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The HKICPA's Standard Setting Department welcomes your comments and feedback on this paper, which should be sent to commentletters@hkiipa.org.hk.

How long should firms keep their engagement documentation?

The purpose of this guidance is to set out some factors for firms to consider when determining an appropriate retention period for engagement documentation. While HKSQM 1 specifies that the relevant retention period should not be less than five years from the date of the engagement report, this guidance is not intended to prescribe or suggest an actual timeframe for firms' retention of engagement documentation.

In April 2021, the Institute issued [HKSQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements](#) which strengthens firms' systems of quality management through a robust, proactive and effective approach to quality management. Systems of quality management in compliance with HKSQM 1 are required to be designed and implemented by 15 December 2022 and the evaluation of the system of quality management is required to be performed within one year following 15 December 2022. HKSQM 1 will replace [HKSQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements](#).

Paragraph 14 of HKSQM 1 requires firms to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements performed by the firm. Under paragraph 31(f) of HKSQM 1, this includes maintaining and retaining engagement documentation appropriately to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards. According to HKSQM 1 and HKSQC 1, engagement documentation is the record of work performed, results obtained, and conclusions the practitioner reached (terms such as "working papers" or "work papers" are sometimes used). Practitioners should also refer to [HKSA 230, Audit Documentation](#) for requirements and guidance on an auditor's responsibility to prepare audit documentation for an audit of financial statements. It should be noted that audit documentation includes the auditor's report containing the opinion on the financial statements.

Paragraph A85 of HKSQM 1 states that in the case of engagements conducted under the HKSAEs or HKSAEs, the retention period is ordinarily no shorter than five years from the date of the engagement report, or, if later, the date of the auditor's report on the group financial statements, when applicable. Paragraph A85 of HKSQM 1 is brought forward from paragraph A61 of HKSQC 1, which states that "In the specific case of audit engagements, the retention period would ordinarily be no shorter than five years from the date of the auditor's report, or, if later, the date of the group auditor's report".

While HKSQC 1 and HKSQM 1 specify the minimum length for retaining engagement documentation of audit and assurance engagements, the actual length will be a matter of judgement for the firm's determination based on the firm's needs, those of the client and requirements such as laws or regulations. Currently there is no other legislative or regulatory requirement in Hong Kong prescribing the documentation retention period of audit or review engagements, or other assurance or related services engagements performed by the firm. If the retention period is not prescribed, the firm may consider the nature of the engagements performed and the firm's circumstances to determine it appropriately.

The following is a non-exhaustive list of factors for consideration:

- whether laws or regulations specify any retention period of engagement documentation by auditors - practitioners whose clients are subject to regulations or those that receive funding from government agencies may be subject to alternative retention periods. In such cases, firms may be required to retain records for a stipulated period of time as provided by the agency or based on the applicable funding or engagement agreement.
- reference to the statutory retention period on books and records that applies to the clients – for example
 - Section 377 of the Companies Ordinance (Cap. 622) requires a company to preserve the records, or the accounts and returns, for 7 years after the end of the financial year to which the last entry made or matter recorded in the records, or the accounts and returns, relates.
 - Section 51C of the Inland Revenue Ordinance (Cap. 112) requires that every person carrying on a trade, profession or business in Hong Kong shall keep sufficient records in the English or Chinese language of his income and expenditure to enable the assessable profits of such trade, profession or business to be readily ascertained and shall retain such records for a period of not less than 7 years after the completion of the transactions, acts or operations to which they relate.
 - Section 10 of the Securities and Futures (Keeping of Records) Rules (Cap. 571O) requires an intermediary, or an associated entity of an intermediary to retain specified records for a period of not less than 7 years.
- legal statutes of limitation - in the event of a professional liability claim, engagement records and workpapers provide essential evidence of the work performed for clients. In Hong Kong, the statute of limitations for claims related to contracts is 6 years from the date when the cause of action accrued. Firms should consult with a legal advisor to understand the laws that govern the firm and its engagements.
- internal organisational needs

HKSQM 1 applies to all firms performing audits or reviews of financial statements, or other assurance or related services engagements. While paragraph A85 of HKSQM 1 only refers to engagements conducted under HKSAAs or HKSAEs, firms should also design and implement the retention period for engagement documentation on other engagements, such as agreed-upon procedures engagements or engagements to review historical financial information performed under the relevant professional standards.

Given the factors described above, firms may identify different retention periods for different clients and/or services. As a practical matter, firms may select the longest retention period and apply it consistently to all records to reduce the administrative complexities.