence may not have been obtained or appropriate conclusions may not have not been reached, we determine and demonstrate whether this is true. We do this because this determination affects our next course of action.

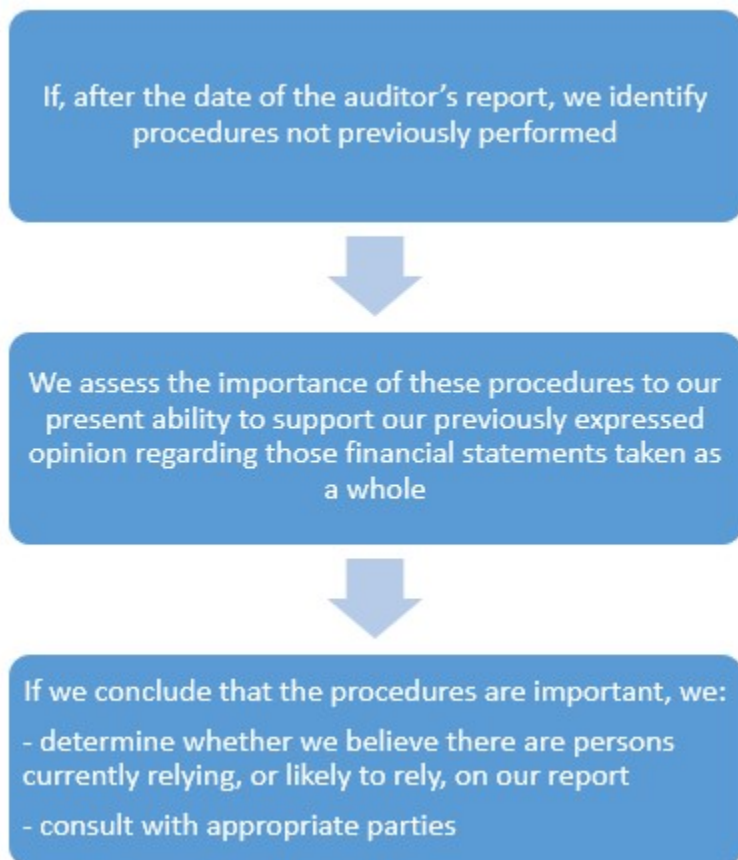
## Execute the Audit

[How might a previously omitted procedure be identified? \[ISA | 2710.15836\]](#)

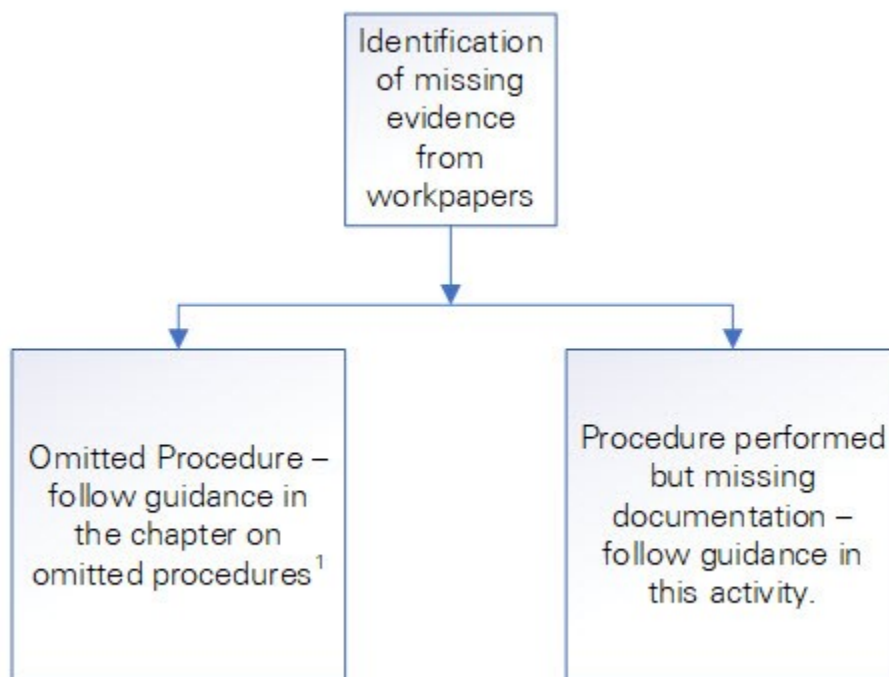
A previously omitted procedure might be identified during the following:

- compiling the final set of audit documentation after the date of the auditor's report;
- internal inspections (e.g. internal quality performance reviews or QPR);
- external inspections (e.g. regulatory reviews, peer reviews);
- due diligence (e.g. third party review of our audit documentation as part of a potential transaction of the entity); and/or
- planning for or performing the next period's audit (e.g. reviewing prior period documentation to plan for the next period's audit approach).

[What do we do if, after the date of the auditor's report, we identify previously omitted procedures? \[ISA | 2710.15873\]](#)



What guidance do we follow when we identify evidence missing from our workpapers? [ISA | 2710.1300]



<sup>1</sup> See activity '[Assess and remediate previously omitted procedures](#)' and related sub-activities.

[How do we determine whether a procedure is a previously omitted procedure?](#) [ISA | 2710.15837]

We determine whether a procedure is a previously omitted procedure by:

- examining the documentation actually included in the audit file; and
- considering the requirements of the auditing standards, our audit methodology and the circumstances that existed at the time of the audit.

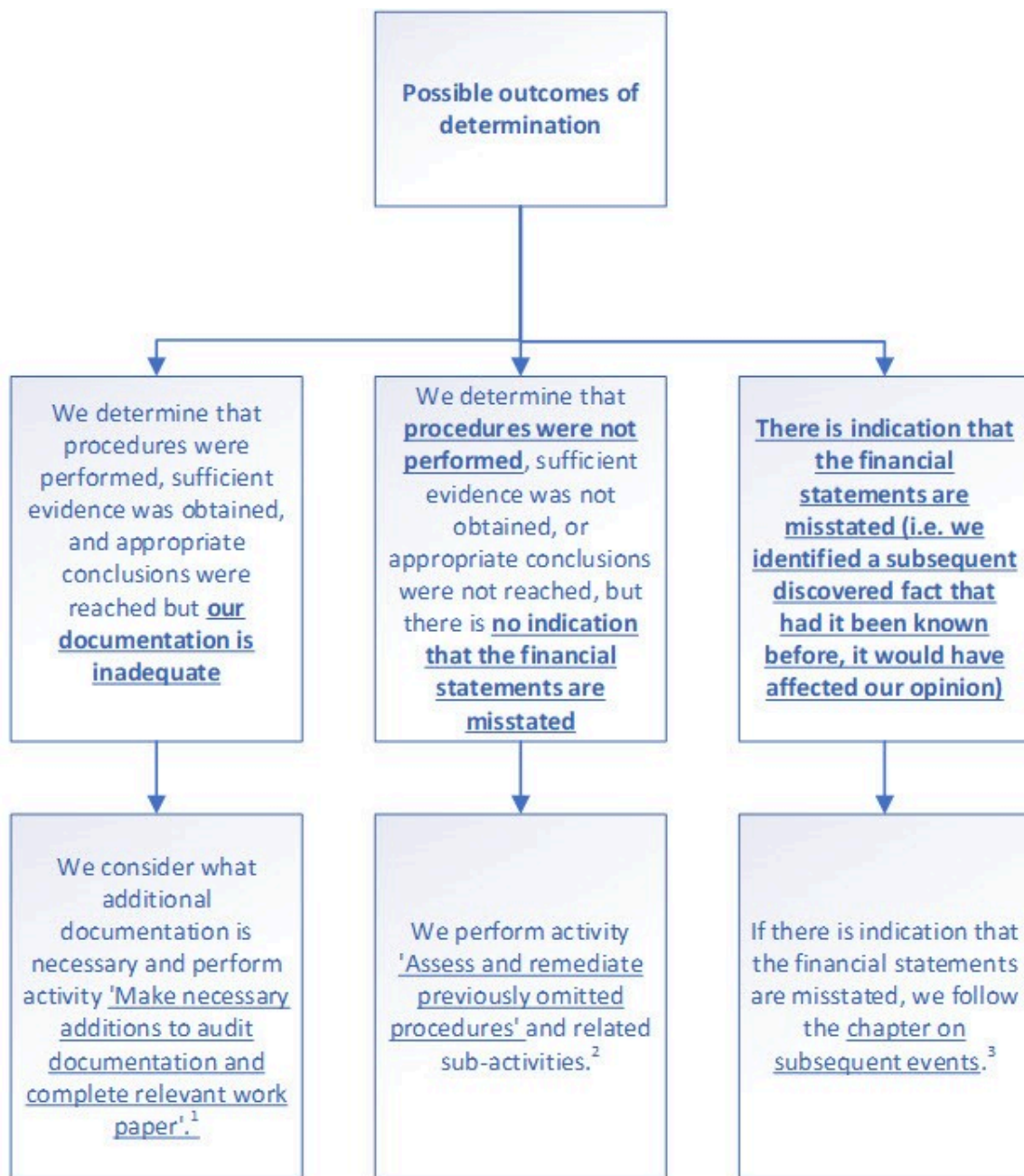
We do not use hindsight when determining whether a procedure is a previously omitted procedures.

[Can we use oral explanations to demonstrate that we indeed obtained sufficient audit evidence and we reached appropriate conclusions?](#) [ISA | 2710.1400]

No. Oral explanations alone do not constitute persuasive audit evidence and cannot demonstrate that we obtained sufficient audit evidence and reached appropriate conclusions. However, they may be helpful in clarifying other written evidence.

[What are the possible outcomes of our determination of whether audit procedures were performed, evidence was obtained, and appropriate conclusions were reached?](#) [ISA | 2710.1500]





<sup>1</sup> See activity 'Make necessary additions to audit documentation and complete relevant work paper'.

<sup>2</sup> See activity 'Assess and remediate previously omitted procedures' and related sub-activities.

<sup>3</sup> See chapter on subsequent events (section regarding subsequent discovery of facts) ([AS 2905](#), [ISA 560](#), [AU-C 560](#))

#### Could the omission of audit documentation be "important"? [ISA | 2710.15883]

Yes. The documentation of our audit procedures is important to supporting our previously expressed opinion, just like the performance of the procedure itself. Therefore the omission of audit documentation could be an important omitted procedure in its own right. If the omitted documentation is not readily available, the procedure will be reperformed and appropriately documented.

## What do we do if an omitted procedure is not important to support the previously expressed opinion? [ISA | 2710.15885]

If an omitted procedure is not important to support the previously expressed opinion, we may document our assessment that the previously omitted procedure is not important. However, we still assess the adequacy of our audit documentation and consider whether our existing audit documentation supports our previously expressed opinion.

However, if we decide to document our assessment that the previously omitted procedure is not important, before adding anything to the final audit file, we first consult in accordance with activity '[Consult in certain circumstances when we intend to modify audit](#)'.

### Who determines whether to document our assessment that the previously omitted procedures are not important? [ISA | 2710.15886]

- The person that determines whether we document our assessment that the previously omitted procedures are not important depends on how the omission was identified:

	Who determines whether to document our assessment that the previously omitted procedures are not important?
<b>During an internal inspection</b>	The inspector
<b>During an external inspection</b>	The audit engagement partner; however, they may consult with appropriate parties when reaching their conclusion.
<b>Other than through an inspection</b>	The audit engagement partner; however, they may consult with appropriate parties when reaching their conclusion.

### If we decide to document our assessment that the previously omitted procedure is not important, where do we document this? [ISA | 2710.15887]

If we decide to document our assessment that the previously omitted procedure is not important, we document the conclusion reached and the basis for the conclusion in the Documentation Modification Work Paper. See activity '[Complete relevant work paper when we perform new procedures/draw new conclusions after audit \(or review\) report date](#)' for further information about this work paper.

## 2 Assess and remediate previously omitted procedures [ISA | 3828]

### What do we do?



IF we identify previously omitted procedures, THEN assess them and take the necessary action.

## Why do we do this?

While we are not required to perform any retrospective review of our work, sometimes we become aware of previously omitted audit procedures in an audit engagement. We assess those previously omitted audit procedures and take any necessary actions to remediate them, because financial statement users may still be relying on our auditor's report.

## Execute the Audit

### What is a previously omitted procedure? [ISA | 3828.1300]

A previously omitted procedure is an audit procedure that we considered necessary in the circumstances existing at the time of the audit, but that we did not perform or we performed incorrectly or insufficiently to address the audit objective. Omission of documentation of a procedure is not in itself considered an omitted procedure, but could be indicative of an omitted procedure depending on the facts and circumstances. For example, if the engagement team prepared audit documentation, which went through review, but later cannot be found and documenting the procedure would require re-performance (including going back to the client), then this would be an example of an omitted procedure.

### What are some examples of omitted procedures? [ISA | 3828.15834]

Examples of omitted procedures include:

- failure to support control risk assessments by obtaining sufficient appropriate evidence of the design and operating effectiveness of management's controls;
- failure to perform substantive procedures to obtain sufficient appropriate audit evidence over a significant account;
- failure to perform appropriate substantive procedures in the nature, timing or extent that was planned, like a sample that did not cover the appropriate period, insufficient sample size, or inadequate alternative procedures;
- failure to perform specific procedures, like inquiries related to related party transactions, or obtaining a complete, signed management representation letter.
- failure to document the performance of procedures, which consequently results in the need to reperform the procedure in order to properly document it.

### Are we responsible for looking for omitted procedures after the date of the auditor's report? [ISA | 3828.15835]

No. After the date of the auditor's report, we have no responsibility to carry out any retrospective review of our work. However, situations may arise in which we become aware that an audit procedure considered necessary in the circumstances existing at the time of the audit was omitted.

### How might a previously omitted procedure be identified? [ISA | 3828.15836]

A previously omitted procedure might be identified during the following:

- compiling the final set of audit documentation after the date of the auditor's report;
- internal inspections (e.g. internal quality performance reviews or QPR);
- external inspections (e.g. regulatory reviews, peer reviews);

- due diligence (e.g. third party review of our audit documentation as part of a potential transaction of the entity); and/or
- planning for or performing the next period's audit (e.g. reviewing prior period documentation to plan for the next period's audit approach).

[How do we determine whether a procedure is a previously omitted procedure?](#) [ISA | 3828.15837]

We determine whether a procedure is a previously omitted procedure by:

- examining the documentation actually included in the audit file; and
- considering the requirements of the auditing standards, our audit methodology and the circumstances that existed at the time of the audit.

We do not use hindsight when determining whether a procedure is a previously omitted procedures.

[How do we assess and remediate previously omitted procedures, when applicable?](#) [ISA | 3828.15838]

We perform the following procedures to assess and remediate previously omitted procedures, when applicable:

- [Assess the importance of previously omitted procedure\(s\)](#)
- [Perform additional steps when necessary](#)

## 2.1 Assess the importance of previously omitted procedure(s) [ISA | 3830]

### What do we do?

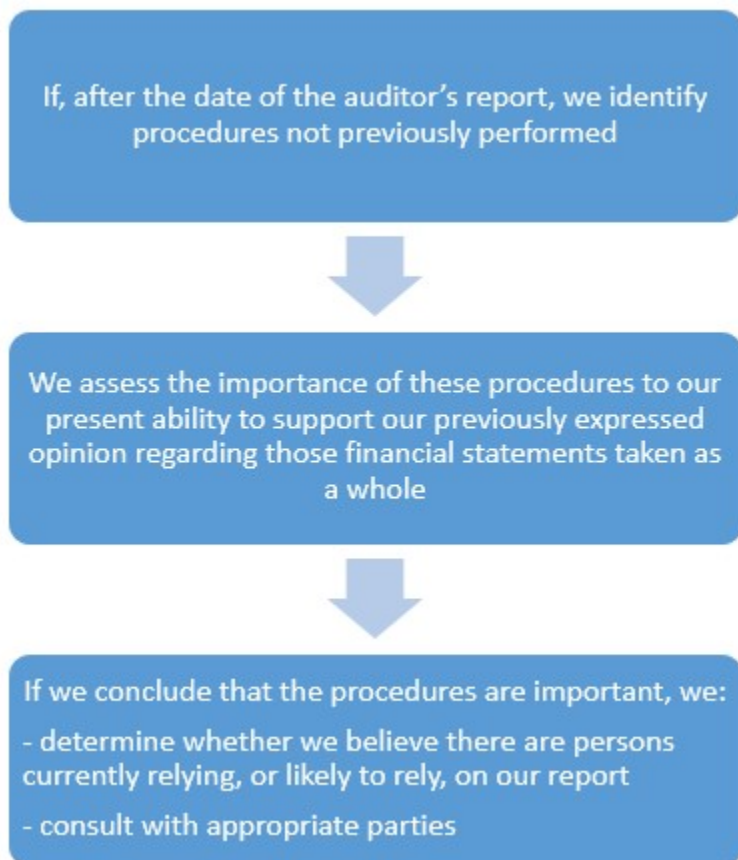
Assess the importance of the omitted procedure(s) to our present ability to support our previously expressed opinion and consult in certain circumstances.

### Why do we do this?

We first assess whether procedures that were not performed are considered important in order to avoid performing procedures that are now not necessary in the circumstances. If we determine that the previously expressed opinion can be supported without performing the procedures, then performing those procedures are unnecessary. The same is true when we do not believe that there are persons currently relying, or likely to rely, on our report.

## Execute the Audit

[What do we do if, after the date of the auditor's report, we identify previously omitted procedures?](#) [ISA | 3830.15873]



**When are omitted procedures 'important'? [ISA | 3830.15874]**

Omitted procedures are 'important' when the evidence from those procedures is necessary for our current ability to support our previously expressed opinion.

**How do we assess the importance of previously omitted procedures to our present ability to support our previously expressed opinion? [ISA | 3830.15875]**

We assess the importance of the previously omitted procedures by evaluating whether the cumulative audit evidence obtained is sufficient, even without the omitted procedure. We make this evaluation using the facts and information available to us at the time of our assessment.

In making this assessment, it can be helpful to perform the following procedures:

- review the audit documentation;
- discuss the circumstances with engagement personnel and others within the firm;
- re-evaluate the overall scope of the audit; and
- review audit documentation of subsequent audits.

The results of other audit procedures that we performed during the audit may compensate for the omitted procedure or make the effect of its omission less significant.

Additionally, procedures from subsequent audits may provide audit evidence in support of the previously expressed opinion, such that no further procedures are necessary to address the omitted procedure. For example, confirmations of inventory held at a third-party where there has been no

change in the inventory balance. In the subsequent year confirmation of inventory held at this third-party noted no issues and no significant adjustments related to that inventory were identified.

[How does our assessment of the importance of an omitted procedure differ when it is identified in an external inspection?](#) [ISA | 3830.15876]

Written comments or findings received in external inspections represent important omitted procedures, as they are ordinarily issued when we failed to obtain or document sufficient evidence to support the previously issued auditor's report.

[How does our assessment of the importance of an omitted procedure differ when it is identified in an internal inspection?](#) [ISA | 3830.15877]

In internal inspections, the inspector is responsible for assessing the importance of the omitted procedure. If the inspector finds that we failed to support a previously issued auditor's report, it is because an omitted procedure was important. However, internal inspections may also identify other matters, such as corrections or adjustments to audit documentation, that we address.

[Who determines whether an omitted procedure is important when it is not identified in an inspection?](#) [ISA | 3830.15878]

When the omitted procedure is not identified in an inspection, the audit engagement partner determines whether the omitted procedure is important. They may find it useful to discuss this matter with the EQCR, LSQCR, and/or consult with the risk management partner(s) in making this conclusion, as those partners have experience in making similar judgments and considering the impacts of various types of omitted procedures.

[Why may we consult when considering whether an omitted procedure is important?](#) [ISA | 3830.15879]

We may consult with others in order to:

- get an independent opinion on the importance of the omitted procedure;
- consider whether consultation with other parties is warranted, especially our attorneys if we may be in breach of laws, regulations, or the terms of our engagement letter;
- help provide consistency in our evaluation, by consulting with parties that more regularly review these matters,
- serve as an early warning mechanism for further review of work paper remediation, if warranted; and
- allow risk management departments to monitor audit deficiencies and their correction.

[What do we think about when determining whether there are persons currently relying, or likely to rely, on our report?](#) [ISA | 3830.15880]

The main factor we think about when determining whether there are persons currently relying, or likely to rely, on our report is the time that elapsed from the issuance of our auditor's report.

[With whom do we consult when previously omitted procedures are deemed important?](#) [ISA | 3830.15881]

When previously omitted procedures are deemed important, the engagement partner consults with the Risk Management Partner.

Consulting with these parties helps us determine:

- whether there are persons currently relying, or likely to rely, on our report - i.e. enough time elapsed from the issuance of our auditor's report;
- the appropriate course of action.

**Could the omission of audit documentation be "important"?** [ISA | 3830.15883]

Yes. The documentation of our audit procedures is important to supporting our previously expressed opinion, just like the performance of the procedure itself. Therefore the omission of audit documentation could be an important omitted procedure in its own right. If the omitted documentation is not readily available, the procedure will be reperformed and appropriately documented.

**Are oral explanations persuasive audit evidence?** [ISA | 3830.15884]

No, oral explanations do not represent adequate support for our work performed or conclusions reached; however, they may be used to explain or clarify our audit documentation.

**What do we do if an omitted procedure is not important to support the previously expressed opinion?** [ISA | 3830.15885]

If an omitted procedure is not important to support the previously expressed opinion, we may document our assessment that the previously omitted procedure is not important. However, we still assess the adequacy of our audit documentation and consider whether our existing audit documentation supports our previously expressed opinion.

However, if we decide to document our assessment that the previously omitted procedure is not important, before adding anything to the final audit file, we first consult in accordance with activity '[Consult in certain circumstances when we intend to modify audit](#)'.

**Who determines whether to document our assessment that the previously omitted procedures are not important?** [ISA | 3830.15886]

- The person that determines whether we document our assessment that the previously omitted procedures are not important depends on how the omission was identified:

	Who determines whether to document our assessment that the previously omitted procedures are not important?
<b>During an internal inspection</b>	The inspector
<b>During an external inspection</b>	The audit engagement partner; however, they may consult with appropriate parties when reaching their conclusion.
<b>Other than through an inspection</b>	The audit engagement partner; however, they may consult with appropriate parties when reaching their conclusion.

If we decide to document our assessment that the previously omitted procedure is not important, where do we document this? [ISA | 3830.15887]

If we decide to document our assessment that the previously omitted procedure is not important, we document the conclusion reached and the basis for the conclusion in the Documentation Modification Work Paper. See activity '[Complete relevant work paper when we perform new procedures/draw new conclusions after audit \(or review\) report date](#)' for further information about this work paper.

## Examples

When may we consider a previously omitted procedure not important? [ISA | 3830.15889]

### Scenario 1 : Additional control tested addresses the same process risk point

#### Fact Pattern

An engagement team performed a controls-based audit for a December 31 year-end entity and is undergoing a post-audit internal inspection.

The inspection finds that the audit evidence gathered by the engagement team was insufficient to support the audit team's conclusion that Control A was suitably designed and operating effectively.

However, Control A and Control B address the same process risk point at an appropriate level of precision. Control B was tested appropriately.

#### Analysis

During the December 31 audit period:

- Control A was tested incorrectly, so the conclusion that the control was operating effectively cannot be supported.
- Control B was tested correctly, so the conclusion that the control was operating effectively is supported.

Audit procedures to evaluate the design and test the operating effectiveness of Control A are considered previously omitted procedures. However, the engagement team concludes that the audit evidence obtained from properly testing Control B is sufficient and, as such, the omitted procedures related to testing Control A are not important. As a result, no post-audit procedures are warranted.

### Scenario 2 : No other tested controls address the same process risk point

#### Fact Pattern

An engagement team performed a controls-based audit for a December 31 year-end entity and is undergoing a post-audit internal inspection.

The inspection finds that the audit evidence gathered by the engagement team was insufficient to support the audit team's conclusion that Control C was properly designed and operating effectively.

#### Analysis

During the December 31 audit period:

- Control C was tested incorrectly, so the conclusion that the control was operating effectively cannot be supported.

Audit procedures to evaluate the design and test the operating effectiveness of Control C are considered previously omitted procedures. Since the engagement team relied on the conclusions

about Control C to support their conclusions in the audit and there is no other evidence that sufficiently address the matter, the engagement team assessed the omitted procedure as important and post-audit procedures are warranted.

## 2.2 Perform additional steps when necessary [ISA | 3831]

### What do we do?

IF the previously omitted procedures are necessary to support our previously expressed opinion and we believe there are users relying, or likely to rely, on the report, THEN perform additional steps.

### Why do we do this?

We perform additional steps when we believe there are users that may be relying on our previously issued report so that we can support this report.

### Execute the Audit

[What additional steps do we follow?](#) [ISA | 3831.1300]

If the previously omitted procedures are important to support our previous opinion and we believe there are users relying, or likely to rely, on the report, we follow these additional steps:

- [Consult in certain circumstances when we intend to modify audit documentation after report date](#)
- [Perform previously omitted procedures and document matters in relevant work paper](#)
- [Consult appropriate parties when previously omitted procedures cannot be performed](#)
- [Follow procedures for subsequent discovery of facts if applicable](#)

## 2.2.1 Consult in certain circumstances when we intend to modify audit documentation after report date [ISA | 2709]

### What do we do?

IF we intend to modify audit documentation in our final audit file after the date of the auditor's report, THEN consult in certain circumstances.

### Why do we do this?

When we intend to modify audit documentation after the date of the auditor's report, we consult with others in certain circumstances to help us determine whether modifying our documentation is appropriate. Changes to audit documentation can be a sensitive issue, even when the changes seem relatively insignificant. Inappropriate modifications can have significant consequences, such as damaging the firm's reputation.

### Execute the Audit

## Under what circumstances and with whom do we consult when we intend to modify our audit documentation after the date of the auditor's report? [ISA | 2709.1400]

If we intend to modify our audit documentation after the date of the auditor's report in the following circumstances:

- there is a third-party request for access to the audit documentation;
- there are legal proceedings;
- there are investigations by governmental bodies or regulators/examiners;
- there is threatened or potential litigation against KPMG;
- we received requests by a legal counsel, outside of KPMG;

For example, we might receive a request from an outside legal counsel to review our work papers in relation to a regulatory investigation of the entity, for which KPMG's work papers have been named in a subpoena.

- the documentation has already been made available to others, even if we have not provided them with copies of the documentation;

For example, when we have provided successor auditors, group auditors, regulators or others with access to our audit documentation.

the engagement partner consults with:

In the US	In other countries
OGC and DPP.	The risk management partner.

## What do we consult about when we intend to add to our audit documentation after the date of the auditor's report?

If we intend to make modifications to our audit documentation after the date of the auditor's report in certain circumstances, we consult to determine whether it is appropriate to modify the documentation. We provide the consulted party with the facts and circumstances that have led to our intention to modify our documentation and, if applicable, information about any requests for access to our audit documentation.

## Can we modify our audit documentation after the date of the auditor's report if it is subject to a subpoena or lawsuit? [ISA | 2709.15894]

No. In situations where our audit documentation is the subject of a subpoena directed to KPMG or of a lawsuit in which KPMG has been named as a party, we do not modify our audit documentation after the date of the auditor's report.

## Can we delete or discard audit documentation after file assembly has been completed? [ISA | 2709.15919]

No. We do not discard or destroy documentation after file assembly has been completed, until the end of the retention period.



Can we add information to our audit documentation after file assembly has been completed? [ISA | 2709.15920]

Yes, we can add information to our audit documentation after file assembly has been completed when necessary.

## 2.2.2 Perform previously omitted procedures and document matters in relevant work paper [ISA | 3832]

### What do we do?

Perform and document the previously omitted procedures or alternative procedures necessary to support our previously expressed opinion promptly AND document matters in relevant work paper.

### Why do we do this?

When we have determined that previously omitted procedures are necessary to support our previously expressed opinion and we believe there are users relying, or likely to rely, on the report, we perform the procedures promptly so that we are not associated with financial statements that are potentially materially misstated.

## Execute the Audit

What does promptly mean? [ISA | 3832.159380]

The auditing standards themselves do not define the term 'promptly'. However, when we find ourselves in this situation, it means that we have an audit opinion that is not currently supported by sufficient appropriate audit evidence. As such, we perform the omitted or alternative procedures as soon as possible, given the facts and circumstances.

What are the consequences of not performing previously omitted procedures promptly? [ISA | 3832.1400]

Failing to rectify the situation timely could:

- delay or impact an entity's ability to access capital markets or meet their timelines for future audits or reports; or

For example, if we have concluded that, in our prior year audit, there are omitted procedures that are important to our current ability to support the previously expressed opinion, then we cannot complete a subsequent interim review until the prior omission is remediated. We also cannot issue a consent for an entity to use our previous audit report in a public filing, like a registration statement.

These actions can be performed after the omitted procedures are performed and appropriately documented.

- create potential legal issues - for example, if the audit documentation becomes the subject of a lawsuit before remediating the situation.

[When may an alternative procedure be performed as opposed to the previously omitted procedure?](#) [ISA | 3832.1500]

Determining whether we perform the previously omitted procedure or an alternative procedure will depend on the nature of the specific procedure that has been omitted. In some circumstances, the evidence to perform our original procedure may no longer be available or we may be unable to perform the original procedure. In those instances, we instead consider alternative procedures.

For example, if we failed to perform an inventory observation at year-end, we could no longer perform that procedure because of the passage of time. In this scenario, we may instead determine we can observe inventory at the current date and perform specific tests over the transactions occurring since the financial statement date to 'roll-back' the current counts.

[What if procedures were performed at the time of the audit but not documented?](#) [ISA | 3832.1600]

Even though we may have performed the procedures may have been previously performed, we don't consider the procedures properly performed if we did not adequately document them. Therefore, to remediate the audit documentation, we perform, or reperform, the audit procedures to support the previously issued auditor's report and properly document them.

In some cases, we may have made risk assessments or planned audit responses without thoroughly documenting our analysis. If these missing steps constitute previously omitted audit procedures that are important to supporting our previously issued auditor's report, we remediate the work papers by performing the audit procedures - audit planning and risk assessment procedures - as if they were performed at the time of the audit.

For example, during an engagement team's risk assessment, it was determined that a risk of misstatement related to a material account had no risks of material misstatement (RMMs). As a result, the engagement team did not plan and perform audit responses. The engagement team did not evidence the judgements around this assessment.

During an internal inspection, the inspector concluded that the engagement team failed to appropriately assess the likelihood and magnitude of misstatements related to risks associated with the account. To remediate the issue, the engagement team performs, or reperforms, the risk assessment procedures (i.e., assess the likelihood and magnitude of misstatements) and includes those procedures, results and conclusions in the audit documentation.

[How do we document the previously omitted procedures or alternative procedures and what work paper do we complete?](#) [ISA | 3832.1700]

See activity '[Complete relevant work paper when we perform new procedures/draw new conclusions after audit \(or review\) report date](#)' for information about:

- how we document the previously omitted procedures; and
- the Documentation Assembly and Modification Work Paper - International.

In addition to performing and documenting the previously omitted procedures or alternative procedures themselves, we document in Section 3 and/or Section 4 of the Documentation Assembly and Modification Work Paper - International:

- the circumstances encountered;
- a summary of the new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report; and
- when and by whom the resulting changes to audit documentation were made and reviewed.

## 2.2.3 Consult appropriate parties when previously omitted procedures cannot be performed [ISA | 3834]

### What do we do?

IF we are unable to perform the previously omitted or alternative procedures, THEN we consult the appropriate parties.

### Why do we do this?

Being unable to apply the previously omitted / alternative procedures represents a challenging circumstance. Therefore, we consult with others to help us determine an appropriate course of action concerning our responsibilities to the entity, regulators and users relying, or likely to rely, on the auditors' report(s).

### Execute the Audit

[What do we do if we cannot perform the omitted or alternative procedures?](#) [ISA | 3834.1300]

If we cannot perform the omitted or alternative procedures, we consult with the Risk Management Partner to determine an appropriate course of action.

## 2.2.4 Follow procedures for subsequent discovery of facts if applicable [ISA | 3833]

### What do we do?

IF as a result of performing the previously omitted procedures we become aware of facts existing at the date of the auditor's report that, had we been aware, would have affected that report, THEN perform procedures relevant for subsequent discovery of facts.

### Why do we do this?

The performance of a previously omitted or alternative procedure may result in newly discovered facts regarding the financial statement. This discovery might result in our consideration of whether or not to prevent future reliance on the previously issued auditor's report.

### Execute the Audit

[What do we do if the results of the omitted or alternative procedures reveal facts that would have affected the auditor's report?](#) [ISA | 3833.1500]

If the results of our procedures reveal facts that would have affected the auditor's report, we perform additional procedures in the chapter on subsequent events and/or subsequent discovery of facts ([AS 2905](#), [ISA 560](#), [AU-C 560](#)).

**What is the relationship between a previously omitted procedure and a subsequently discovered fact?**

[ISA | 3833.15866]

A previously omitted procedure is an audit procedure that is performed to support a previously expressed opinion, even in situations where there is no evidence that our audit report could be impacted. A subsequently discovered fact, however, is when we become aware of facts that may have impacted our audit report. In some cases, the discovery of one leads to the discovery of the other.

## 3 Complete relevant work paper when we perform new procedures/draw new conclusions after audit (or review) report date [ISA | 7728]

### What do we do?

IF we perform new or additional audit procedures or draw new conclusions after the date of the auditor's report (or review reports), THEN document the new procedures/ conclusions AND complete Section 3 of the Documentation Assembly and Modification Work Paper - International.

### Why do we do this?

We document new or additional audit procedures performed or new conclusions reached after the date of the auditor's report (or review report), along with the Documentation Assembly and Modification Work Paper - International. We do this so that our audit file is complete and necessary steps are followed.

## Execute the audit

**When might we perform new or additional procedures or draw new conclusions after the date of the auditor's report?** [ISA | 7728.6627]

We might perform new or additional audit procedures or draw new conclusions after the date of the auditor's report in exceptional circumstances such as:

- when, after the date of the auditor's report, we become aware of facts that existed at that date and which, if known at that date, might have caused the financial statements to be revised or our opinion to be modified. See chapter about subsequent discovery of facts ([AS 2905](#), [ISA 560](#), [AU-C 560](#)) for further information, particularly activity '[Determine the impact the facts would have had on the auditor's report and users](#)'.
- when we conclude that procedures necessary at the time of the audit, in the circumstances then existing, were omitted from the audit of the financial information. See activity '[Assess and remediate previously omitted procedures](#)' and related sub-activities for further information, particularly sub-activity '[Perform previously omitted procedures and document matters in relevant work paper](#)'.

## What do we document when, in exceptional circumstances, we perform new or additional audit procedures or draw new conclusions after the date of the auditor's report? [ISA | 7728.6628]

When, in exceptional circumstances, we perform new or additional audit procedures or draw new conclusions after the date of the auditor's report (or review report, or filing date for interim reviews where no report is issued), we document in Section 3 of the Documentation Assembly and Modification Work Paper - International:

- the circumstances encountered
- a summary of the new or additional audit procedures performed, audit evidence obtained, and conclusions reached, and their effect on the auditor's report
- when and by whom the resulting changes to audit documentation were made and reviewed
- the engagement partner and the risk management partner approval, and
- the EQC reviewer or the LSQC reviewer's, if appointed, review of this significant judgment made by the engagement team.

## What is the Documentation Assembly and Modification Work Paper - International? [ISA | 7728.6629]

The Documentation Assembly and Modification Work Paper - International is designed to help document the assembly of and modification(s) to documentation made after the date of the auditor's report (or review report).

When completed by a KPMG component auditor, the Documentation Assembly and Modification Work Paper - International is provided to the KPMG group auditor.

Non-KPMG component auditors provide information to the KPMG group auditor which is consistent with the information in the Documentation Assembly and Modification Work Paper - International.

When the member firm has policy restriction on sending the Documentation Assembly and Modification Work Paper - International, we provide information extracted from the Documentation Assembly and Modification Work Paper - International in a communication to the group auditor. Engagement teams include the workpaper with the audit documentation, when it is applicable.

The work paper is divided into the following sections:

**Section 1 - Administrative assembly of documentation after the date of the auditor's**

**Section 2 - Approval of extension of the audit (or review) file assembly date**, if in limited circumstances only, the administrative process of assembling a complete and final set of documentation, exceeds 7 calendar days for all listed entities, all banks and all insurance companies and 14 calendar days for all other entities

**Section 3 - Modification(s) of documentation arising after the date of the auditor's report (or review report)** for exceptional circumstances that resulted in the performance of new or additional audit (or review) procedures, obtain new evidence or

**Section 4 - Other modification(s) of documentation after the audit (or review) file assembly date** where we find it necessary to modify existing audit (or review) documentation or add new audit (or review) documentation

## How do we document our new or additional audit procedures or new conclusions after the date of the auditor's report? [ISA | 7728.6630]

When we perform new or additional audit procedures or draw new conclusions after the date of the auditor's report (or review report) for exceptional circumstances, we document the new procedures performed, audit evidence obtained and conclusions reached in the audit file and complete Section 3 of the Documentation Assembly and Modification Work Paper - International.

If new or additional audit procedures or new conclusions are necessary to support the auditors' report(s) and the existing audit documentation were modified or new audit documentation were added, the original audit documentation is not deleted or discarded because it represents the work performed as of the date of the auditors' report(s).

The completed Documentation Assembly and Modification Work Paper - International and associated audit documentation for new or additional audit procedures or new conclusions arising after the date of the auditor's report(s) are subject to the 'Assemble the final audit file' activity and guidance.

**Who do we notify if we make changes to audit documentation after the audit report date?** [ISA | 7728.6631]

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, if changes are administrative in nature and completion of Section 1 of the Documentation Assembly and Modification Work Paper - International are made after the date of the report but before the audit file assembly date. See activity 'Assemble the final audit file' for more information.

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, and the risk management partner, if

- 1) any modification or addition to the audit documentation are made after the audit file assembly date (See activity 'Make necessary additions to audit documentation and complete relevant work paper' for more information.) (Section 3 or 4); or
- 2) new or additional procedures are performed or new conclusions are drawn after the date of the auditor's report(s) or the review report(s) (Section 3).

**Who reviews the Documentation Assembly and Modification Work Paper - International and other related audit documentation?** [ISA | 7728.6632]

Who	What
Engagement partner - review and signing the Documentation Assembly and Modification Work Paper -International	The engagement partner reviews any completed sections of the Documentation Assembly and Modification Work Paper - International. The engagement partner signs any completed sections of the work paper. When signing Section 1, the engagement partner is approving that the changes or additions were administrative assembly activities and not modifications to audit documentation.
Engagement partner - review of documentation referred to in the	The engagement partner reviews all documentation referenced in the

Documentation Assembly and Modification Work Paper - International	Documentation Assembly and Modification Work Paper - International, including all documentation that was related to administrative assembly activities.
EQC/LSQC reviewer - review the Documentation Assembly and Modification Work Paper -International	The EQC reviewer or the LSQC reviewer, if appointed, reviews any completed sections of the Documentation Assembly and Modification Work Paper - International. When signing Section 1, the EQC reviewer or the LSQC reviewer is evaluating the engagement team's conclusions that the changes or additions were administrative assembly activities and not modifications to audit documentation.
EQC/LSQC reviewer - review of documentation referred to in the Documentation Assembly and Modification Work Paper -International	The EQC or LSQC reviewer, if appointed, determines whether and to what extent to review the audit documentation referenced in the work paper to support the conclusions reached. In the event the modifications or additions are the result of internal or external inspections, the EQC or LSQC reviewer, if appointed, evaluates the engagement team's conclusions about whether the remediation is sufficiently responsive to the engagement deficiency.
Risk Management Partner - review and signing the Documentation Assembly and Modification Work Paper -International	The Risk Management Partner reviews any completed sections of the Documentation Assembly and Modification Work Paper - International, except for Section 1.
Risk Management Partner - review of documentation referred to in the Documentation Assembly and Modification Work Paper -International	Review of the audit documentation referenced in the work paper is at the discretion of the Risk Management Partner.

What do we do if we modify audit documentation after the audit file assembly date for reasons other than performing new procedures or coming to new conclusions? [ISA | 7728.6633]

In circumstances other than performing new procedures or drawing new conclusions, where we find it necessary to modify existing audit documentation or add new audit documentation after the audit



file assembly date, we follow the guidance at 'Make necessary additions to audit documentation and complete relevant work paper' .

## Assembly of the Final Audit File

### International Standards on Auditing: ISA 230.14-16

#### Assembly of the Final Audit File

14. The auditor shall assemble the audit documentation in an audit file and complete the administrative process of assembling the final audit file on a timely basis after the date of the auditor's report. (Ref: Para. A21 - A22)

15. After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period. (Ref: Para. A23)

16. In circumstances other than those envisaged in paragraph 13 where the auditor finds it necessary to modify existing audit documentation or add new audit documentation after the assembly of the final audit file has been completed, the auditor shall, regardless of the nature of the modifications or additions, document: (Ref: Para. A24)

- (a) The specific reasons for making them; and
- (b) When and by whom they were made and reviewed.

## ISA Application and Other Explanatory Material: ISA 230.A21-A24

### Assembly of the Final Audit File (Ref: Para. 14-16)

A21. ISQM 1 (or national requirements that are at least as demanding) requires firms' systems of quality management to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement reports.<sup>14</sup> An appropriate time limit within which to complete the assembly of the final audit file is ordinarily not more than 60 days after the date of the auditor's report.<sup>15</sup>

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<sup>14</sup> ISQM 1, paragraph 31(f)

<sup>15</sup> ISQM 1, paragraph A83

A22. The completion of the assembly of the final audit file after the date of the auditor's report is an administrative process that does not involve the performance of new audit procedures or the drawing of new conclusions. Changes may, however, be made to the audit documentation during the final assembly process if they are administrative in nature. Examples of such changes include:

- Deleting or discarding superseded documentation.
- Sorting, collating and cross-referencing working papers.
- Signing off on completion checklists relating to the file assembly process.



- Documenting audit evidence that the auditor has obtained, discussed and agreed with the relevant members of the engagement team before the date of the auditor's report.

A23. ISQM 1 (or national requirements that are at least as demanding) requires firms' systems of quality management to establish a quality objective to address the appropriate maintenance and retention of engagement documentation to meet the needs of the firm and to comply with law, regulation, relevant ethical requirements, or professional standards.<sup>16</sup> The retention period for audit engagements ordinarily is no shorter than five years from the date of the auditor's report, or, if later, the date of the auditor's report on the group financial statements, when applicable.<sup>17</sup>

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<sup>16</sup> ISQM 1, paragraph 31(f)

<sup>17</sup> ISQM 1, paragraph A85

A24. An example of a circumstance in which the auditor may find it necessary to modify existing audit documentation or add new audit documentation after file assembly has been completed is the need to clarify existing audit documentation arising from comments received during monitoring activities or external inspections.

## How do we comply with the Standards? [ISA | KAEGHDWC]

### 1 Assemble the final audit file [ISA | 1662]

#### What do we do?

Complete the administrative process of assembling the audit documentation in the final audit file.

#### Why do we do this?

We assemble and retain audit documentation that supports our opinion and evidences how we complied with relevant auditing standards, legal and regulatory requirements and relevant firm policies and procedures (e.g. KPMG Audit Execution Guide and other relevant KPMG manuals). Retention of our audit documentation also facilitates internal and external inspections and enables us to support and respond to any legal or regulatory inquiries or requests.

### Execute the Audit

#### What is the final audit file? [ISA | 1662.6634]

The final audit file is the complete set of audit documentation that supports our opinion and demonstrates that we complied with relevant auditing standards, legal and regulatory requirements, and relevant firm policies and procedures.

#### What is the final audit file comprised of? [ISA | 1662.6635]



*\*Some member firms may require that all documentation is retained with the KPMG Clara workflow file. Each member firm has an established process for retention and storage of audit or review files. We refer to the local member firm guidance.*

#### When do we initiate the KPMG Clara workflow file closeout? [ISA | 1662.6636]

We initiate the KPMG Clara workflow file close out process to prevent any modifications to the file within:

- 7 calendar days of the date of the auditor's report or review report (for interim reviews of financial information of an audit client) for all listed entities, all banks and all insurance companies (i.e. including non-listed banks and insurance companies); or
- 14 calendar days of the date of the auditor's report or review report (for interim reviews of financial information of an audit client) for all other entities.

The KPMG Clara workflow will automatically document the date the file was closed out. The only exception to this is if exceptional IT issues prevent the engagement team from initiating close out.

#### When do we assemble the final audit file? [ISA | 1662.6637]

We assemble the final audit file between the date of the auditor's (or review) report and the audit (or review) file assembly date.

#### What is the audit file assembly date? [ISA | 1662.6638]

The audit file assembly date is the date we finish assembling a complete and final set of audit documentation. It is the date the KPMG Clara workflow file and any other documentation outside of the KPMG Clara workflow file are complete and ready for retention.

Deadlines for the audit file assembly date vary depending on the circumstances:

Circumstance	Audit file assembly date deadline
We issue the auditor's report (or review report), and there are no "certain limited circumstances"	<p>A date no later than:</p> <ul style="list-style-type: none"> <li>- 7 calendar days for all listed entities, all banks and all insurance companies; or</li> <li>- 14 calendar days for all other entities after the date of the auditor's report (or review report), unless there are certain limited circumstances.</li> </ul>
We issue the auditor's report (or review report), and there are "certain limited circumstances"	<p>A date ordinarily no later than 60 calendar days after the auditor's report (or review report) date.</p> <p>Only in "certain limited circumstances", certain documentation completion items may not be received by the audit file assembly date.</p> <p>Even in these "certain limited circumstances", we initiate the KPMG Clara workflow close out process to prevent any modifications to the KPMG Clara workflow file by the applicable dates (7 or 14 calendar days).</p> <p>We obtain appropriate reviewers' approval before exceeding the relevant time frame of 7 or 14 calendar days and document such approvals in Section 2 of the Documentation Assembly and Modification Work Paper - International.</p>
We are unable to complete the engagement	As soon as practicable, but ordinarily no later than 60 calendar days from the date the engagement ceased.

What are examples of "certain limited circumstances" where audit file assembly cannot be completed by 7 or 14 calendar days, as applicable? [ISA | 1662.6643]

Examples of "certain limited circumstances" are:

- pending receipt of other final documents required by local laws or regulations but which do not support procedures or conclusions reached to issue the auditor's report (or review report);
- IT issues prevent the engagement team from initiating close out by the file close out date, thus delaying both the file close out date and the file assembly date. Note that IT issues are the only reason the file close out date can be delayed. For further information on when it is appropriate to extend the audit file assembly date due to IT issues, and when extension of the file assembly date is not necessary, see the [File Close Out and File Assembly Supplementary Guidance for KAEG and ESG Assurance Engagements](https://alex.kpmg.com/AROWeb/DocumentWindow.aspx?ref=GO_CKD_WP_KCw_ClosOut_FileAssmbly_SGD&from=attach) [https://alex.kpmg.com/AROWeb/DocumentWindow.aspx?ref=GO\\_CKD\\_WP\\_KCw\\_ClosOut\\_FileAssmbly\\_SGD&from=attach](https://alex.kpmg.com/AROWeb/DocumentWindow.aspx?ref=GO_CKD_WP_KCw_ClosOut_FileAssmbly_SGD&from=attach).
- communications to those charged with governance that cannot take place until several weeks after the date of the auditor's report (or review report):

- for example, the issuance of the Brazil Letter of Recommendation audit report or the German Long Form audit report; and
- documentation related to the performance of procedures that are performed after the date of the auditor's report (or review report) and relate to the issuance of a report separate to our auditor's report (or review report)\*.

In these "certain limited circumstances", we obtain appropriate reviewers' approval (the engagement partner and Risk Management Partner) and the EQC or LSQC reviewer (if appointed) reviews this significant judgment made by the engagement team, before exceeding the time frame of 7 or 14 calendar days, as applicable, and complete Section 2 of the Documentation Assembly and Modification Work Paper - International.

\*ISA 720 "The Auditor's Responsibilities Relating to Other information" is not an example of "certain limited circumstances".

In the "certain limited circumstances" when we obtain an approval of extension of the file assembly date (Section 2 of the Documentation Assembly and Modification Work Paper-International), what does "as soon as practicable" mean? [ISA | 1662.6644]

In "certain limited circumstances" when we obtain an approval of extension of the audit (review) file assembly date (Section 2 of the Documentation Assembly and Modification Work Paper - International), the assembly of a complete and final set of documentation is completed "as soon as practicable", but ordinarily not to exceed 60 calendar days after the report date for ISA engagements. For Foreign Private Issuers (FPIs) and any other non-US PCAOB engagements, this does not exceed 45 calendar days after the report release date.

The intent of "as soon as practicable" is not for engagement teams to default to 60 (or 45) calendar days, but instead we complete the audit (review) file assembly within a reasonable time period shortly after the receipt of relevant documentation that precluded the engagement team from not being able to complete the audit (review) file assembly within the relevant time period.

For example, the engagement team was missing a final document that was administrative in nature and requested approval of the audit file assembly date extension and completed Section 2 of the Documentation Assembly and Modification Work Paper-International. This document was received by the engagement team on calendar day 16. As soon as practicable, would be a reasonable time period shortly after calendar day 16. Taking an additional 44 days to complete the audit file assembly on calendar day 60 would not be considered a reasonable time period shortly after the receipt of the documentation for completing this activity.

Who approves the extension of the audit file assembly date? [ISA | 1662.6645]

The Engagement Partner and Risk Management Partner approve the extension of the audit file assembly date. The EQC reviewer or LSQC reviewer (if appointed) reviews this significant judgment made by the engagement team.

Is the audit file assembly date the date we initiate KPMG Clara workflow file closeout? [ISA | 1662.6646]

Not necessarily.

There is only one audit file assembly date. Therefore, it depends on whether the audit documentation is initiated for close out and assembled at the same time or not.

While we initiate the KPMG Clara workflow file close out process to prevent any modifications to the file, there may be other information that we include in our audit documentation at a later date.

In the scenario when our final set of audit documentation, including any documentation outside of the KPMG Clara workflow file, is complete at the time of initiating the KPMG Clara workflow file close out process, then the date of initiation of close out of the KPMG Clara workflow file will be same date as the audit file assembly date.

**Can a member firm or group auditor specify a different KPMG Clara workflow file close out time frame and audit file assembly period, if they are shorter than the periods noted above?** [ISA | 1662.6647]

Yes. A member firm or group auditor may specify shorter KPMG Clara workflow file close out time frames and audit file assembly periods than those noted above to conform with local auditing standards or for any other reason.

**Do we document the audit file assembly date in our audit documentation?** [ISA | 1662.6648]

Yes. For any audit documentation outside of the KPMG Clara workflow file, the engagement team documents the audit file assembly date within the member firm's record retention system. Additionally, this is documented in the Documentation Assembly and Modification Work Paper - International.

**In the event of holidays or firmwide shutdowns, are the 7 or 14 calendar day assembly periods modified?** [ISA | 1662.6649]

In the event of holidays or firmwide shutdowns, we do not modify the file assembly period. Instead, we plan appropriately to accelerate work to align with the date of the auditor's (or review) report and the file assembly period.

For example, in the event where a planned firmwide shutdown utilizes 2 days of the 7 calendar day period, engagement teams appropriately plan around the planned office shutdown.

In limited circumstances where the file assembly period date cannot be met, we complete Section 2 of the Documentation Assembly and Modification Work Paper - International for approval of an extension of the audit (or review) file assembly date.

**How do we determine the audit file assembly date (i.e. 7 or 14 calendar days)?** [ISA | 1662.6650]

We start from the date of the auditor's report (or review report). This is Day 0.

For example, if the auditor's report was dated March 1, 20XX, calendar day 7 would be March 8, 20XX and calendar day 14 would be March 15, 20XX.

If in "certain limited circumstances" when the file assembly cannot be completed by these dates, assembly of the complete and final set of documentation for ISA engagements is ordinarily no later than 60 calendar days from the date of the auditor's report. This would be April 30, 20XX.

The following is an example of how we apply the concepts of calendar day 0 and calendar day 7 for a listed entity, bank or insurance company:

- An engagement team in the Montreal, Canada office inputs February 10, 20XX as the auditor's report date in the applicable screen in KPMG Clara workflow, obtains all signatures for release of report on February 10, 20XX.

- Calendar day 0 is February 10, 20XX.
- The KPMG Clara workflow file is initiated for close-out no later than calendar day 7, which in this example is February 17, 20XX to prevent any modifications to the file.
- The final automated process of closing out the electronic file may take place shortly after this date including the process to create an RETX file (KPMG Clara workflow file).
- The engagement team also completes the process of assembling a complete and final set of audit documentation of any other documentation, maintained outside of the KPMG Clara workflow retention file) no later than calendar day 7, which in this example is February 17, 20XX.
- If there is no other documentation outside of KPMG Clara workflow and no "certain limited circumstances", the close out process completes the file assembly process.

We apply a similar timeline when determining calendar day 14 for all other entities.

#### When is the retention (RETX) file created? [ISA | 1662.6651]

RETX files are created no later than 60 calendar days after the date of the auditor's report for all ISA engagements, non-US AICPA components and any other AICPA engagements, and no later than 45 calendar days for FPIs and any other non-US PCAOB engagements after the report release date.

#### For purposes of close out and audit file assembly, what is the definition of a "bank"? [ISA | 1662.6652]

For purposes of close out and audit file assembly, an entity is considered to be a bank:

- where the entity is required to have a banking or equivalent license in order to operate in any of the jurisdictions it trades in,
- where the entity is identified as a bank or equivalent institution in relevant local legislation, or
- where the entity is providing micro-finance or payday lending.

These guidelines are applicable to the following situations:

- Entities of all sizes that meet the above definition of a bank (i.e. banks of all sizes irrespective of factors such as the bank's profitability, total assets and liabilities (including deposits and loans), number of employees and number of customers;
- All types of banks (e.g. commercial banks, investment banks, credit unions, industrial banks, agricultural banks and savings banks);
- Neobanks, such as digital, online and fintech banks (including entities using innovation and new technology) that meet the definition of a bank above;
- Local subsidiaries (or components) of an international group (or a group located in another country), where the local subsidiaries (or components) meet the above definition of a bank;
- Banks where KPMG member firm is the group auditor or the component auditor;
- A country's central or national bank;
- A bank branch; and
- An entity providing other financial services (such as asset management, trustee and custody services, broker-dealer services and insurance services) if the entity meets the above definition of a bank (i.e. these other services are provided by an entity that is a bank).

#### For purposes of close out and audit file assembly, what is the definition of an "insurance company"? [ISA | 1662.6653]

An insurance company is an entity which has the predominant purpose of issuing contracts under which it accepts significant insurance risk from another party (the policyholder) by agreeing to

compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

#### What does the assembly of the final audit file entail? [ISA | 1662.6654]

The completion of the assembly of the final audit file after the date of the auditor's report(s) is an administrative process that does not involve the performance of new audit procedures or drawing new conclusions. Changes may be made to the audit documentation during the final assembly process provided they are administrative in nature. Such changes are documented in the Documentation Assembly and Modification Working Paper - International (Section 1), except for the administrative assembly activities described in the sub-question below, and may include for example;

- placing the final financial statements or final regulatory filing in the audit file;
- performing routine file-assembling procedures such as deleting or discarding superseded documentation and sorting, collating and cross-referencing final audit documentation;
- preparing and completing checklists relating to the file assembly process;
- completing the documentation and assembly of audit evidence that we have obtained, discussed and agreed with the relevant members of the engagement team before the auditor's report(s) is signed and dated, for example,
  - including documentation relating to a meeting with those charged with governance shortly before or on the date of the auditor's report(s); and
- adding information received after the date of the auditor's report(s) for example, an original confirmation that was previously faxed obtained in electronic form (e.g. a confirmation faxed).

#### What administrative assembly activities may be performed after the date of the auditor's report (or review report) where we do not complete the Documentation Assembly and Modification Work paper - International? [ISA | 1662.6655]

The following exempt administrative assembly activities may be performed after the date of the auditor's report (or review report) and we do not complete the Documentation Assembly and Modification Work Paper - International (Section 1):

- Adding to the file the final financial statements that were issued by a listed entity (record copy) and transferring the tie-out documentation to the record copy that the engagement team had compared, prior to the date of the auditor's report (or review report), to the tied-out draft in the file;
- For non-listed entities where the date of the auditor's report (or review report) precedes the date the financial statements are issued, adding to the file the final financial statements that were issued (record copy) and transferring the tie-out documentation to the record copy that the engagement team had compared, prior to the date of the auditor's report (or review report), to the tied-out draft in the file;
- Adding documentation to the file that compares the final financial statements to an electronically submitted document, if applicable, based on the applicable auditing standard (e.g., the local regulatory published document) ("post publish review");
- Adding the final management representation letter to the file;
- Adding the final management letter to the file;
- Sorting, collating, and cross-referencing documentation in the file;



- Preparing and completing checklists relating to the file assembly process and adding them to the file;
- Adding documentation to the file relating to meeting with those charged with governance shortly before or on the date of the auditor's reports (or review reports);
- Adding documentation to the file received after the date of the auditor's report (or review report) that was previously obtained in electronic form (e.g., a confirmation);
- Adding any other final document(s) to the file required by local laws or regulations but which does(do) not support procedures or conclusions reached to issue the auditor's report (or review report);
- Adding documentation to the file related to the performance of our procedures to read other information that is prepared after the date of the auditor's report (e.g. an annual report), to determine whether there is a material inconsistency between the other information and the financial statements and/or our knowledge obtained in the audit if such procedures were performed prior to audit file assembly date; and
- Adding documentation to the file related to the performance of our procedures that is performed after the date of the auditor's report (or review report) and relate to the issuance of a report separate to that our auditor's report (or review report).

What is meant by the administrative assembly activity related to "Documenting audit evidence that the auditor has obtained, discussed, and agreed with relevant members of the engagement team before the date of the auditor's report" (ISA 230.A22, bullet 4)? [ISA | 1662.6656]

We cannot date the auditor's report (or review report) until we have completed all necessary audit procedures and obtained sufficient appropriate audit evidence to support our audit opinion, or performed procedures that enable us to express a conclusion based on our review, including addressing/clearing review notes (other than notes or a list of items related to the documentation file assembly process) and obtaining support for all final conclusions.

### **Examples of activities that would be administrative assembly activities**

Examples of administrative assembly activities related to documenting evidence that the auditor has obtained, discussed and agreed with relevant members of the engagement team before the date of the auditor's report but prior to the file assembly date (specifically related to ISA 230. A22, bullet 4) include:

- Adding documentation regarding a meeting held shortly before or on the date of the auditor's report (i.e., audit committee meeting).
  - This is an allowable administrative assembly activity exempt from completing Section 1 of the Documentation Assembly and Modification Work Paper - International.
- Changes to documentation that do not add or change procedures performed, do not add or change evidence obtained, or do not add or change any conclusions. Although generally administrative in nature, engagement teams are encouraged to complete spelling and/or grammar checks that may result in editorial changes to the documentation before the date of the auditor's report (or review report) (i.e. avoid doing this activity after the auditor's report date). These changes result in completion of one of the following sections depending on the circumstance:



- Section 1 if changes made before the audit file assembly date that do not add or change procedures performed, or do not add or change evidence obtained, or do not add or change any conclusions made.
- Section 3 if changes alter the meaning of documentation such that it indicates additional or changed procedures were performed, or additional or changed evidence was obtained, or additional or changed conclusions were made.
- Section 4 if changes are made after the audit file assembly date that do not add or change procedures performed, or do not add or change evidence obtained, or add or change any conclusions.
- Replacing the draft version with the final version of a management's specialist report received after the auditor's report that is the same as the draft report and where the engagement team had confirmed with management's specialist that there would be **no changes** to the draft report prior to the auditor's report date and it is the same. Any tick marks on the draft report are transferred to the final version.
  - This would result in completion of Section 1 of the Documentation Assembly and Modification Work Paper - International.

Any documentation changes as a result of administrative assembly activities during the audit file assembly period is documented in Section 1 of the Documentation Assembly and Modification Work Paper - International, unless it relates to any of the matters that are exempt administrative assembly activities. See question 'What administrative assembly activities may be performed after the date of the auditor's report (or review report) where we do not complete the Documentation Assembly and Modification Work paper - International?' above.

**Examples of what would not be considered administrative assembly activities include:**

- Changes to documentation that add or change procedures performed, add or change evidence obtained, or add or change any conclusions. These changes result in completion of one of the following sections depending on the circumstance:
  - Section 3 if changes alter the meaning of documentation such that it indicates additional or changed procedures were performed, or additional or changed evidence was obtained, or additional or changed conclusions were made.
  - Section 4 if changes are made after the audit file assembly date that add or change procedures performed, add or change evidence obtained, or add or change any conclusions.
- Performing new or additional audit procedures and/or drawing new conclusions considered necessary to obtain sufficient appropriate audit evidence to support our auditors' opinion after the date of the auditors' report
  - (modification Section 3).
- Obtaining new or additional audit evidence after the auditor's report date
  - (modification - Section 3).
- Preparing a memorandum to document audit procedures performed before the auditor's report but that were not discussed and agreed with relevant members and documented at the date of the auditor's report.
  - (modification - Section 3 - if before the audit file assembly date)

- (modification - Section 3 - if after the audit file assembly date where there are changes to audit documentation (i.e. memo re-writes) with new procedures, new evidence or drawing of new conclusions)
- (modification - Section 4 - if after the audit file assembly date where there are changes to audit documentation (i.e. memo re-writes) but no new procedures, new evidence or drawing new conclusions)
- Replacing a management's specialist's report with a final version of the report where the final version of the report is not the same as the draft.
  - (modification - Section 3 - for changes before or after the audit file assembly date),
  - (modification - Section 4 - for example, if the team simply forgot to print and file the final report after the audit file assembly date which came up in an inspection review.)
- Reviewing of documentation or evidencing review of documentation as this activity is to be performed, and evidenced prior to the auditor's report date
  - (modification - Section 3).
- Clearing/addressing any review notes (other than notes or a list of items related to the file assembly process only) related to the performance of audit procedures
  - (Modification Section 3).
- Documenting the review of the EQC reviewer (if appointed) on workflow screens or attachments (e.g. completing/sign-off of the EQCR or LSQCR checklist or activity after the auditor's report date).
  - (modification Section 3).

Any of the above examples, as indicated, result in the completion of Section 3 or 4 of the Documentation Assembly and Modification Work Paper - International, as applicable, because such activities are NOT administrative assembly activities but modifications of documentation.

#### Do we retain review notes in the final audit file? [ISA | 1662.6657]

No, unless otherwise required by applicable law or professional standards, including a preservation notice.

#### Are notes or a list of items related to the file assembly process considered to be review notes? [ISA | 1662.6658]

No. Notes or a list of items related to the process of file assembly, whether electronic or on paper, are not considered to be review notes, where they do not relate to the performance or documentation of audit procedures or the drawing of new conclusions. They are considered to be administrative in nature. They may be addressed during the file assembly process and do not need to be cleared by the date of signing the auditor's report.

#### Is it acceptable to include certain documentation related to the current year's audit in the subsequent year's audit documentation? [ISA | 1662.6659]

Depending on local auditing standards, local laws or regulations or member firm policies, it may be acceptable to include certain documentation in the subsequent year's audit documentation.

Examples of such documentation may include:

- final document(s) required by local laws or regulations but which do not support procedures or conclusions reached to issue the auditor's report (or review report);
- documentation related to the performance of procedures to read other information that is prepared after the date of the auditor's report (e.g. an annual report); and
- the performance of procedures that are performed after the date of the auditor's report (or review report) and relate to the issuance of a report separate to our auditor's report (or review report).

For example, when the other information is received subsequent to the date of the auditor's report and after the audit file assembly period in accordance with ISA 720 to read other information may be filing it in the subsequent year's audit documentation;

In this case, the original KPMG Clara workflow audit file is not modified and that unmodified file is retained. Procedures performed in accordance with ISA 720 on other information are not audit procedures on the financial statements.

[How do we comply with the file close out and file assembly periods when more than one report is issued with different dates supported by the same audit documentation \(e.g., report for consolidation purposes and statutory audit \(or review\) report\)?](#) [ISA | 1662.6660]

When we issue more than one report with different dates that are supported by the same audit documentation (e.g. audit (or review) report for consolidation purposes and statutory audit (or review) report - that may be issued weeks or months apart), we comply with the file close out and file assembly period for each report separately as they are separate engagements.

Because much of the work performed in an audit may support one or more reports for the same entity, functionality in KPMG Clara workflow allows us to copy an engagement file and structure it to support other audit opinions. Each file is closed out based on its respective file assembly period.

For example, if a KPMG component auditor is a bank (7 calendar days) and the KPMG group is a non-listed entity (14 calendar days), the component complies with the group auditor's audit file assembly period of 14 calendar days for purpose of the group consolidated financial reporting. However, when we issue separate reports for consolidation purposes and statutory audits, we comply with the file close out and file assembly period for each report separately as they are separate engagements. As such, for statutory purpose, the component complies with the 7 calendar day audit file assembly period.

[What do we do if we add information to our audit documentation after the date of the auditor's report or review report but before file assembly has been completed?](#) [ISA | 1662.6661]

If we make changes or additions to documentation after the date of the auditor's report(s) or review report(s) but before the audit file assembly date which are limited to administrative assembly activities, we document the following in the Documentation Assembly and Modification Work Paper - International (Section 1) except for those administrative assembly activities listed in the applicability section of the workpaper:

- a description of the change(s) and/or addition(s)
- when and by whom the change(s) and/or addition(s) to the audit documentation were made and reviewed
- the engagement partner approval, and

- the EQC reviewer or the LSQC reviewer's, if appointed, review of this significant judgment made by the engagement team.

[What do we do if in certain limited circumstances, we are not able to assemble a complete and final set of audit documentation within the relevant time frames?](#) [ISA | 1662.6662]

If in certain limited circumstances, we may not be able to assemble a complete and final set of audit documentation for retention within the relevant audit file assembly time frames (i.e. 7 or 14 calendar days), we document the following in the Documentation Assembly and Modification Work Paper - International (Section 2):

- the reason(s) why the time frame could not be met,
- description of the documentation completion item(s) not yet received
- the engagement partner and the risk management partner approvals that are obtained before exceeding the relevant time frame, and
- the EQC reviewer or the LSQC reviewer's, if appointed, review of this significant judgment made by the engagement team.

[What steps are appropriate when an engagement team does not meet its audit file assembly date and did not seek approval of extension of the audit \(or review\) file assembly date?](#) [ISA | 1662.6663]

When the engagement team becomes aware that it did not meet its audit file assembly date and did not seek approval of extension, the engagement team reports the matter to the Risk Management Partner to discuss the matter, the reasons for the delay and why appropriate approval of extension of the audit (or review) file assembly date was not obtained.

[Who do we notify if we make changes to audit documentation after the auditor's report date?](#) [ISA | 1662.6664]

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, if the changes are administrative in nature and completion of Section 1 of the Documentation Assembly and Modification Work Paper - International are made after the date of the auditor's report but before the audit file assembly date.

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, and the risk management partner, if:

- (1) any modification or addition to the audit documentation are made after the audit file assembly date (See activity 'Make necessary additions to audit documentation and complete relevant work paper' for more information); or
- (2) new or additional procedures are performed or new conclusions are drawn after the date of the auditor's report(s) or the review report(s) (See activity 'Complete relevant work paper when we perform new procedures/draw new conclusions after audit report date' for more information.).

[What is the Documentation Assembly and Modification Work Paper - International?](#) [ISA | 1662.6665]

The Documentation Assembly and Modification Work Paper - International is designed to help document the assembly of and modification(s) to documentation made after the date of the auditor's report (or review report).

When completed by a KPMG component auditor, the Documentation Assembly and Modification Work Paper - International is provided to the KPMG group auditor.

Non-KPMG component auditors provide information to the KPMG group auditor which is consistent with the information in the Documentation Assembly and Modification Work Paper - International.

When the member firm has policy restriction on sending the Documentation Assembly and Modification Work Paper - International, we provide information extracted from the Documentation Assembly and Modification Work Paper - International in a communication to the group auditor. Engagement teams include the workpaper with the audit documentation, when it is applicable.

The work paper is divided into the following sections:

**Section 1 - Administrative assembly of documentation after the date of the auditor's**

**Section 2 - Approval of extension of the audit (or review) file assembly date**, if in limited circumstances only, the administrative process of assembling a complete and final set of documentation, exceeds 7 calendar days for all listed entities, all banks and all insurance companies and 14 calendar days for all other entities

**Section 3 - Modification(s) of documentation arising after the date of the auditor's report (or review report)** for exceptional circumstances that resulted in the performance of new or additional audit (or review) procedures, obtain new evidence or

**Section 4 - Other modification(s) of documentation after the audit (or review) file assembly date** where we find it necessary to modify existing audit (or review) documentation or add new audit (or review) documentation

**Where may we keep the manually signed management representation letter to comply with local auditing standards?** [ISA | 1662.6666]

If we obtain the original manually signed management representation letter from the entity (i.e. in hard copy), we may:

- include it in a separate client correspondence file, if such documentation is not considered part of our audit documentation as a copy has also been scanned into the KPMG Clara workflow file and this hard copy document is not subject to the file assembly process, or
- include the hard copy with any other hard copy documentation maintained outside of the KPMG Clara workflow file if local auditing standards and/or member firm policy states that a hard copy be included as part of our audit documentation and this document is subject to the file assembly process.

Adding the original manually signed management representation letter to the KPMG Clara workflow file during file assembly period (where it was already obtained prior to the issuance of our auditor's report), is an allowable exemption from completing Section 1 of the Documentation Assembly and Modification Work Paper - International.

**What is the group audit file assembly date?** [ISA | 1662.6667]

The group audit file assembly date is the date the group auditor finalizes their audit file assembly. The group audit file assembly date is not complete until both the component auditors and group auditors audit final assembly are completed.

The group auditor communicates the group auditor's report (or review report) date and the required audit file assembly date to component auditors in the group audit instructions. The component auditors follow the group auditor's audit file assembly date for purpose of the group consolidated financial

reporting. See 'How do we comply with the file close out and file assembly periods when more than one report is issued with different dates supported by the same audit documentation (e.g., report for consolidation purposes and statutory audit (or review) report)?' for considerations when we issue separate reports for consolidation purpose and statutory purpose.

In the event the KPMG group auditor's communicated anticipated group auditor's report date and/or group audit file assembly date included in the group audit instructions is different to the actual group auditor's report date and/or revised group audit file assembly date, the group auditor issues an addendum to the group audit instructions to communicate the revised dates to the component auditor.

**Do all component auditors comply with the revised file assembly date?** [ISA | 1662.6668]

Yes.

The audit file assembly date applies to KPMG and non-KPMG component auditors where the component auditor performs audit work related to a component or audit procedures designed by the group.

**Do KPMG component auditors comply with the same file close out and file assembly periods as the KPMG group auditor?** [ISA | 1662.6669]

Yes.

The KPMG group auditor communicates the group auditor's report (or review report) date and the audit file assembly date to KPMG component auditors in the group audit instructions.

Day 0 for determining the audit file assembly date is the date of the group auditor's report (or review report).

The KPMG group auditor (or member firm) may specify shorter close out and audit file assembly periods to conform with local auditing standards or for any other reason.

While the KPMG group auditor and KPMG component auditor initiate the KPMG Clara workflow file close out within the same period, they may initiate the KPMG Clara workflow file close out on a different day within the relevant period.

KPMG component auditors takes note of the file assembly date included in the group audit instructions.

**Do KPMG component auditors comply with the same file assembly requirements as the non-KPMG group auditors?** [ISA | 1662.6670]

When a non-KPMG group auditor communicates the group auditor's report (or review report) date and the audit file assembly date to KPMG component auditors in the group audit instructions we consider that when determining the audit file assembly date for the work performed for the non-KPMG group auditor.

When the non-KPMG group auditors audit file assembly date is before the date determined in accordance with KAEG we apply that date when possible. We communicate with the group auditor to discuss alternatives if that is not possible.

Day 0 for determining the audit file assembly date is the date of the group auditor's report (or review report).

Non-KPMG group auditors may specify shorter audit file assembly periods to conform with local auditing standards or for any other reason.

The KPMG component auditor complies with the shorter audit file assembly period when possible or communicates to the group auditor if this is not possible.

KPMG component auditors takes note of the file assembly date included in the group audit instructions.

**What if a KPMG component auditor communicates to the KPMG group auditor that they cannot comply with the audit file assembly timeframe?** [ISA | 1662.6671]

This is an indication that the group auditor's audit file assembly date may need to be delayed.

When a KPMG component auditor has communicated that they are unable to assemble a complete file within 7 or 14 calendar days of the group report date, the KPMG group auditor discusses this with the KPMG component auditor and considers the KPMG component auditor's rationale.

The group engagement partner assesses and documents the appropriateness of the explanation provided by the KPMG component auditor as to why the requested file assembly date cannot be met.

As a result of the component auditor's extension of the audit (review) file assembly date, the group auditor completes Section 2 of the Documentation Assembly and Modification Work Paper - International, as the group auditor's audit file assembly is now also delayed/extended due to the KPMG component auditor.

The KPMG component auditor will complete file assembly as soon as practicable but ordinarily not to exceed 60 calendar days after the report date for ISA engagements. For Foreign Private Issuers (FPIs) and any other non-US PCAOB engagements, this does not exceed 45 calendar days after the report release date.

**What if a non-KPMG component auditor communicates to the KPMG group auditor that they cannot comply with the audit file assembly period?** [ISA | 1662.6672]

Where a non-KPMG component auditor has communicated they are unable to assemble a complete file within 7 or 14 calendar days of the group report (review) date, the KPMG group auditor discusses with the non-KPMG component auditor and considers the non-KPMG component auditor's rationale.

The group engagement partner will assess and document the appropriateness of the explanation provided by the non-KPMG component auditor as to why the requested file assembly date cannot be met. This is be an indication that the group auditor's audit file assembly date may need to be delayed.

As a result of the component auditor's extension of the audit (review) file assembly date, the group auditor completes Section 2 of the Documentation Assembly and Modification Work Paper - International, as the group auditors audit file assembly is now also delayed/extended due to the non-KPMG component auditor.

The group auditor will inform the non-KPMG component auditor of the requirement to complete file assembly ordinarily no later than 60 calendar days after the auditor's report date (or not more than 45 calendar days after the report release date for PCAOB engagements and not more than 60 calendar days after the report release date for AICPA engagements).



Do KPMG component auditors provide information to the KPMG or non-KPMG group auditor regarding the file assembly activities and modification to audit documentation after the audit report date? [ISA | 1662.6673]

KPMG component auditors provide KPMG group auditors with information regarding file assembly activities and modification to audit documentation after the group audit report date by providing them with the Documentation Assembly and Modification Work Paper (International or US, as applicable) before the anticipated or actual group audit file assembly date. This information is communicated by the KPMG component auditor to the KPMG group auditor even if the Documentation Assembly and Modification Work Paper (International or US, as applicable) has not yet been finalized. Although, if the KPMG component auditor has local laws or restrictions or when the member firm has a policy restriction to send the Documentation Assembly and Modification Work Paper, we provide the information extracted from the work paper in a communication.

KPMG component auditors provide non-KPMG group auditors with information regarding file assembly activities and modification to audit documentation after the audit report date when requested by the non-KPMG group auditors. KPMG component auditors may provide information extracted from the Documentation Assembly and Modification Work Paper (International or US, as applicable).

What does the KPMG group auditor do when the Documentation Assembly and Modification Work Paper-International is received from the KPMG component auditor? [ISA | 1662.6674]

Receiving the Documentation Assembly and Modification Work Paper- International, allows the KPMG group auditor to evaluate the assembly activities and understand any modifications that occur subsequent to the group auditor's report (or release) date.

When Documentation Assembly and Modification Work Papers are received from the KPMG component auditors, the KPMG group auditor evaluates the effects on the group auditors audit file assembly date and when necessary, completes a separate Documentation Assembly and Modification Work Paper-International, for the group auditor when the group auditor's file assembly date is modified as a result of any of the following circumstances:

- the KPMG component auditor obtained approval for extension of the audit (or review) file assembly date (Section 1, if relevant and Section 2 the Documentation Assembly and Modification Work Paper - International); or
- the KPMG component auditor made modifications to documentation after the date of the group auditor's report (or review report) date (Section 3 or Section 4 of the Documentation Assembly and Modification Work Paper- International).

Do KPMG group auditors request non-KPMG component auditors to provide information regarding file assembly activities and modification to audit documentation after the audit report date? [ISA | 1662.6675]

KPMG group auditors request non-KPMG component auditors to provide information consistent with the Documentation Assembly and Modification Work Paper - International, regarding file assembly activities and modification to audit documentation after the group audit report date and in exceptional circumstances, new or additional audit procedures performed or new conclusions drawn after the group audit report date, or modifications to existing audit documentation or adding new audit documentation after the group audit file assembly date.



Receiving information regarding file assembly activities and modification to audit documentation after the group audit report date allows the KPMG group auditor to evaluate the assembly activities and understand any modifications that occur subsequent to the group auditor's report date.

When information of file assembly activities and modification to audit documentation have been performed after the group audit report date is received from the non-KPMG component auditors, the KPMG group auditor completes a Documentation Assembly and Modification Work Paper-International.

## Examples

How does file assembly apply if there are multiple levels of reporting within our group audits? [ISA |

1662.159651]

Day 7 and Day 14 deadlines apply even if there are multiple levels of reporting within our group audits.

For example, there may be a structure where:

- Component A reports to Group A on February 1;
- Group A is a component of Group B and reports to Group B on February 10;
- Group B is a component of Group C and reports to Group C on February 15;
- Group C is a component of Group D, the ultimate parent, and reports to Group D on February 22.
- Group D reports externally on March 1.
- The group is subject to the 14-calendar day audit file assembly period.

For purposes of the audit file assembly process, the date of the auditor's report for any component is the first external date of the auditor's report within the group.

As the Group D is the only entity that reports externally, all components use the date of the auditor's report of Group D (March 1) for purposes of initiating KPMG Clara workflow file close out process and assembling a complete and final set of audit documentation.

Groups below Group D that have later statutory report dates close their component files for the Group D auditor's report and then again for the statutory audit (or review) report. For example, if Group B also issues external financial statements on June 15 and requests Group A to perform subsequent event procedures up to June 15, Component A would close out their audit documentation in 14 calendar days from March 1 in relation to Group D reporting, and then reopen their file, complete subsequent events procedures for Group B and close out the file again by Group B's file assembly date which is 14 calendar days after June 15.

If, in the above example, any of the groups below Group D report externally before Group D auditor's report date, the auditor's report date for any components below that group would be that group auditor's report date for purposes of initiating KPMG Clara workflow file closure and completing the record retention process. The components of that sub-group may be requested to perform subsequent events procedures also for Group D that has a later date of the auditor's report. In this case, the components close out their file for the sub-group reporting purposes, and then reopen their file, complete subsequent events procedures for Group D and close out the file again for US Group D reporting purposes.

It may be appropriate to try to get all external reporting by sub-groups to be completed before the report release date of the ultimate group to avoid subsequent events arising after the report release date due to later statutory audit completion dates.

## 2 Retain audit documentation for the member firm's specified retention period [ISA | 2707]

### What do we do?

Retain the audit file for the member firm's specified retention period AND do not delete or discard audit documentation of any nature before the end of the specified retention period.

### Why do we do this?

After we finish our audit, we retain our audit documentation for a period of time. This helps us support our opinion and evidence our compliance with relevant auditing standards, legal and regulatory requirements and relevant firm policies and procedures, throughout the time period where financial statement users could be relying on our audit opinion.

## Execute the Audit

### What do we do after we finish assembling the final audit file? [ISA | 2707.1300]

After we finish assembling the final audit file, we do not delete or discard audit documentation of any nature before the end of its retention period. This documentation represents the work performed and evidence obtained as of the date of the auditor's report.

### How do we retain the final audit file? [ISA | 2707.1400]

Each member firm has an established process for retention and storage of audit files. Refer to local policies, procedures and guidance.

### How long do we retain the audit documentation? [ISA | 2707.1800]

Retention periods are established by KPMG member firms depending on local laws and regulations, as well as business needs of the member firm. Refer to chapter 10 of the GQ&RMM for recommended retention periods and local policies, procedures and guidance.

### Are there circumstances where the audit file is retained longer? [ISA | 2707.8716]

Yes, when a longer period is required by:

- law or the local member firm; or

For example, if a local member firm that serves as component auditor has a retention period of eight years, the component auditor follows the local member firm policy.

- preservation notices.

## 3 Make necessary additions to audit documentation and complete relevant work paper

[ISA | 7724]

### What do we do?

IF modifications or additions to our audit documentation are necessary, THEN make the modifications or additions AND document relevant matters within the Documentation Assembly and Modification Work Paper - International.

### Why do we do this?

When we determine that modifications to existing audit documentation or additions of new audit documentation are necessary after file assembly has been completed, we document the modifications or additions. This allows us to keep a record of the complete set of audit documentation that supports the audit opinion, as well as a record of any changes to the audit file.

## Execute the Audit

[Can we delete or discard audit documentation after file assembly has been completed?](#) [ISA | 7724.6140]

No. We do not delete or discard documentation after file assembly has been completed, until the end of the retention period. This documentation represents the work performed and evidence obtained as of the date of the auditor's report (or review report).

[Can we add information to our audit documentation after file assembly has been completed?](#) [ISA | 7724.6141]

Yes, for exceptional circumstances or where we find it necessary to modify existing audit (or review) documentation we can add information to our audit documentation after file assembly has been completed when necessary.

We complete Section 3 or 4 of the Documentation Assembly and Modification Work Paper - International, as applicable, and obtain the necessary approvals from the engagement partner and Risk Management Partner. The EQC reviewer or LSQC reviewer (if appointed) reviews this significant judgment made by the engagement team.

[Under what circumstances do we modify or add audit documentation after we complete the file assembly?](#)

[ISA | 7724.6142]

There are certain circumstances where we modify or add new audit documentation after we complete the file assembly, such as:

- for exceptional circumstances that resulted in the performance of new or additional procedures or that led us to draw new conclusions;
- to clarify existing audit documentation in response to comments received during internal or external inspections; or

- when performing procedures subsequent to the date of the auditor's report that are required by other standards.

### What do we do if we add information to our audit documentation after file assembly has been completed?

[ISA | 7724.6689]

In certain circumstances, where we find it necessary to modify existing audit documentation or add new audit documentation after the audit file assembly date, we, regardless of the nature of the modifications or additions, document the following in the Documentation Assembly and Modification Work Paper - International:

- the specific reasons for making the modifications or additions,
- when and by whom the modifications or additions were made and reviewed
- the engagement partner and the risk management partner approvals, and
- the EQC reviewer or the LSQC reviewer's, if appointed, review of this significant judgment made by the engagement team.

If applicable, we also perform the procedures in the activity '[Consult in certain circumstances when we intend to modify audit documentation](#)'.

When we perform new procedures or draw new conclusions after the report date, we perform procedures in activity '[Complete relevant work paper when we perform new procedures/draw new conclusions after report date](#)'.

### Who do we notify if we make changes to audit documentation after the audit file assembly date? [ISA | 7724.6690]

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, if changes are administrative in nature and completion of Section 1 of the Documentation Assembly and Modification Work Paper - International are made after the date of the report but before the audit file assembly date. See activity '[Assemble the final audit file](#)' for more information.

The engagement partner notifies the EQC reviewer or the LSQC reviewer, if appointed, and the risk management partner, if

- (1) any modification or addition to the audit documentation are made after the audit file assembly date (Section 3 or 4); or
- (2) new or additional procedures are performed or new conclusions are drawn after the date of the auditor's report(s) or the review report(s) (See activity '[Complete relevant work paper when we perform new procedures/draw new conclusions after audit report date](#)' for more information.) (Section 3).

### What is the Documentation Assembly and Modification Work Paper - International? [ISA | 7724.6144]

The Documentation Assembly and Modification Work Paper - International is designed to help document the assembly of and modification(s) to documentation made after the date of the auditor's report (or review report).

When completed by a KPMG component auditor, the Documentation Assembly and Modification Work Paper - International is provided to the KPMG group auditor.

Non-KPMG component auditors provide information to the KPMG group auditor which is consistent with the information in the Documentation Assembly and Modification Work Paper - International.

When the member firm has policy restriction on sending the Documentation Assembly and Modification Work Paper - International, we provide information extracted from the Documentation Assembly and Modification Work Paper - International in a communication to the group auditor. Engagement teams include the workpaper with the audit documentation, when it is applicable.

The work paper is divided into the following sections:

**Section 1 - Administrative assembly of documentation after the date of the auditor's**

**Section 2 - Approval of extension of the audit (or review) file assembly date**, if in limited circumstances only, the administrative process of assembling a complete and final set of documentation, exceeds 7 calendar days for all listed entities, all banks and all insurance companies and 14 calendar days for all other entities

**Section 3 - Modification(s) of documentation arising after the date of the auditor's report (or review report)** for exceptional circumstances that resulted in the performance of new or additional audit (or review) procedures, obtain new evidence or

**Section 4 - Other modification(s) of documentation after the audit (or review) file assembly date** where we find it necessary to modify existing audit (or review) documentation or add new audit (or review) documentation

## Appendix - Specific Audit Documentation Requirements in Other ISAs

### International Standards on Auditing: ISA 230. Appendix Appendix Specific Audit Documentation Requirements in Other ISAs

(Ref: Para. 1)

This appendix identifies paragraphs in other ISAs that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in ISAs.

- ISA 210, *Agreeing the Terms of Audit Engagements* - paragraphs 10-12
- ISA 220 (Revised), *Quality Management for an Audit of Financial Statements* - paragraph 41
- ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* - paragraphs 44 - 47
- ISA 250, *Consideration of Laws and Regulations in an Audit of Financial Statements* - paragraph 29
- ISA 260 (Revised), *Communication with Those Charged with Governance* - paragraph 23
- ISA 300, *Planning an Audit of Financial Statements* - paragraph 12
- ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* - paragraph 32
- ISA 320, *Materiality in Planning and Performing an Audit* - paragraph 14
- ISA 330, *The Auditor's Responses to Assessed Risks* - paragraphs 28 - 30

- ISA 450, *Evaluation of Misstatements Identified during the Audit* - paragraph 15
- ISA 540, *Auditing Accounting Estimates and Related Disclosures* - paragraph 39
- ISA 550, *Related Parties* - paragraph 28
- ISA 600 (Revised), *Special Considerations - Audits of Group Financial Statements (Including the Work of Component Auditors)* - paragraph 59
- ISA 610 (Revised 2013), *Using the Work of Internal Auditors* - paragraph 36 - 37
- ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information* - paragraph 25

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