

NOVEMBER 12, 2003 OPEN MEETING

Statement of Daniel L. Goelzer

Regarding

Audit Documentation

Proper audit documentation is fundamental to the auditor's work and to the Board's responsibilities. It makes sense that we are considering a standard on audit documentation very early in our standard-setting career. This standard is one of the fundamental building blocks on which both the profession's credibility and our oversight will rest.

The integrity of the audit depends in large part on the existence of complete and understandable record of the work that the auditor performed, of the conclusions that the auditor reached, and of the evidence that supports those conclusions. Meaningful concurring partner review would be difficult or impossible without adequate audit documentation. Where the audit has been properly performed, documentation should also be the first line of defense against liability in the event that questions are raised about the audit.

This standard is also important for the Board's work. In order for our inspectors to do their job, clear and comprehensive documentation standards are essential. We need to have clear rules about what must be in work papers to be able to assess whether firms are following the professional standards when they audit public companies.

Finally, I would note that the staff did a terrific job of integrating the views expressed at the Roundtable on audit documentation into this proposal. By the end of the year, we hope to have our Standing Advisory Group in place to provide input into standard setting. Here, however, the staff was able to accomplish the same objective through the roundtable process. The public comment will also be important, but I think that the Roundtable got us off to a good start here and illustrates that we are serious about taking a wide range of views into account in our standard setting.