Audit documentation

MODULE 3 | 3.7 | STUDENT COMPANION

Audit documentation is the **lasting proof** that the work was done and the judgements were sound. A good working paper lets an experienced auditor with no connection to the engagement see what was done, why, and what it showed. Files separate **permanent** from **current** information; the final file is **assembled** within about 60 days of the auditor's report and **kept for seven years** under the Corporations Act; after assembly nothing is deleted, and any change is fully explained. Client data is **protected** throughout.

What documentation does

- Shows the **basis for the auditor's report**, and that the audit was planned and performed in line with the standards and the law
- Lets the team **plan, supervise and review** the work, and holds people **accountable** for it
- Carries **knowledge forward** to next year's audit
- Allows **quality reviews, firm inspections and regulators' inspections**: the file is the only lasting record of what was done

A working paper from Voltana's file

Voltana Energy Ltd	Year ended 30 June 2026	**Revenue: cut-off test**	**R4**
Objective	To test whether revenue around 30 June was recorded in the right period		
Population and source	All sales recorded from 16 June to 14 July 2026, extracted from the new system and reconciled to the general ledger		
Selection	Every sale above $50,000, plus 40 others chosen at random		
Items tested	Listed by contract number on schedule R4.1, so a reviewer can find the same items		
Procedure	Matched each sale to its signed installation completion form and checked the installation date		
Results	12 sales, about $1.2 million in total, had no installation by 30 June; all 12 came from the June manual journals		
Cross-reference	Exceptions taken to the schedule of misstatements, item 1		
Conclusion	**Revenue at 30 June is overstated by about $1.2 million. The June manual journals are a significant matter for the engagement partner**		
Prepared by: KL, 21 July 2026		**Reviewed by:** MD (manager), 28 July 2026	

The test of a good working paper: could an experienced auditor, new to this audit, pick it up and understand exactly what was done, why, and what it showed? R4 passes because it states the objective, the population and its source, how items were chosen, how to find them again, the procedure, the results, where the exceptions went, the conclusion, and who prepared and reviewed it, and when.

Beyond the tests

Significant matters, such as the June revenue journals, are documented with the discussions held about them: what was discussed, with whom and when, and how each was resolved. If the auditor found information that was **inconsistent** with its final conclusion, the file shows how that was dealt with. And if, in exceptional circumstances, the auditor **departed from a requirement** of the standards, the file explains why, and how the alternative procedures achieved the requirement's aim.

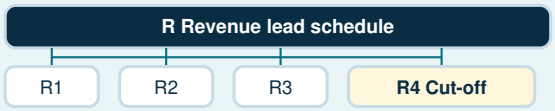
Permanent file and current file

Permanent file
Information of continuing importance

- The constitution
- Major contracts and leases
- Organisation charts
- Notes on the accounting systems and controls
- Key accounting policies

Current file
This year's work

- Planning documents and the risk assessment
- Lead schedules summarising each area
- The detailed working papers behind each lead schedule
- Completion documents



Audit software keeps the same logic: an index, cross-references, and tick marks that show which procedure was done on each figure

✓ Agreed to the supporting document ^ Addition checked TB Agreed to the trial balance

Examples only: each firm sets its own symbols

Keep the permanent file current. It is reviewed and updated every year: a new lease or loan agreement goes in, and anything no longer in force comes out. This year's testing of those documents, such as checking loan covenants at year end, belongs in the current file.

After the auditor's report is signed

Stage	The rule
Assembly	Assemble the final file promptly, normally within 60 days of the auditor's report date. Assembly is administrative: deleting superseded drafts, sorting and cross-referencing, signing off completion checklists. It is not a chance to do new audit work
Retention	Nothing is deleted or discarded before the retention period ends: seven years for audits under the Corporations Act
Changes after assembly	If documentation must be modified or added, record the specific reasons, and when and by whom the changes were made and reviewed

Case note: KPMG and the leaked inspection lists

In the United States, several people at KPMG's American firm obtained confidential lists, leaked by people who had worked at or for the audit regulator, showing which of the firm's audits the regulator planned to inspect. The firm's staff then reviewed and revised working papers on some of those audits, after the audit reports had already been issued, to improve how the files would look to the inspectors. Criminal charges followed in 2018 against six people, including former KPMG partners and former regulator staff. All six were convicted, four by pleading guilty and two at trial, but by 2024 every conviction had been set aside, after an appeal court ruled in another case that a regulator's confidential information isn't property under the federal fraud laws. Separately, in 2019 the firm admitted the facts and agreed to pay US$50 million to settle charges with the Securities and Exchange Commission; the settlement also covered cheating on internal training exams.

Why it matters: inspection only works if files show what was really done, and when. Altering past work to mislead an inspector attacks the integrity of the whole system.

Source: US SEC press releases 2018-6 (January 2018) and 2019-95 (June 2019); US court orders vacating the convictions (2024).

Protecting client data

What the file holds
Payroll details, customer information, contracts and strategy

Why it must be protected
The Code's principle of confidentiality, privacy laws and the firm's own policies

1. **Collect** — Keep only the data the audit needs
2. **Store** — Control who can open each file; encrypt data on laptops
3. **Share** — Secure client portals, not email, for sensitive files; encrypt data in transfer
4. **Keep** — Retain it for the required period, and no longer
5. **Destroy** — Securely, when the retention period ends

The aim: client data is seen only by people who need it, for as long as it is needed, and travels only by secure routes

Practice questions

MODULE 3 | 3.7 | TRY THESE BEFORE THE WORKED ANSWERS

Question 1 - What's missing from this working paper?

This working paper comes from the audit of Marralong Seafoods Pty Ltd (imagined), a seafood processor with a 30 June year end. Identify everything that is missing or inadequate, and explain why each gap matters.

MARRALONG SEAFOODS PTY LTD P6 Search for unrecorded liabilities
Work done: Reviewed payments made after year end and picked 25. Checked the invoices. Two invoices, for prawns delivered in June, were not in trade payables. Adjusted.
Conclusion: OK.
Prepared: TM

Question 2 - Permanent or current?

Sort these ten documents from Marralong's audit into the permanent file or the current file, and give a reason for each.

Document	File	Why
(a) Marralong's constitution		
(b) Bank confirmation of balances at 30 June 2026		
(c) The ten-year lease of the processing plant		
(d) The organisation chart		
(e) Notes from the year-end count of frozen stock		
(f) The five-year loan agreement with the bank		
(g) This year's audit plan and risk assessment		
(h) The lead schedule for trade payables		
(i) Notes on the payroll system and its controls		
(j) This year's signed representation letter		

Question 3 - After assembly: may or may not?

The final file for Marralong's audit has been assembled. For each scenario, say what the auditor may and may not do. **(a)** Three months later, the engagement manager notices that a working paper on inventory has no reviewer's sign-off, although she remembers reviewing it. She wants to sign it now, dated with the original review date. **(b)** Before an ASIC inspection, a senior wants to delete a draft memo containing a calculation error and replace a brief conclusion with a fuller one. **(c)** After the report is issued, the auditor learns of a fact that existed at the report date, performs new procedures and reaches new conclusions.

Worked answers

MODULE 3 | 3.7 | WORKED ANSWERS - ATTEMPT THE QUESTIONS FIRST

Question 1 - Gaps in working paper P6

Missing or inadequate	Why it matters
The period and the date of the work	A reviewer can't tell which year it covers or when it was done
An objective	Nobody can judge whether it answered the right question: are payables complete?
The population and its source	Which payments, over what period, from which report, checked to the bank?
How the 25 were chosen	Above an amount, or at random? The extent of testing can't be judged
Identification of items	No references, suppliers or amounts, so the items can't be found again
The procedure	'Checked the invoices' for what? The test is whether goods arrived by 30 June
The results	No amounts; 'adjusted' doesn't say by whom, or whether management agreed
Cross-reference	The two misstatements belong on the schedule of misstatements
A real conclusion	'OK' ignores the errors; two exceptions may call for more testing first
Sign-offs	No preparer's date, no reviewer and no review date

Question 2 - Permanent or current

Document	File	Why
(a) Constitution	Permanent	Of continuing importance; check for changes each year
(b) Bank confirmation	Current	Evidence for this year's balances
(c) Ten-year plant lease	Permanent	A long-term contract; this year's testing goes in the current file
(d) Organisation chart	Permanent	Updated when the structure changes
(e) Stocktake notes	Current	This year's procedure
(f) Loan agreement	Permanent	Its terms run for five years; covenant testing at 30 June is current
(g) Audit plan and risk assessment	Current	Planning for this year
(h) Payables lead schedule	Current	Summarises this year's figures
(i) Payroll system notes	Permanent	Continuing, but reviewed and updated each year
(j) Representation letter	Current	A completion document for this year

Question 3 - After assembly

- **(a) May add, may not backdate.** She may add the sign-off as new documentation, recording the reason, today's date and who made and reviewed it. The original date would misstate when the work was done.
- **(b) May not.** Nothing may be deleted before the retention period ends, and reworking a conclusion for inspectors is the very conduct at the heart of the KPMG case. Any needed explanation is a new, dated note.
- **(c) May, and must document it:** the circumstances, the new procedures, the evidence, the conclusions and their effect on the auditor's report, and when and by whom the changes were made and reviewed.