

### Audit Evidence – Feedback and Issues

**Objective:**

The objective of the IAASB discussion in September 2023 is to:

- (a) Provide an overview of respondent’s comments to the Exposure Draft (ED-500): [Proposed International Standard on Auditing \(ISA\) 500 \(Revised\), Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs](#).
- (b) Obtain the Board’s feedback on the Audit Evidence Task Force (AETF) proposed approach to address certain themes identified from the responses.

**Matter for IAASB Consideration:**

1. The Board is asked whether they agree with the AETF summary of respondents’ feedback presented in **Part C** of this Agenda Item, and whether there are any other significant issues raised by respondents that also should be discussed?

*Approach to the Board Discussion:*

During the September 2023 IAASB meeting, the AETF Chair will present the high-level feedback from what we have heard from respondents and explain the AETF’s initial views and recommendations to address certain themes identified from the responses presented in **Part C** of this Agenda Item.

The AETF Chair will pause after certain Sections or groups of Sections discussed in **Part C** of this Agenda Item to receive the Board’s feedback on the overarching matter included in Question 1 above. In addition, the Board is asked to respond to certain specific matters for the IAASB consideration for those themes where the AETF has presented initial views and recommendations. The table below provides an overview of the Sections or groupings of Sections in **Part C** and the related questions for the IAASB for which the AETF Chair will pause to receive the Board’s views.

Section in <b>Part C</b>	Question(s) for the Board
Sections I–IV	Question 1
Section V	Questions 1, 2
Section VI	Questions 1, 3
Section VII	Questions 1, 4
Section VIII	Questions 1, 5
Section IX	Questions 1, 6
Section X	Questions 1, 7
Sections XI–XII	Question 1

## Introduction

### Background

1. In September 2022, the Board approved ED-500 for public comment. ED-500 sought feedback from respondents as to whether the enhancements made addressed the project objectives described in Section IV of the [project proposal](#) to revise ISA 500, *Audit Evidence*, that are summarized as follows:
  - Clarify the purpose and scope of ISA 500 and explain its relationship with other standards.
  - Develop a principles-based approach to considering and making judgments about information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained, recognizing the nature and sources of information in the current business and audit environment.
  - Modernize ISA 500 to be adaptable to the current business and audit environment, while considering the scalability of the standard to a wide variety of circumstances regarding the use of technology by the entity and the auditor, including the use of automated tools and techniques (ATT).
  - Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.
2. In addition, in determining the scope of the project to revise ISA 500, the IAASB reached a conclusion not to address as part of the project actions possible enhancements to other ISAs (e.g., ISA 330<sup>1</sup>) in relation to certain issues, assurance other than audits or reviews of financial statements, and the design and performance of audit procedures through the use of ATT.<sup>2</sup>

### Materials Presented

3. This paper sets out the following:
  - (a) **Part A:** A summary of the broad range of stakeholders who have submitted written responses to ED-500 and an explanation for the presentation of respondents' comments.
  - (b) **Part B:** An overview of the significant themes from respondents' comments.
  - (c) **Part C:** Analysis of respondents' comments to ED-500 by significant theme and the AETF's proposed approach to address certain of these themes.
  - (d) **Part D:** Way forward.

### Appendices and Other Agenda Items Accompanying This Paper

4. This Agenda Item includes the following appendices and other agenda items:

<b>Appendix 1</b>	Overview of the AETF members and activities since September 2022
<b>Appendix 2</b>	List of respondents to ED-500

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<sup>1</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>2</sup> These matters will form part of future work plan decisions in accordance with IAASB's [Framework for Activities](#).

<b>Appendix 3</b>	Summary of NVivo reports relevant for questions 1-12 of ED-500 and the related Section in this Agenda Item where the summary is presented
<b>Appendix 4</b>	AETF high-level analysis illustrating where and how technology related topics from the feedback may be addressed (within and outside of ED-500)
<b>Agenda Items 4-A.1 to 4-A.14 (Supplemental)</b>	Word NVivo reports that include comments from respondents to questions 1-12 of the ED-500
<b>Agenda Items 4-B.1 to 4-B.14 (Supplemental)</b>	Excel NVivo reports that analyze the respondents' comments to questions 1-12 of the ED-500

## Coordination

### *International Ethics Standards Board of Accountants (IESBA)*

5. At the IAASB-IESBA coordination meeting in May 2023, among other matters discussed, topics relevant to ED-500 were also addressed. Feedback was provided to IAASB Staff with respect to the application material in paragraphs A72–A73 of ED-500 addressing threats to the management expert's objectivity and the IESBA's position on what qualifies as a safeguard<sup>3</sup> under the IESBA Code.<sup>4</sup> As a result of these discussions, the AETF intends to amend the affected application material in ED-500 to align with the IESBA Code.
6. In addition, IESBA Staff provided an update on its project on use of experts<sup>5</sup> that is contemplating revisions to the IESBA Code to address specific ethics and independence issues that may arise when experts (both external and internal) work alongside professional accountants.

### *Other IAASB Task Forces and Consultation Groups*

7. In July 2023, the AETF Chair provided an update to the Technology Consultation Group (TCG) of significant comments received from respondents to ED-500 relevant to technology related matters. The AETF intends to engage in further coordination activities with the TCG during quarter 4 of 2023, when developing specific proposals to address technology relevant feedback.
8. In August 2023, a coordination meeting took place between the Fraud and Audit Evidence Task Force Chairs and IAASB Staff. At the meeting, topics of mutual relevance were discussed (e.g., with respect to authenticity of information further discussed in paragraphs 173-175 and 182) and views were exchanged on audit evidence matters relevant to the fraud project.

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<sup>3</sup> See paragraphs 40-49 of IESBA's [Basis for Conclusions: Revisions Pertaining to Safeguards in the Code](#).

<sup>4</sup> The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

<sup>5</sup> See [Use of Experts | Ethics Board](#).

## Outreach

9. In March 2023, the AETF Chair and IAASB Staff met with representatives of the International Forum of Independent Audit Regulators (IFIAR) Standards Coordination Working Group (SCWG) to discuss their preliminary views and comments in relation to ED-500. During these discussions, the AETF Chair and IAASB Staff provided further insights to the IFIAR SCWG representatives about the intent and rationale when developing certain of the revisions in ED-500.

## Part A: Overview of Responses to ED-500

### Overview of Respondents

10. ED-500 was exposed on October 24, 2022, for a 180-day public comment period that closed on April 24, 2023. The Explanatory Memorandum (EM) accompanying ED-500 asked respondents for feedback on twelve questions (i.e., five overall questions, six specific questions and two general questions (translations and effective date)). Seventy written responses were received from a broad range of stakeholders from all geographical regions as follows (also see **Appendix 2** for a list of respondents to ED-500):

Stakeholder Type	No.	Region	No.
Monitoring Group	2	Global	15
Regulators and Audit Oversight Authorities	5	Asia Pacific	12
National Auditing Standard Setters	12	Europe	20
Accounting Firms	14	Middle East and Africa	10
Public Sector Organizations	5	North America	10
Member Bodies and Other Professional Organizations	29	South America	3
Individuals and Others	3	<b>Total</b>	<b>70</b>
<b>Total</b>	<b>70</b>		

### Surveys and Jurisdictional Outreach

11. In developing some of the responses, surveys and other forms of jurisdictional outreach were undertaken to solicit feedback from stakeholders (e.g., roundtables and focused discussions with various stakeholder groups). This outreach has been treated as part of the written responses which they specifically informed.

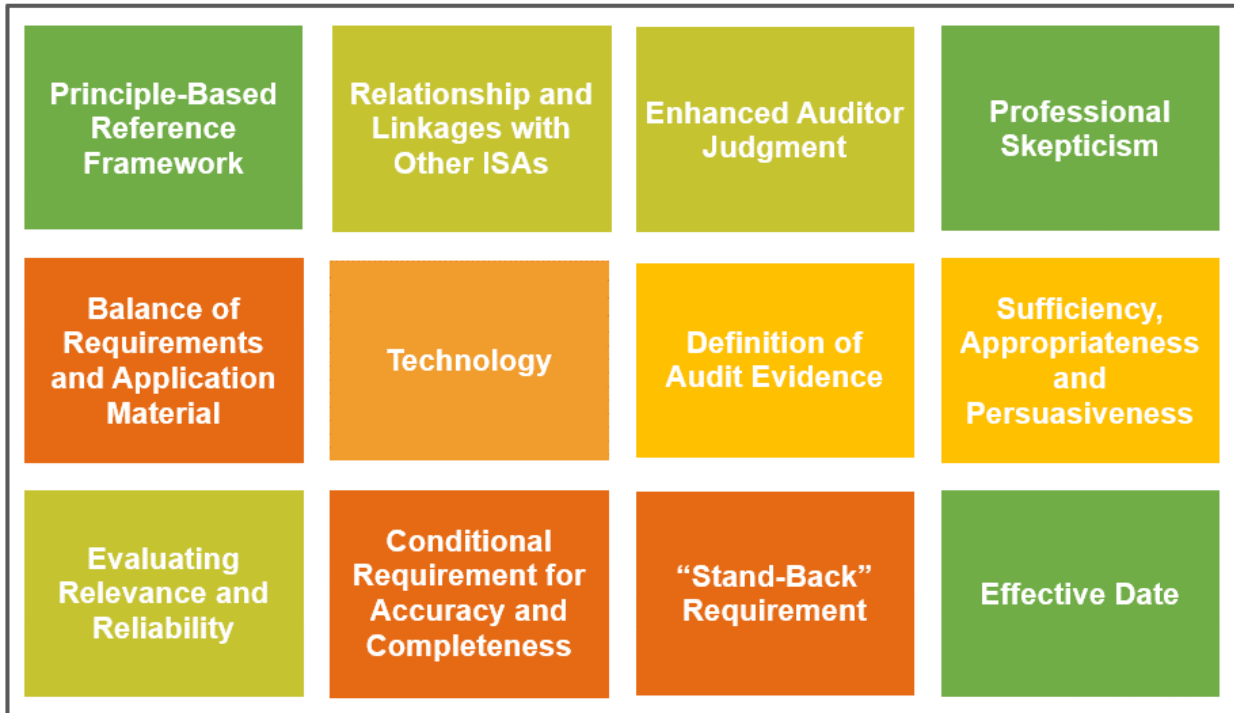
### Presentation of Comments

12. NVivo has been used to assist with the analysis of the responses to questions 1-12 of ED-500. **Appendix 3** provides a summary of the NVivo reports relevant for each question analyzed and the related Section in **Part C** of this Agenda Item where the summary is presented.

## Part B: Overarching Themes from the Responses to ED-500

13. The chart below depicts the level of support expressed by respondents for key concepts and topics in ED-500. It shows a heat map, illustrating an indicative visualization of the cumulative sentiment expressed by respondents in relation to certain themes, and intends to provide a high-level directional steer to the IAASB where support (or lack of support) was expressed in the responses.

14. In the chart below, green colors indicate support for a theme (i.e., from predominantly supportive views shown in bright green, to broadly supportive responses shown in a lighter shade of green). Yellow color indicates conditional support (i.e., qualified support subject to comments, suggestions for improvement and concerns expressed by respondents) and orange colors depict varying levels where mixed views were present. For a more comprehensive analysis of the responses by significant theme, see **Part C** of this Agenda Item.



15. At an overarching level, respondents highlighted the following broad considerations relevant to ED-500:
- Given the foundational nature of ED-500 as an overarching standard addressing audit evidence, respondents appreciated the principle-based approach to the revisions, including the enhancements made to reinforce the application of professional skepticism in obtaining and evaluating audit evidence.
  - However, respondents cautioned that further efforts are needed to achieve the right balance between principles and guidance in the standard to enable effective application and support consistent professional judgments by auditors when presented with similar facts and circumstances. Areas for improvement often cited included providing clarity for work effort and documentation expectations and for scalability aspects included in the proposals.
  - There was broad recognition that the revisions to ED-500 alone are insufficient to address all audit evidence-related matters across the suite of ISAs, including those for technology. Respondents called for urgent revisions to other ISAs in this regard to be considered among the priorities addressed by the IAASB in the next strategy period, particularly highlighting revisions needed for

ISA 330 and certain ISAs of the 500-series.<sup>6</sup>

- Respondents, however, believed that more is needed in ED-500 to fully achieve the objective of modernization, by acknowledging the changing landscape and the significant role that data and technology play as the auditor considers audit evidence. Respondents strongly encouraged the IAASB to provide further enhancements in this regard.
- Suggestions were made that, when the proposals are finalized, the IAASB should develop a roadmap of what auditors are required to do differently in practice and to articulate more clearly how the revisions made are expected to improve audit quality.

### **Part C: Analysis of Responses by Significant Theme**

16. **Sections I-XII** below provide an analysis of respondents' comments to ED-500 for questions 1-12, by significant theme. When providing their responses, some stakeholders commented about specific themes under different questions. In presenting the analysis of the feedback, the AETF grouped stakeholder responses for questions 1-12 that fed into each significant theme.
17. As of September 2023, the AETF has not had the opportunity to discuss in depth all themes from the feedback. The AETF has prioritized those matters where strategic input is needed from the Board on the proposed direction, or where more substantial revisions are anticipated in response to the feedback (e.g., to the objectives, definitions, or requirements of ED-500). Accordingly, this *Part* sets out the AETF's initial views and recommendations in relation to those themes identified from the responses.
18. Following the September 2023 IAASB meeting, and based on the Board's feedback, it is intended for the AETF to continue to discuss the key themes from the feedback to ED-500 in further depth and to develop proposals and update the drafting in ED-500 to address the significant comments received on exposure.

### **Section I – Purpose and Scope**

#### ***Highlights from Respondents' Feedback***

- Broad support for the purpose and scope of ED-500.
- Support for a principle-based approach, however:
  - Some caution that the principles are set at a too high level that may risk inconsistent application.
  - More specificity in the requirements and/or guidance may be needed to provide sufficient direction for auditors and support consistent interpretation from regulators.
- Relationships and linkages with other ISAs:
  - Support for meaningful cross-referencing to other ISAs, given the foundation nature of ED-500 addressing all audit evidence related matters.
  - Concern about duplicated work effort (e.g., overlap with ISA 330 for the objectives and the “stand-back” requirement in ED-500).

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<sup>6</sup> For example, ISA 501, *Audit Evidence—Specific Considerations for Selected Items*; ISA 505, *External Confirmations*; ISA 520, *Analytical Procedures*; and ISA 530, *Audit Sampling*.

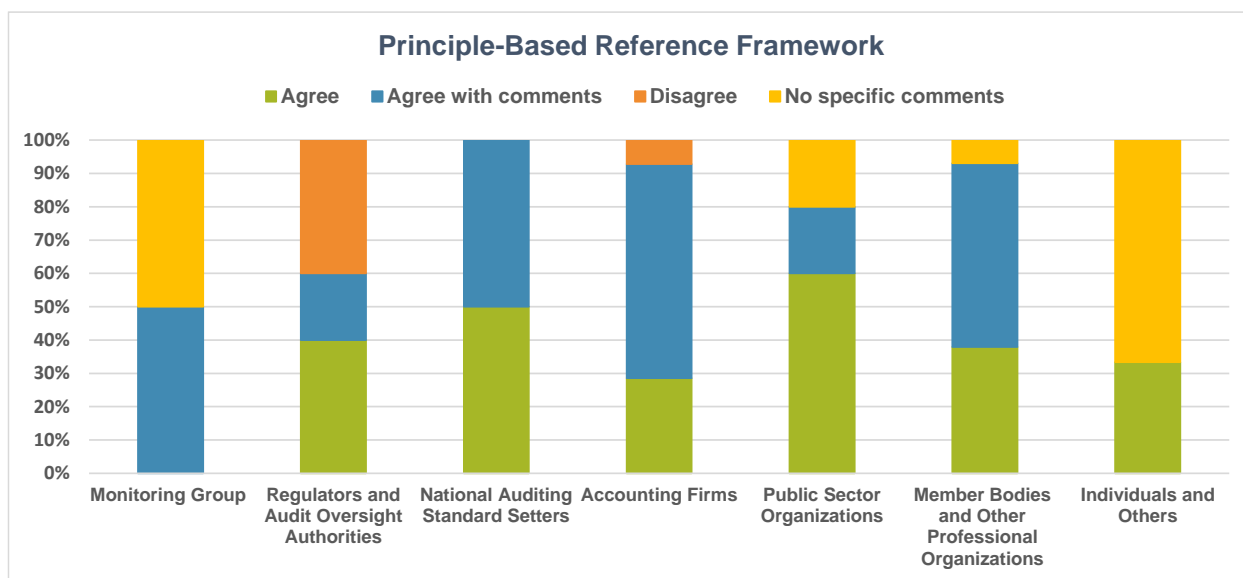
- Support for clearer relationships with certain ISAs (e.g., with ISA 240,<sup>7</sup> ISA 315 (Revised 2019),<sup>8</sup> ISA 330 and with certain ISAs of the 500-series).
- Need to holistically address audit evidence related matters by undertaking broader revisions across the suite of the ISAs.

19. Question 1 sought views from respondents whether the purpose and scope of ED-500 is clear. In this regard, respondents were asked to comment on whether:
- (a) ED-500 provides an appropriate principle-based reference framework for auditors when making judgments about audit evidence throughout the audit (see further analysis of responses to question 1(a) of ED-500 in paragraphs 20-26 below); and
  - (b) The relationships to, or linkages with, other ISAs are clear and appropriate (see further analysis of responses to question 1(b) of ED-500 in paragraphs 27-34 below).

### Principle-Based Reference Framework

#### Overview of Responses

20. The chart below shows an analysis of the responses to question 1(a) per stakeholder group.



21. The overall responses to question 1(a), across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.1 and 4-B.1** for further details):
- 27 respondents agreed – 38%;
  - 34 respondents agreed with further comments or concerns, including one Monitoring Group (MG) respondent – 49%;
  - 3 respondents disagreed – 4%; and

<sup>7</sup> ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>8</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

- 6 respondents did not have a specific response, including one MG respondent – 9%.

#### *Monitoring Group Responses*

22. The MG respondent expressed support for retaining the principle-based approach in ED-500 and acknowledged the IAASB's effort to provide sufficient explanation in the application material. However, the MG respondent believed that further guidance and examples are fundamental in supporting a clear understanding of the principle-based requirements.
23. Recognizing that other ISAs may address audit evidence related subject matters, the MG respondent encouraged the IAASB to consider the associated outcomes of ISA 500 (Revised), given its applicability extends to all audit evidence. In doing so, the MG respondent emphasized the importance to consider whether the concepts therein are appropriate for the IAASB's project on Sustainability Assurance.

#### *Other Respondents' Comments*

24. Respondents who agreed with question 1(a) supported the scope and purpose of ED-500, including the principle-based reference framework as an appropriate basis for auditors when making judgments about audit evidence that is not prescriptive and remains flexible to accommodate different circumstances.
25. Respondents who agreed with question 1(a) and provided comments or had concerns broadly supported retaining the principle-based approach in ED-500. They also noted the following perspectives in their responses:
  - (a) The principles set in ED-500 are too high-level. Auditors may have difficulty understanding what is expected of them, both in terms of work effort and in terms of documentation, and regulators may take different positions in various jurisdictions when interpreting whether sufficient appropriate audit evidence has been obtained.
  - (b) The requirements are relevant, however there may be practical difficulties with applying the framework. It is important to balance the precision of the requirements to encourage an optimal level of work effort for the auditor.
  - (c) Differences in professional judgment may result in inconsistent application of the principles. Also, because certain aspects of the standard may be perceived as being open-ended and subject to interpretation, this may result in an increased risk for improper application. Clarification of the principles is necessary for certain aspects of the proposals to support auditors in making consistent professional judgments when presented with similar facts and circumstances.
  - (d) Inclusion of extensive application material of a textbook nature may increase the risk of shadow standards (i.e., application material paragraphs potentially becoming de facto requirements) and checklist approaches developing. In addition, the numerous references to other standards (i.e., being viewed as a "reference framework") and the length of the application material could be distracting.
  - (e) Given the foundational nature of ED-500 as an overarching standard addressing audit evidence, it is difficult to assess the sufficiency and appropriateness of the proposals, including the principles therein, until revisions to certain other ISA that underpin the 500-series of standards are made.



- (f) Respondents referred to the following broad areas where improvements are needed to the principles of ED-500:
- The understandability for certain concepts underpinning the framework should be improved (e.g., in relation to the definition of audit evidence and the concept of persuasiveness of audit evidence).
  - The prominence given to the attributes of accuracy and completeness when considering the relevance and reliability of information intended to be used as audit evidence moves away from being principle-based. Further emphasis is needed for the other attributes of reliability (i.e., authenticity, bias, and credibility) and how their applicability may be scalable.
  - To remain principle-based, there should be less focus on the classification of an audit procedure by its nature (i.e., the purpose of the audit procedure or its type) and more emphasis on whether its intended outcome is achieved. To achieve this, more prominence should be given to the principle that an audit procedure can satisfy more than one objective and have more than one intended purpose (also see paragraph 178).
  - The IAASB's intent for developing principle-based requirements that are capable of being scalable by demonstrating the varying degree of work effort needed in the circumstances, and the documentation expectations need to be more effectively addressed.
  - It is necessary to more robustly address the impact of technology to assist the auditor to apply the principles set out in ED-500 when using ATT.

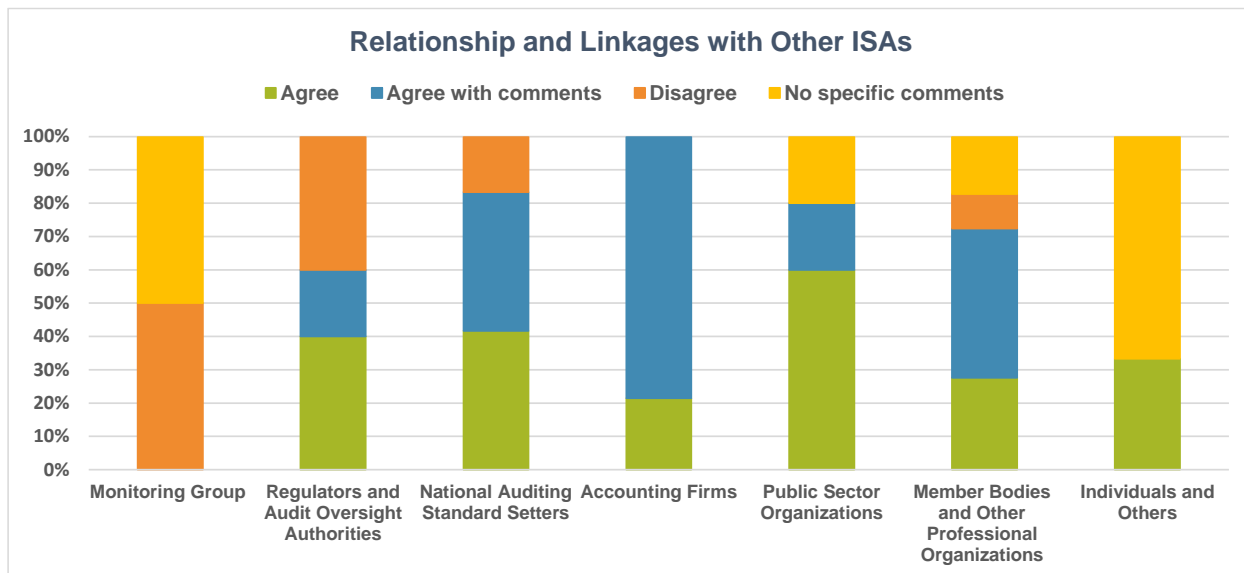
26. Respondents who disagreed with question 1(a) noted the following key matters in their responses:

- (a) Given the lack of specificity for the requirements, auditors may lack sufficient direction of what is expected from them, resulting in inconsistent application that is not conducive to audit quality.
- (b) While the application material and guidance in the Appendix are useful, they are not a substitute for requirements in the body of the standard.
- (c) The proposed amendments to the definition of audit evidence, in combination with the way certain requirements are written, create circularity that can lead to confusion and detract from achieving audit quality (see paragraph 153(c)).

## **Relationship and Linkages with Other ISAs**

### *Overview of Responses*

27. The chart below shows an analysis of the responses to question 1(b) per stakeholder group.



28. The overall responses to question 1(b), across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.2 and 4-B.2** for further details):

- 22 respondents agreed – 31%;
- 31 respondents agreed with further comments or concerns – 44%;
- 8 respondents disagreed, including one MG respondent – 12%; and
- 9 respondents did not have a specific response, including one MG respondent – 13%.

#### *Monitoring Group Responses*

29. The MG respondent disagreed:

- That the objectives of ED-500 are sufficiently distinct from the objective of ISA 330, which has resulted in duplication of certain requirements among the standards.
- With the IAASB’s decision to delay enhancements to ISA 330, as they are necessary to meet the Board’s stated project objectives for the revisions to ED-500.

30. The MG respondent supported the linking to other standards in a meaningful manner, rather than repeating the same requirements across various ISAs. In addition, the MG respondent emphasized the importance for the objectives of each individual ISA to be sufficiently distinct from other ISAs to avoid overlap and confusion among the overall body of standards.

31. Suggestions included to clarify the objectives in the respective standards and to evaluate the areas of overlap between ED-500 and ISA 330, with potentially relocating more applicable proposed requirements to ISA 330 to better align with the objective(s) of each individual standard. In this regard, the MG respondent noted that the “stand back” requirement in paragraph 13(b) of ED-500 is more aligned with the objective of ISA 330 (see paragraph 163(a)).

#### *Other Respondents’ Comments*

32. Respondents who agreed with question 1(b) supported the linkages with other ISAs, given the foundational nature of ED-500 and its relevance for other specific audit evidence-related subject

matters. Suggestions included adding references to ISA 501 and ISA 510<sup>9</sup> in the Appendix of ED-500 to provide a comprehensive list.

33. Respondents who agreed with question 1(b) and provided comments or had concerns broadly supported the appropriateness of the references to, and linkages with, other ISAs. Respondents also noted the following key matters where improvements could be considered:

#### Objectives

- (a) With respect to the objectives of ED-500, respondents:
- Observed that the objective in paragraph 6(b) of ED-500 overlaps with the requirement in paragraph 26 of ISA 330. Views included that further distinction should be made to avoid duplicated work effort for the auditor.
  - Noted that the objective in paragraph 6(b) of ED-500 as written may be confusing because it includes two separate evaluations with a different purpose.
  - Commented that the order of the paragraphs in the objective could be improved to follow more closely the workflow of an audit.

#### Duplication with other ISAs

- (b) Respondents cautioned against excessive duplication and overlap with material included in other ISAs, that was seen as not adding value, and for cross-referencing to other standards and application material, that was perceived as distracting.
- (c) In this respect, the “stand-back” requirement in paragraph 13 of ED-500 was often cited as an example of unnecessary repetition (also see **Section X**). Views included that the “stand-back” requirement in ED-500 is redundant, given the overlap with the requirement in paragraph 26 of ISA 330 and because the requirements in paragraph 35 of ISA 315 (Revised 2019) and paragraph 11 of ISA 700 (Revised)<sup>10</sup> sufficiently address this matter.

#### Enhancements to other ISAs

- (d) Respondents challenged the IAASB’s decision to delay addressing certain audit evidence related issues which are primarily related to possible enhancements to other ISAs (e.g., to ISA 330 and certain ISAs of the 500-series). These enhancements were viewed as necessary to ensure coherence across the ISAs and to ensure that the linkages with ED-500 as a foundational standard remain clear and appropriate (see paragraphs 180-181). Respondents also:
- Recognized the ongoing consultation on IAASB Strategy and Work Plan 2024–2027<sup>11</sup> and advocated revisions to ISA 330 and certain ISAs of the 500-series to be considered among the priorities addressed by the IAASB in the next strategy period.
  - Requested some of the more prescriptive audit evidence requirements in other ISAs to be urgently addressed by undertaking narrow scope revisions or through making conforming

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<sup>9</sup> ISA 510, *Initial Audit Engagements—Opening Balances*

<sup>10</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>11</sup> See the [Consultation Paper](#) on the IAASB Strategy and Work Plan 2024–2027 (Strategy and Work Plan Consultation).

amendments.

#### Improved linkages with other ISAs

- (e) Respondents also suggested improved linkages with other ISAs, or had comments, in relation to the following matters:
- Including more meaningful linkages with ISA 315 (Revised 2019) and ISA 330 in the body of the standard, given that the approach to obtaining audit evidence should reflect the outcome of the risk assessment through designing and implementing appropriate responses to those risks.
  - Explaining the auditor's use of ATT for substantive procedures and whether the requirements of ISA 330 or ISA 520 apply.
  - Clarifying the requirement in paragraph 8(b) of ED-500, given that as presently drafted it is not clear what it requires beyond matters already addressed by ISA 315 (Revised 2019) and ISA 330 (see paragraphs 176-177).
  - Providing clearer linkages with ISA 240 with respect to authenticity of information (see paragraph 175).
  - Enhancing the linkages with other standards, such as with ISA 600 (Revised)<sup>12</sup> with respect to inconsistencies in audit evidence across a group, and with ISA 580<sup>13</sup> and ISA 700 (Revised), for matters where the auditor may have doubts about the relevance and reliability of audit evidence.

34. Respondents who disagreed with question 1(b) noted similar matters as those explained in paragraph 33 above, including:
- (a) That the coverage of the scope of the project to revise ISA 500 (Revised) is too narrow. Respondents expressed disagreement with IAASB's decision to postpone amendments to ISA 330 and to certain ISAs of the 500-series, noting that audit evidence related matters should be considered and addressed more broadly across the ISAs, particularly because of the frequency of recurring audit evidence related findings identified during audit inspections (see paragraphs 180-181).
- (b) Concerns about duplication, overlap, and consistency with requirements in other ISAs that may cause confusion or lead to unnecessary work effort. In this respect, respondents also emphasized the need for the ISAs to be viewed as a single set of professional standards and that it is not necessary or helpful to remind a concept (such as professional skepticism and professional judgment), extensively cross reference to other ISAs, or to repeat a requirement from a specific ISA in the application material of another standard.

#### **AETF Discussion to Date**

35. The AETF intends to deliberate this theme in more depth post September 2023. However, the AETF notes the broad support from the feedback for the principle-based approach in ED-500, as an overarching

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<sup>12</sup> ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

<sup>13</sup> ISA 580, *Written Representations*

standard addressing the auditor’s responsibilities relating to audit evidence, including for its nature and role within the suite of ISAs. In addition, paragraphs 110-112 provide a further discussion relevant to the AETF proposals for the objectives in ED-500. Also, the discussion on the Strategy and Work Plan Consultation (see **Agenda Item 5**) will inform the AETF response to some of the broader feedback regarding interaction with other ISAs.

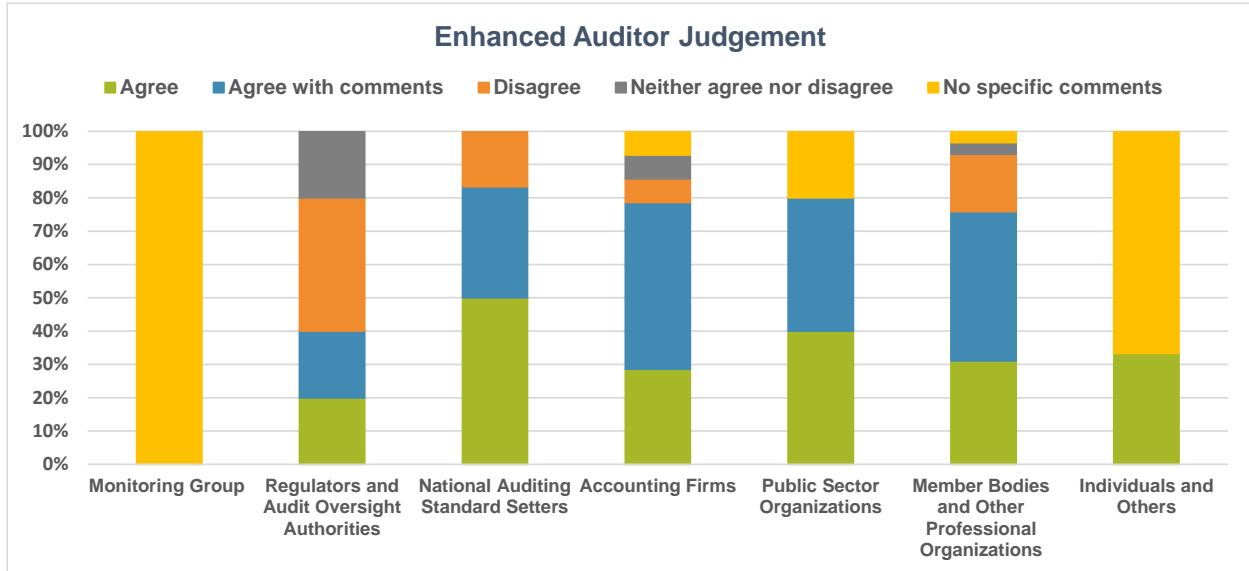
## Section II – Enhanced Auditor Judgment When Obtaining and Evaluating Audit Evidence

### ***Highlights from Respondents’ Feedback***

- Broad support that the proposed revisions will collectively lead to enhanced auditor judgment when obtaining and evaluating audit evidence.
- More clarity is needed for what auditors will do differently in practice because of the revisions to ED-500 and how audit quality will be improved.
- Key areas for improvement:
  - Clarity for documentation expectations in key areas where the auditor exercises professional judgment (e.g., in relation to the evaluation of the attributes of relevance and reliability, testing for accuracy and completeness, and performing the “stand-back” evaluation).
  - Guidance for scalability aspects to support consistent professional judgments by auditors about the work effort that is appropriate when presented with similar facts and circumstances.
  - More examples and guidance for technology related matters, including the use of ATT, to support consistency in the auditor’s professional judgments when applying the principles-based requirements of ED-500.

### **Overview of Responses**

36. Question 2 asked respondents for their views about whether the proposed revisions in ED-500, when considered collectively, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.
37. The chart below shows an analysis of the responses to question 2 per stakeholder group.



38. The overall responses to question 2, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.3 and 4-B.3** for further details):

- 23 respondents agreed – 33%;
- 27 respondents agreed with further comments or concerns – 39%;
- 10 respondents disagreed – 14%;
- 3 respondents neither agreed nor disagreed and had comments – 4%; and
- 7 respondents did not have a specific response, including the two MG respondents – 10%.

**Respondents’ Comments**

39. Respondents who agreed with question 2 appreciated the principles-based approach when making judgments about information intended to be used as audit evidence and the emphasis on professional judgment and professional skepticism in the introductory section of the standard aiming to set the appropriate mindset for the auditor when applying ED-500.

40. Respondents who agreed with question 2 and provided comments or had concerns generally were of the view that many elements of ED-500 will lead to enhanced auditor judgment and drive auditors to undertake an active thought process in identifying and evaluating information intended to be used as audit evidence throughout the audit that will improve audit quality. However, respondents also believed that certain elements should be improved, including for the following key matters:

Documentation

- (a) Respondents were concerned that clarity is lacking regarding the documentation expectations in ED-500 for matters where the auditor exercises professional judgment. Specific areas included the testing for accuracy and completeness, performing the “stand-back” evaluation, and the evaluation of the applicability of each attribute of reliability (see paragraphs 133(c) and 167(d)). Views included that in these areas there is uncertainty about what auditors are expected to document, perception of an extensive documentation burden in relation to these matters, or the inability to demonstrate that the requirements have been complied with at a sufficient level of detail. Respondents cautioned

that this may lead to overdocumentation and checklist approaches developing in practice, with the negative consequence of detracting from achieving audit quality.

- (b) Different views were shared for how ED-500 could be improved in this regard, including:
- Clarifying the requirements to enhance the auditor’s understanding of the related documentation expectations.
  - Providing examples in the application material to demonstrate how different situations necessitate different levels of documentation.
  - Adding specific documentation requirements, linking back to the overarching requirements for documentation in ISA 230,<sup>14</sup> to remove uncertainty for the expectations in this area.

#### Work effort and scalability aspects

- (c) Respondents believed that the proposals in ED-500 should be improved to clarify work effort aspects and to better illustrate how the nature, timing, and extent of the auditor’s procedures are scalable when obtaining and evaluating audit evidence. This was seen as important to support consistent professional judgments by auditors when presented with similar facts and circumstances and to focus the auditors’ attention on areas where it is really needed. Specific aspects for improvement included:
- Illustrating how the nature, timing, and extent of the audit procedures performed to turn “information” into “audit evidence” vary from simple to extensive procedures based on the source of the information and the nature of the audit evidence derived from such information (see paragraphs 106(b)-(d)).
  - Explaining the change in the work effort expected from the auditor by stepping up from a “consideration” to an “evaluation” of the relevance and reliability of information intended to be used as audit evidence (see paragraph 133(a)-(b)).
  - Providing guidance on how to weigh the significance of the attributes of relevance and reliability of information and the spectrum of work effort that is appropriate to support the auditor’s decision making (see paragraphs 133(d)).
  - Clarifying the nature and extent of audit procedures performed based on the source of the information when testing for accuracy and completeness (see paragraphs 153(b) and 154(e)). Respondents also noted concerns about the auditor’s ability to obtain audit evidence about the attributes of accuracy and completeness, given the inherent limitations that may exist for certain information from external sources.

#### Technology

- (d) Respondents believed that further enhancements are needed for technology related matters, including for the use of ATT, to support consistency in the auditor’s judgments when applying the principles-based reference framework in ED-500 (see **Section V**).

41. Respondents who disagreed with question 2 noted similar matters as those explained in paragraph

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<sup>14</sup> ISA 230, *Audit Documentation*

40 above and in addition commented that:

- (a) There is lack of clarity on what specific problems in practice are being resolved with the revisions to ED-500 and how those changes will impact audit quality. To provide clarity for this matter, respondents suggested that once the proposals are finalized, the IAASB should prepare a roadmap summarizing the changes proposed and problems sought to be addressed, the practical implications for auditors and what they are expected to do differently in practice.
- (b) It is insufficient to emphasize professional judgment in the introductory section only and that further emphasis for this concept is necessary by reinforcing the requirements of ED-500.

42. Respondents who neither agreed nor disagreed with question 2 provided comments and views for the requirement in paragraph 8 of ED-500 (see paragraphs 176-179).

### **AETF Discussion to Date**

43. The AETF discussed that clarity of work effort and related documentation expectations are cross-cutting areas of concern coming through the feedback across stakeholder constituencies. Broadly these areas are often linked to matters where the auditor exercises professional judgment and included concerns about:

- Uncertainty about the work effort required and what the auditor is expected to document.
- How regulators may interpret these matters.
- Perception of a more extensive documentation burden that may lead to overdocumentation and checklist approaches.

44. The AETF discussed that, while these were common areas of concern, there were mixed views as to how ED-500 should be improved in this regard, particularly with respect to documentation. For example, MG respondents and certain stakeholders from the Regulators and Audit Oversight Authorities stakeholder constituencies in general asked for stronger documentation requirements in ED-500. Other stakeholder constituencies supported one or more of the following:

- Clarifying the requirements to enhance the auditor's understanding of the related documentation expectations.
- Providing examples to demonstrate how different situations necessitate different documentation and addressing scalability related matters.
- Developing specific documentation requirements to remove uncertainty for the expectations in this area.

45. The AETF is of the view that it would be most effective to consider proposals for work effort and documentation alongside the underlying themes from the feedback where the concerns have been raised. This is because the outcome of how the AETF proposes to address those principal themes may impact the action (or combination of actions) that should be pursued with respect to work effort and documentation. For example, it may be the case that because of a proposed action to the underlying theme, the concern in relation to work effort or documentation from the responses may be substantially addressed.

46. The AETF intends to deliberate this theme in more depth, and present proposals for work effort and documentation, as appropriate, to the Board for discussion post September 2023.



## Section III – Professional Skepticism

### Highlights from Respondents’ Feedback

- Broad support for the enhancements made in relation to professional skepticism.
- Areas where opportunities for improvements can be further considered:
  - Clarifying the consideration of “persuasiveness” in the critical assessment of audit evidence included in the definition of professional skepticism.
  - Enhancing the application material for conscious and unconscious biases.
  - Addressing professional skepticism when the auditor has doubts about relevance and reliability of information, and when there are inconsistencies with other audit evidence.
  - Improving the guidance for the attributes of reliability with an emphasis on the exercise of professional judgment and application of professional skepticism in considering these attributes and their interrelationships.
  - Providing linkages with the auditor’s responsibility in relation to fraud given that management override of controls can affect the reliability of audit evidence.
  - Aligning with changes to the IESBA Code that promote the role and mindset of professional accountants.

### Overview of Responses

47. Question 5 asked respondents if they agreed that the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism when obtaining and evaluating audit evidence.

48. The chart below shows an analysis of the responses to question 5 per stakeholder group.



49. The overall responses to question 5, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.4 and 4-B.4** for further details):

- 33 respondents agreed – 47%;
- 30 respondents agreed with further comments or concerns, including one MG respondent – 43%;
- 3 respondents disagreed, including one MG respondent – 4%; and
- 4 respondents did not have a specific response – 6%.

## Respondents' Comments

### *Monitoring Group Responses*

50. One MG respondent supported the improvements made to ED-500 in relation to professional skepticism and commented that:
- (a) The concept of professional skepticism is appropriately emphasized in several key areas of the standard by providing meaningful and important linkage to other ISAs without being repetitive (e.g., the guidance and examples related to designing and performing audit procedures in a manner that is not biased).
  - (b) Further examples and guidance related to maintaining professional skepticism are recommended when evaluating the relevance and reliability of information intended to be used as audit evidence and when “standing-back” to consider all audit evidence obtained.
51. The MG respondent who disagreed with question 5, noted that the overall objective to emphasize the role of professional skepticism in ED-500 has not been fully met because the application material does not describe in sufficient detail the critical role of professional skepticism. The MG respondent believed that the ISAs should reflect some of the changes made to the IESBA Code that promote the role and mindset expected of professional accountants<sup>15</sup> (e.g., a focus on the auditor’s integrity, strength of character to act appropriately, and the need for auditors to have an inquiring mind), as this would ensure a common benchmark for all auditors regardless of whether the IESBA Code applies in a specific jurisdiction.

### *Other Respondents' Comments*

52. Respondents who agreed that the requirements and application material of ED-500 appropriately reinforce the application of professional skepticism appreciated the IAASB:
- (a) Raising awareness about this critically important concept in obtaining and evaluating audit evidence and enhancing the linkage with ISA 200<sup>16</sup> that sets out requirements and guidance for the auditor to plan and perform the audit with professional skepticism.
  - (b) Providing emphasis and prominence for the concept within the introductory section, thereby setting the tone for the auditor to adopt the required mindset when applying ED-500.
  - (c) Emphasizing the need to apply professional skepticism throughout the audit, including from the early planning stages of the audit.
  - (d) Including material on unconscious or conscious biases and how the awareness of such biases may

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<sup>15</sup> See the Final Pronouncement: [Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants](#).

<sup>16</sup> ISA 200, *Overall Objectives of The Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

help mitigate impediments to the auditor’s application of professional skepticism.

53. Respondents who agreed with question 5 and provided comments or had concerns generally indicated areas in ED-500 where enhancements can be made to reinforce the auditor’s application of professional skepticism in obtaining and evaluating audit evidence. The key matters noted in their responses included:

Clarifying the phrase “critical assessment of audit evidence” in the definition of professional skepticism

- (a) Respondents commented that it is not clear from the definition of professional skepticism in ISA 200 what the “critical assessment of audit evidence” includes. Comments were made that the application material in paragraph A23 of ISA 200, provides further context relevant to understanding the definition and explains that the critical assessment includes a consideration of the sufficiency and appropriateness of audit evidence (i.e., its persuasiveness).
- (b) Suggestions included providing further clarify for this matter either in ED-500 (e.g., by adding application material or defining persuasiveness of audit evidence and explaining the linkages with the critical assessment of audit evidence included in the definition for professional skepticism) or by making a conforming amendment to the definition of professional skepticism in ISA 200 that it is persuasiveness of audit evidence being critically assessed.

Enhancing the application material in relation to biases

- (c) Respondents provided suggestions how the application material drawing attention to conditions that may indicate unconscious or conscious biases could be enhanced, including:
- Extending the discussion of the biases by adding to the list (e.g., adding authority bias, overconfidence bias, hindsight bias, averaging bias, and representativeness bias).
  - Drawing attention in the application material that while it may not be possible to eliminate all biases given that some are unconscious, the auditor may only be able to actively work towards mitigating or reducing known biases.

Doubts about the relevance and reliability of information and inconsistencies in audit evidence

- (d) Respondents supported strengthening ED-500 to emphasize the application of professional skepticism when the auditor has doubts about the relevance or reliability of information intended to be used as audit evidence and when there are inconsistencies with other audit evidence. In addition, respondents emphasized that the standard needs to be explicit that any information which is indicative of inconsistencies should be subjected to audit procedures, including evaluating relevance and reliability.

Other matters

- (e) Other aspects where improvements were suggested included:
- Expanding the application material for the attributes of the relevance and reliability of information, with an emphasis on the exercise of professional judgment and application of professional skepticism in considering these attributes and their interrelationships.
  - Highlighting professional judgment more prominently, and in addition to professional skepticism, in the introductory section of the standard.
  - Aligning with changes to the IESBA Code that promote the role and mindset of professional

accountants.

- Enhancing the linkages with ISA 240 and the auditor’s responsibilities relating to fraud in the introductory section of the standard, given that the potential for management override of controls can affect the reliability of audit evidence (e.g., whether audit evidence is authentic and free from intentional bias).

54. Respondents who disagreed with question 5 commented that it is insufficient to focus on professional skepticism only in the introductory section and in the application material and urged the IAASB to instead reinforce the requirements of ED-500 to foster the appropriate application of professional skepticism when obtaining and evaluating audit evidence.

#### **AETF Discussion to Date**

55. The AETF noted the broad support from respondents for the enhancements made in relation to professional skepticism and intends to discuss respondents’ feedback for this theme in more depth post September 2023.

### **Section IV – Balance of Requirements and Application Material**

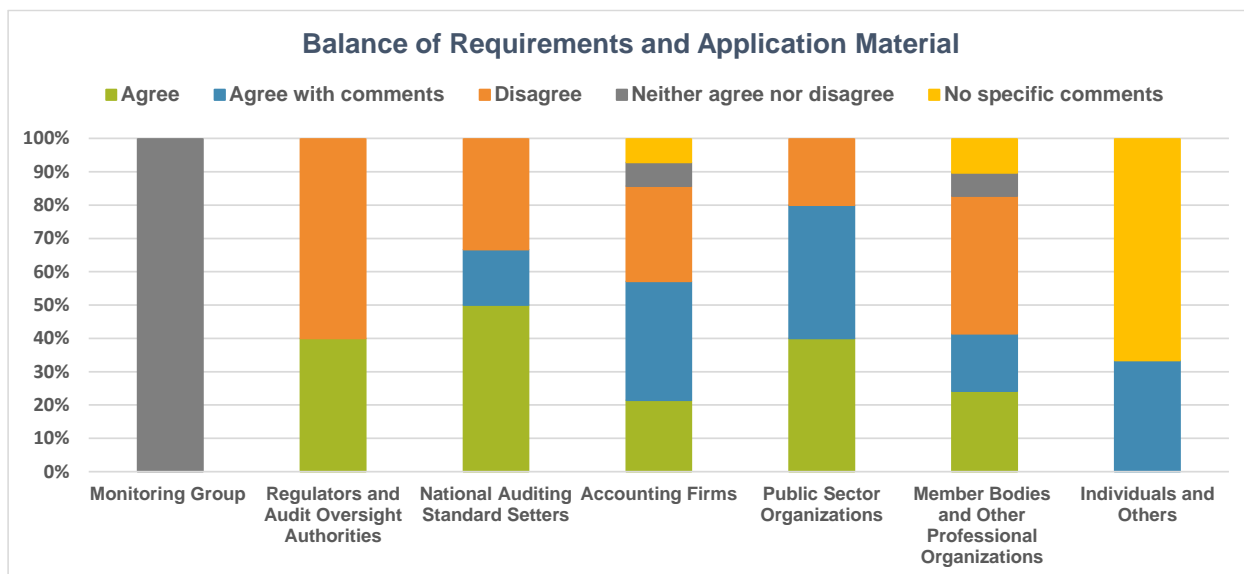
#### ***Highlights from Respondents’ Feedback***

- Support for:
  - Streamlining the application material (e.g., by reducing duplication, cross-referencing and overall length).
  - Providing more robust examples and application guidance (e.g., “how” a procedure is intended to be undertaken).
- Mixed views in relation to whether:
  - Additional requirements are needed for areas not previously addressed (e.g., for documentation).
  - More specificity should be provided for the existing requirements (e.g., whether the requirements should become more prescriptive).

#### **Overview of Responses**

56. Question 3 asked respondents for their views whether ED-500 achieves an appropriate balance of requirements and application material.

57. The chart below shows an analysis of the responses to question 3 per stakeholder group.



58. The overall responses to question 3, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.5 and 4-B.5** for further details):

- 20 respondents agreed – 29%;
- 15 respondents agreed with further comments or concerns – 21%;
- 24 respondents disagreed – 34%;
- 5 respondents neither agreed nor disagreed and had comments, including the two MG respondents – 7%; and
- 6 respondents did not have a specific response – 9%.

## Respondents' Comments

### *Monitoring Group Responses*

59. The MG respondents commented that:

- (a) Although it is useful to have broad principles in the ISAs that can accommodate various circumstances, particularly because auditors are using a greater variety of sources of information in their audits, the inclusion of more prescriptive requirements is warranted in certain circumstances.
- (b) Further guidance and examples are needed to support a clear understanding of the principle-based requirements.

### *Other Respondents' Comments*

60. Respondents who agreed with question 3 supported the overall balance of requirements and application material in ED-500 for the following key reasons:

- (a) The requirements are few, short and straightforward. This aligns with the objective of developing a principle-based reference framework for making judgments about information to be used as audit evidence and is an appropriate approach given the wide range of possible

sources of audit evidence.

- (b) Given the principle-based nature of the requirements it is necessary to have extensive application and other explanatory material to provide additional guidance and examples in support of the proper implementation of the standard.
61. Respondents who agreed with question 3 and provided comments or had concerns noted the following key matters in their responses:
- (a) While overall useful, there is an opportunity to streamline the application material (e.g., reduce repetition and cross-referencing to other ISAs or exclude examples which are self-evident to help reduce the overall length of the standard).
- (b) Improving the clarity of the requirements in certain instances would reduce the need for lengthy application material to support the proper and consistent application of the standard.
- (c) More robust examples and guidance are needed to clarify certain topics and how the principles apply (e.g., for work effort and scalability aspects, in relation to documentation expectations and to help auditors apply the requirements in paragraphs 9 and 10 of ED-500).
- (d) There is need for further non-authoritative implementation guidance outside of the standard to explain how to apply ED-500 in the context of certain situations and specific areas.
62. Respondents who disagreed with question 3 expressed the following key concerns in their responses:

Length, repetition and volume of the application material

- (a) Comments were made that the application material in ED-500:
- Appears disproportionately detailed and extensive to explain the limited number of principle-based requirements.
  - In some cases, repeats material already stated in the requirements or in the application material paragraphs or duplicates the content included in other ISAs.
  - Includes too many cross-references which is distracting.
  - Reads like educational material and the drafting approach is similar to a textbook.
  - Provides examples that are too simple and basic.
  - Has been included as compensation for requirements in certain cases.
  - Is too granular and may lead firms to develop checklist approaches which is not beneficial for audit quality.
  - May not meet the intended purpose as it can become difficult for auditors to focus on what is important given the high volume, length, and granularity of the guidance.
- (b) Suggestions included redrafting and condensing the application material, considering whether certain application material paragraphs may be better placed as an appendix to the standard or moving some of the application material into non-authoritative guidance.

More robust application material and examples

- (c) Respondents commented that certain concepts and topics addressed by the standard need further

guidance to help clarify the requirements and drive consistency. In addition, enhancements to the application material are needed to provide more useful and practice-relevant examples and guidance on “how” a procedure or action is meant to be undertaken (e.g., when using ATT or to demonstrate scalability aspects for more and less complex circumstances).

#### Enhancements to the requirements

- (d) Comments were made that the requirements do not appropriately stand on their own, i.e., their scalability and how they are intended to be applied is only understood when requirements are read in connection with application material. Suggestions included strengthening the existing requirements by providing more clarity and specificity.
  - (e) In addition, there were mixed views on whether there should be more requirements in ED-500. While some supported the limited number of principle-based requirements, others suggested more prescriptive requirements, elevating certain application material to the requirements (e.g., for areas that may be indicative of “hidden” requirements) and developing new requirements for certain areas not previously addressed (e.g., specific documentation requirements).
63. Respondents who neither agreed nor disagreed noted the increased length and volume of the application material in ED-500, however they nevertheless acknowledged the usefulness of the examples provided. They also expressed concern about regulators’ interpretations in relation to the extensive application material which can be given an equal enforcement status as for the requirements of the standard.

#### **AETF Discussion to Date**

64. The AETF notes the mixed views from respondents in relation to the balance of requirements and application material in ED-500. In this regard, the AETF discussed that given the nature of ED-500 (i.e., being a principle-based reference framework for the auditor when making judgments about audit evidence throughout the audit), it is fundamental to include more extensive application material and guidance in support of proper application of its requirements.
65. While this theme will be deliberated in more depth post September 2023, the AETF also discussed that there may be benefits to be achieved by focusing on improvements to the application material in ED-500. This may include, for example:
- Streamlining the application material to the introductory section of the standard (e.g., relocating and presenting such application material in a more integrated manner with other application material of the standard where those key concepts are further addressed).
  - Redrafts to improve readability (e.g., reducing cross referencing and repetitions).
  - Enhancing the application material and examples for technology related matters (see discussion in **Section V** below).

#### **Matter for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Sections I-IV**.

## Section V – Technology

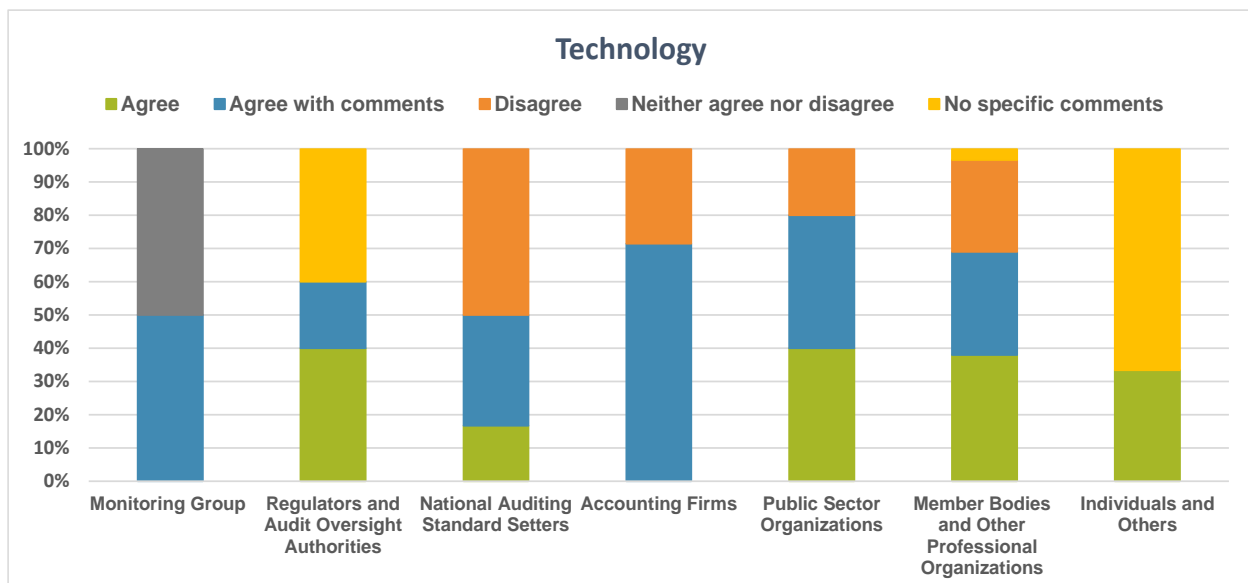
### Highlights from Respondents’ Feedback

- Overarching matters:
  - Mixed views whether the objective for modernization with respect to technology has been achieved.
  - Broad acknowledgement that more is needed to accommodate the use of technology in ED-500.
  - The revisions to ED-500 alone are seen as insufficient – support for a more holistic approach to address technology related matters across the IAASB standards.
- Support for more guidance and examples to acknowledge the evolution in technology and in current practice (e.g., use of audit data analytics, robotic process automation and artificial intelligence).
- Suggestions for:
  - Providing a more balanced discussion for automation bias (e.g., not to overemphasize the drawbacks only).
  - Defining or describing ATT.
  - Inclusion of a principle-based, conditional requirement with respect to use of ATT.
  - Collaboration and coordination with IESBA with respect to technology related matters.

### Overview of Responses

66. Question 4 asked respondents if they agreed that ED-500 is appropriately balanced with respect to technology by reinforcing a principles-based approach that is not prescriptive but accommodates the use of technology by the entity and the auditor, including for the use of ATT.

67. The chart below shows an analysis of the responses to question 4 per stakeholder group.





68. The overall responses to question 4, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.6 and 4-B.6** for further details):
- 18 respondents agreed – 26%;
  - 27 respondents agreed with further comments or concerns, including one MG respondent – 39%;
  - 19 respondents disagreed – 27%;
  - 1 MG respondent neither agreed nor disagreed and had comments – 1%; and
  - 5 respondents did not have a specific response – 7%.

## Respondents' Comments

### *Monitoring Group Responses*

69. The MG respondent who agreed with question 4 recognized the enhancements made to the application material in ED-500 to illustrate how the principles-based requirements apply when using technology. However, the MG respondent believed that an opportunity exists to expand on this topic to meet the stated objective for modernization in ED-500. The MG respondent also emphasized the need to continue to collaborate with IESBA to align associated outcomes with the technology-related revisions to the IESBA Code<sup>17</sup> and for the IAASB to continue to issue practical guidance in a timely manner upon the identification of key emerging issues related to technology advancements.
70. Specific areas where MG respondents believed the guidance in ED-500 can be enhanced included:
- (a) Expanding the Appendix of ED-500 with examples when technology is used in the performance of various types of audit procedures (e.g., the use of remote observation tools, performing recalculation procedures on 100 percent of items in a population, or the use of audit data analytics to perform risk assessment or substantive procedures).
  - (b) Explaining when an audit procedure is a test of detail or substantive analytical procedure when using technology (e.g., clarifying when the requirements of other ISAs, such as ISA 520 or ISA 530, apply).
  - (c) Developing guidance for using ATT to select items for testing (e.g., criteria to identify items for further investigation).
  - (d) Clarify the auditor's actions when using technology for identified items that are inconsistent with expectations or exhibit characteristics that are unusual for a population.
  - (e) Adding guidance related to the unique risks related to digital information (e.g., an entity's data retention policies and availability of digital information, risks relating to the transformation of the information from its original form, or where information is only available in digital form and whether testing of the operating effectiveness of IT related controls is necessary).
  - (f) Enhancing the application material in relation to automation bias by including guidance on:
    - The consideration of the outputs by automated systems as a risk of automation bias when evaluating relevance and reliability of information intended to be used as audit

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<sup>17</sup> See the [Final Pronouncement: Technology-Related Revisions to the Code](#).

evidence.

- Instances when vulnerability to automation bias may be greater.
- The assessment of whether the use of the ATT is appropriate in the circumstance to meet the intended purpose of the audit procedure, notwithstanding the fact that the ATT itself has been approved by the auditor's firm.

#### *Other Respondents' Comments*

71. Respondents who agreed with question 4 supported the approach to address the use of technology and ATT in ED-500, noting it aligns with the principle-based framework and appropriately enables:
- (a) Flexibility, to suit the circumstances of each audit engagement by acknowledging the significance of technology in the examples rather than mandating use of specific technology or ATT.
  - (b) Adaptability, to remain future proof in an evolving audit environment driven by technological development.
  - (c) Scalability, by emphasizing the mix of use manual or ATT to perform audit procedures to obtain audit evidence.
72. Respondents who agreed with question 4 and provided comments or had concerns generally supported the principle-based, non-prescriptive approach when addressing technology in ED-500 as this was seen appropriate to enable a future proof standard that remains fit-for-purpose. However, respondents were of the view that the examples and guidance provided would likely fall short of many stakeholders' expectations with respect to technology and could have gone further to achieve the IAASB's stated objective of modernization. Respondents also:
- (a) Appreciated that this is a difficult area to achieve the right balance given the continuous evolution in how technology impacts the sources and forms of audit evidence and the performance of audit procedures by using ATT. In this regard, respondents encouraged the IAASB to undertake a post implementation review to determine whether the approach adopted has proved to be appropriate.
  - (b) Recognized that modernizing ED-500 to enable a broader use of technology in audits may not be sufficient on its own. Respondents encouraged the IAASB to prioritize undertaking revisions to other standards as part of its Strategy and Work Plan Consultation discussions (e.g., for ISA 330 and certain ISAs of the 500-series) or an omnibus project to address technology related matters more broadly in its standards.
  - (c) Acknowledged the importance of the various technology-related guidance being developed by the IAASB's TCG and supported for further guidance to be developed in the course of the project to enable effective implementation of ED-500 with respect to the use of ATT.
73. There was broad support from respondents for providing more clarity to acknowledge the changing landscape and the significant role that data and technology play as the auditor considers audit evidence, either within ED-500 or by issuing non-authoritative guidance. Respondents also suggested specific aspects where improvements could be considered, including:
- (a) Providing a more balanced discussion for automation bias, given that some of the application material may discourage the use of digital information or ATT in audits. In addition, suggestions were made for providing a clearer distinction between the auditor's use of ATT in obtaining audit evidence and the entity's use of ATT within its financial reporting processes, and for providing more

examples of the benefits that can be obtained by the use of ATT, and how some of the risks from automation bias can be overcome by the auditor.

- (b) Developing guidance and examples where there are more complex uses of technology by the entity and the auditor, including using ATT, such as audit data analytics, robotic process automation, machine learning and artificial intelligence. For example, providing a discussion of the complexities that the auditor can face in obtaining audit evidence when the entity employs emerging technologies in their financial reporting processes.
- (c) More explicitly addressing the different categories of digital information (i.e., digital data, digital documents and information that has been transformed from its original medium into an electronic format) as each category may require the auditor to perform different procedures to evaluate its relevance and reliability.
- (d) When discussing access to information, adding an example regarding the implications of data privacy laws and regulations with respect to using ATT when obtaining audit evidence.
- (e) Providing more examples on using technology in different phases of the audit and a more explicit acknowledgement of the use of audit data analytics (e.g., predictive analytics, process mining and data visualization).
- (f) Expanding upon the effects of the use of ATT as an inspection of an entire population of items, and how to address outliers and inconsistencies in these circumstances.
- (g) Clarifying what qualifies as a test of details and substantive analytical procedure when using technology and providing examples of concurrent performance of risk assessment and further audit procedures.

74. Respondents who disagreed with question 4 noted the following key matters in their responses:

More is needed to achieve the public interest objective for modernization with respect to technology

- (a) Respondents expressed disappointment that the proposed revisions in ED-500 do not go far enough in addressing technology. Respondents commented that the IAASB:
  - Has not fully achieved the objective for modernization identified as a key public interest issue for ED-500.
  - Appears too cautious in its approach when it comes to embracing technology in its standards. This could lead to increased inconsistency and fragmentation across the use of ATT by auditing firms.
  - Will ultimately need to go further in clarifying what auditors are required to do differently driven by how developments in technology have affected the way audits are performed.

Need for a holistic approach to respond to technological development

- (b) Respondents commented that:
  - The IAASB's approach to addressing technology is siloed, relative to a need for broader revisions across the suite of IAASB standards to effectively address technology related matters.
  - The revision of ED-500 in isolation, without a comprehensive revision of the audit evidence

related ISAs of the 500-series, is a missed opportunity to address the impact of technology more holistically across the standards.

- The focus on technology in the Strategy and Work Plan Consultation may result in subsequent revisions to ED-500 in short succession as the IAASB considers how to address technology related matters in its standards more broadly.

#### The evolution in technology and in current practice needs more emphasis

- (c) Comments were made that as currently drafted ED-500 is unduly restrictive because it does not:
- Define or describe audit data analytics, nor does it explain how using audit data analytics (e.g., predictive analytics, process mining and data visualization) fits into the types of procedures that the auditor may perform, which may discourage auditors from using these techniques.
  - Explicitly acknowledge more prevalent forms of new technology (e.g., artificial intelligence, machine learning, and robotic process automation) and how the outputs of these tools can be considered and used as audit evidence.
- (d) Comments were made that ATT encompasses a broad range of procedures from the automation of audit procedures through to the performance of audit data analytics, and in practice ATT and audit data analytics are often conflated. Suggestions included defining or describing ATT to promote a consistent understanding for this term in the context of the IAASB standards.

#### Automation bias

- (e) Respondents supported a more balanced discussion of automation bias relative to other biases, and because as presently drafted the application material may be interpreted as being overly cautious or discouraging the use of technology and ATT. Suggestions included instead of only highlighting the drawbacks of ATT, to more affirmatively state that there are circumstances in which the use of ATT in the audit may lead to deeper risk assessment and more tailored audit procedures that provide persuasive evidence to respond to the assessed risks of material misstatement.

#### Challenges with the categorization of audit procedures by their nature

- (f) Respondents acknowledged the challenges for engagement teams to categorize certain audit procedures performed when using ATT by their purpose and type (i.e., by their nature) which results in difficulties for firms to consistently adopt and enhance the use of technology in their audit methodologies which leads to fragmentation in the audit market.
- (g) Suggestions included to explicitly recognize in ED-500 that the use of ATT may facilitate designing and performing an audit procedure that achieves more than one purpose (e.g., a risk assessment procedure or a substantive audit procedure) and that such tools often blend types of audit procedures together that cannot be categorized either as substantive analytical procedures or as a test of details.

#### Other matters

- (h) Respondents suggested various improvements to the application material of ED-500, including providing further examples and explanations. In addition, respondents also suggested:
- Including an explicit requirement in ED-500 to address the use of ATT, that would be

conditional on when the auditor uses ATT.

- Further consideration around the use of appendices to convey more complex and detailed examples on “how” a procedure may be applied in practice when using ATT.
- The IAASB committing to develop non-authoritative guidance to address the use of ATT in support of effective implementation of ED-500.
- Further engaging with and leveraging on guidance of Jurisdictional / National Standard Setters (NSS) on this topic and undertaking information gathering from firms how they utilize ATT in obtaining and evaluating audit evidence at various stages of the audit.

## **AETF Initial Views and Recommendations**

### *Background*

75. A key driver for ED-500 was modernization to be adaptable to the current business and audit environment and to better reflect the digital era. The IAASB’s standard-setting response to modernization included accommodating, but not mandating or expecting, the use of technology by the auditor or the entity through providing relevant guidance and examples in the application material. This approach was considered an appropriate response given the principle-based nature of ED-500 and is broadly consistent with how technology related matters have been approached in other more recently revised standards. In addition, the overall approach to address technology in ED-500 anticipated development of non-authoritative guidance as discussed in paragraph 98 below.

### *Scope of the Audit Evidence Project*

76. The AETF notes that the proposals in ED-500 were developed in the context of the scope of the project, which specifically excluded certain actions (e.g., possible enhancements to other ISAs, such as ISA 330 and certain standards in the 500-series). However, from the feedback, certain stakeholders expressed views that broader actions are necessary to address audit evidence related matters across the suite of IAASB Standards, including for addressing technology related matters. For example, a MG respondent disagreed with the IAASB’s decision to delay enhancements to ISA 330, as they are necessary to meet the Board’s stated objectives for the revision of ED-500. Some other respondents also believed that the coverage of the scope of the project to revise ED-500 is too narrow and that all audit evidence related matters, including in certain ISAs of the 500-series, should be more holistically addressed.

77. From the feedback, various suggestions were provided by respondents on how ED-500 can be enhanced to address technology related matters. The AETF performed an initial analysis of the suggestions, grouped by key topics, and in doing so is of the view that not all of the topics from the feedback could be addressed within the current scope of ED-500. **Appendix 4** provides a table that summarizes the initial analysis performed by the AETF in this regard, including highlighting where the feedback could be addressed (both within and outside ED-500).

78. The AETF highlights these constraints to the Board and notes that these matters may be of particular relevance to the Board as they consider the feedback to both ED-500 and the Consultation Paper on the IAASB Strategy and Work Plan 2024–2027,<sup>18</sup> given the consistency in the messages from respondents, including but not limited to technology.

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<sup>18</sup> See the [Consultation Paper](#) on the IAASB Strategy and Work Plan 2024–2027 (Strategy and Work Plan Consultation).

## Overview of Recent Technology Related Standard-Setting Initiatives

### Approach to Technology Related Matters in the IESBA Code

79. The AETF discussed the enhancements made to the IESBA Code in the course of their recently completed project on technology-related revisions.<sup>19</sup> The revisions extended to the entire IESBA Code, including the independence provisions. Among the key areas addressed, enhancements were proposed to the considerations relating to threats from the use of technology and the ethical dimension of a professional accountant's reliance on, or use of, the output of technology in carrying out their work.<sup>20</sup>
80. The AETF particularly note the approach to the revisions in Section 220 – *Preparation and Presentation of Information* and Section 320 – *Professional Appointments*, of the IESBA Code. These revisions include new conditional requirements focused on when a professional accountant intends to use the “output” of the technology. For example, paragraph R320.11 of the technology-related revisions to the IESBA Code requires that, when a professional accountant intends to use the output of technology in the course of undertaking a professional activity, they determine whether the use is appropriate for the intended purpose.
81. In addition, related application material<sup>21</sup> provides factors for the professional accountant's consideration when the output of technology is used, such as:
- The nature of the activity to be performed by the technology.
  - The expected use of, or extent of reliance on, the output of the technology.
  - Whether the accountant has the ability, or access to an expert with the ability, to understand, use and explain the technology and its appropriateness for the purpose intended.
  - Whether the technology used has been appropriately tested and evaluated for the purpose intended.
  - Prior experience with the technology and whether its use for specific purposes is generally accepted.
  - The firm's oversight of the design, development, implementation, operation, maintenance, monitoring, updating or upgrading of the technology.
  - The controls relating to the use of the technology, including procedures for authorizing user access to the technology and overseeing such use.
  - The appropriateness of the inputs to the technology, including data and any related decisions, and decisions made by individuals in the course of using the technology.
82. As discussed in paragraph 80 above, the technology-related requirements in the IESBA Code are focused on the “output” of the technology, given IESBA's view that this is what ultimately a professional accountant will utilize in the delivery of their professional activity or service. However, in order to be able to use such output, the process of making use of the technology is considered within the application material in the IESBA Code (e.g., the appropriateness of the inputs to the technology, including data and any related

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<sup>19</sup> See the [Final Pronouncement: Technology-Related Revisions to the Code](#).

<sup>20</sup> The revisions in this area extended to Sections 200, 220, 300 and 320 of the IESBA Code.

<sup>21</sup> See paragraph 320.11 A1 of IESBA's [Final Pronouncement: Technology-Related Revisions to the Code](#).

decisions, and decisions made by individuals in the course of using the technology).

83. In addition, the IESBA Code does not refer to ATT. The technology-related provisions in the IESBA Code use the term “technology” given this is a broad term that is meant to encompass all technologies (including ATT as used in the ISAs), artificial intelligence and robotic process automation, blockchain, and other future technologies not yet known.<sup>22</sup> This was deemed appropriate as the revisions were developed in a principles-based manner so that the IESBA Code remains relevant and fit-for-purpose as technology evolves. In finalizing the revisions, the IESBA considered the difference in terminology in the respective Boards’ standards and believed this is appropriate, as the term “technology” is intended to be broad and encompasses ATT.

#### PCAOB<sup>23</sup> Proposed Amendments in Relation to Using Technology-Assisted Analysis

84. The AETF notes that in June 2023, the PCAOB issued a proposal to amend its audit evidence and responses to risks of material misstatement auditing standards to bring greater clarity for certain auditor responsibilities when using technology-assisted analysis.<sup>24</sup> The proposals aim to respond to the growing use of technology in audits and the increasing use of audit evidence by analyzing large volumes of information in electronic form in audits. They are focused on specific aspects of designing and performing audit procedures that use technology-assisted analysis of information in electronic form (e.g., “data analysis” or “data analytics”), but do not extend to other emerging technology used in audits (e.g., blockchain or artificial intelligence) or the evaluation of the appropriateness of tools by the firm’s system of quality control.
85. The key revisions proposed include:
- Clarifying the difference between tests of details and analytical procedures (e.g., explaining that a test of details involves performing audit procedures with respect to individual items and that analytical procedures generally do not involve evaluating individual items, unless those items are part of the auditor’s investigation of significant differences from expected amounts).
  - Emphasizing that the relevance of audit evidence depends on the level of disaggregation or detail of information necessary to achieve the objective of an audit procedure.
  - Specifying that if an auditor uses audit evidence from an audit procedure for more than one purpose (e.g., a multipurpose audit procedure to inform their risk assessment and to perform a substantive audit procedure) the procedure needs to be designed and performed to achieve each of the relevant objectives.
  - Setting out factors that the auditor should consider as part of the investigation of items that meet criteria established by the auditor when designing and performing substantive audit procedures.
  - Clarifying the auditor’s responsibility for evaluating the reliability of external information maintained by the company in electronic form that is being used as audit evidence.

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<sup>22</sup> See paragraphs 116-119 of the [Basis for Conclusions: Technology-Related Revisions to the Code](#).

<sup>23</sup> Public Company Accounting Oversight Board

<sup>24</sup> See the PCAOB’s [Proposed Amendments Related to Aspects of Designing and Performing Audit Procedures that Involve Technology-Assisted Analysis of Information in Electronic Form](#). Public comment was sought from stakeholders by August 28, 2023.

- Emphasizing the importance of controls over information technology (including general IT controls and application controls) for the reliability of audit evidence, both to information produced by the entity and for external information maintained by the entity in electronic form.
86. The proposals also include updating certain terminology in the PCAOB auditing standards to reflect the greater availability of information in electronic form. However, the PCAOB decided not to include or define “data analytics” as a new type of audit procedure given its view that this could create confusion and unnecessarily constrain the potential use of technology-assisted analysis in the audit. In reaching its view, the PCAOB also considered that the meaning of the term “data analysis” or “data analytics” varies depending on the context in which it is used and because as technology evolves, the meaning of the term may also evolve.

#### *IAASB Strategy and Work Plan Consultation*

87. The IAASB has consistently recognized the impact of technology as one of its relevant strategic drivers affecting the IAASB standards and future activities. In addition, in its Strategy and Work Plan Consultation the IAASB is considering several potential projects that would include the technology focused modernization of standards, specifically revising and modernizing ISA 330 and certain standards in the ISA 500-series, and/or undertaking a technology targeted or omnibus project(s), to reflect technological advances and the use of ATT by entities and auditors more broadly, as well as to align with changes proposed in ED-500.
88. The AETF notes that respondents to ED-500 referred in their feedback to the Strategy and Work Plan Consultation indicating the need for the IAASB to take more robust action to address technology related matters in ED-500 and more broadly across the IAASB standards. In addition, the AETF notes the linkages from the feedback received on the Strategy and Work Plan Consultation in **Agenda Item 5** and ED-500, and that there was broad consistency in the messages from stakeholders from both public consultations.

#### *Conditional Requirement to Address When the Auditor Uses ATT*

89. From the feedback, one respondent suggested including a specific requirement in ED-500 to address the use of ATT. This was not a widespread suggestion from the overall responses, however the AETF believes there is merit to consider the proposal, given the strong encouragement from the feedback that more specificity is needed to address the use of ATT and to robustly modernize ED-500 for technology.
90. The respondent suggested a principle-based, conditional requirement, that would apply only when the auditor uses ATT, similar to the conditional approach for the requirement in paragraph 11 in ED-500 if the information intended to be used as audit evidence has been prepared by a management’s expert. The AETF believes that the conditional proposal aligns with the IAASB’s stated objective for modernization and is consistent with the view that this will *accommodate* the use of technology in ED-500 (e.g., in those instances when ATT is being used in the audit), rather than *mandate* the use of ATT.
91. In addition, the AETF:
- (a) Acknowledges that including an explicit requirement in ED-500 for the auditor’s use of ATT will help build consistent practice in this area but is not sufficient on its own given that broader technology related aspects across the ISAs also need to be considered and more broadly addressed. However, the AETF is of the view that such an action complements stakeholder expectations from the Strategy and Work Plan Consultation and from ED-500 that more robust actions are needed to



address technology related matters in the ISAs.

- (b) Believe the suggested approach can be effective, i.e., an approach that involves a specific action to strengthen the requirements of ED-500, in addition to providing application material and non-authoritative guidance to support proper application and implementation.
  - (c) Is of the view that this approach is consistent with recent technology related initiatives undertaken by other standard-setting bodies discussed above.
92. The AETF initial proposal for a conditional requirement when the auditor uses ATT is presented in the box below. It addresses matters relevant to the scope of ED-500, including both the inputs and outputs of the use of ATT, and also compliments existing requirements and application material in ISQM 1<sup>25</sup> and ISA 220 (Revised)<sup>26</sup> related to use of technological resources. The AETF will further discuss the requirement and its appropriate placement in ED-500 and intends to develop new application material in support of the proposed requirement post September 2023.

#### **Use of Automated Tools and Techniques**

If the auditor uses automated tools and techniques to design and perform audit procedures in accordance with paragraph 8, the auditor shall consider:

- (a) The appropriateness of the inputs to the automated tools and techniques, including whether the inputs are relevant and reliable; and
- (b) Whether the automated tools and techniques operate as designed and its outputs meets the purpose for which it is intended.

#### *Describing or Defining ATT*

93. The AETF notes that several respondents suggested providing a description, or a definition, for ATT given the use of this term in the application material of ED-500 and in other ISAs. Suggestions also included defining or describing audit data analytics and explicitly acknowledging in ED-500 the more prevalent forms of new technology (e.g., artificial intelligence and robotic process automation).
94. The AETF discussed that given the proposal for a conditional requirement to address the use of ATT discussed in paragraphs 89-92 above, then a related consideration is to define, or describe, the term “automated tools and techniques.” In this regard, the AETF is of the view that a description, rather than a definition should be pursued, similar to the approach today for computer-assisted audit techniques (CAATs). This is because such description could be more easily updated as may be the case to recognize evolution in technology and because providing a description, rather than a definition would allow more flexibility (e.g., referring to examples of new forms of technology in the description). The description would form part of the application material and could be subject to conforming and consequential amendments when other ISAs are revised, if necessary, and be accessible in the IAASB Glossary of Terms.
95. The AETF’s initial proposal for a description of ATT is shown in the box below. In developing the

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<sup>25</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>26</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

description, the AETF considered various available sources.<sup>27</sup> The proposed description emphasizes the auditor's involvement with using ATT so as not to imply that they do not involve manual elements or require the auditor's exercise of professional judgment. Also, the description names specific technologies and techniques only by way of an example.

### **Automated Tools and Techniques**

Automated tools and techniques is a broad term that describes information technology enabled processes used by the auditor for the purpose of planning or performing the audit that involve the automation of methodologies and procedures, for example the analysis of data using modelling and visualization, or drone technology to observe or inspect assets. Other examples of automated tools and techniques are artificial intelligence and robotic process automation. The term is deliberately broad because technologies and related audit applications continue to evolve.

#### *Documentation When the Auditor Uses ATT*

96. Given the proposals for a conditional requirement when using ATT discussed in paragraphs 89-92 above, the AETF believes that related documentation matters warrant further consideration and intends to discuss such matters in more depth post September 2023. This may include, for example new application material (e.g., contrasting how documentation considerations in ISA 230 may be different when using ATT versus manual procedures) or whether a conditional documentation requirement should be pursued when using ATT. The AETF notes that the TCG has previously explored and issued non-authoritative guidance related to audit documentation when using ATT, given that these situations may include different documentation considerations.<sup>28</sup>

#### *Application Material, Examples and Non-Authoritative Guidance (NAG)*

97. The AETF acknowledges that based on the feedback, respondents to ED-500 supported further guidance in relation to technology and the use of ATT. The AETF notes that there is various guidance that has been developed by the TCG and NSS and believes this material can be leveraged to enhance the application material and source further technology related examples. In doing so, the AETF is of the view that the examples should stay principle based enabling ED-500 to remain fit-for-purpose and not refer to specific technology that may easily become redundant or out of date.
98. In March 2022, when discussing the overall approach to address technology in ED-500, the AETF noted its intent to develop NAG that includes examples to address technology more specifically and how the principles in ED-500 may apply when using technology. The AETF notes the advantages of this type of guidance (e.g., greater opportunity to provide specific technology related examples and insights) and is of the view that it would be most effective to discuss this matter after the work to develop proposals to enhance the requirements and application material in ED-500 has progressed sufficiently.
99. In developing these proposals post September 2023, the AETF intends to closely engage with the TCG.

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<sup>27</sup> For example, paragraph 2.3 of the Proposed ISA for Less Complex Entities (LCEs), the explanation provided on the IAASB's [Technology Focus webpage](#), paragraph A4 of the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards [SAS 142, Audit Evidence](#) and descriptions provided in various guidance of NSS.

<sup>28</sup> See [Non-Authoritative Support Material: Audit Documentation When Using Automated Tools And Techniques](#).

**Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section V**. In addition:

2. The Board is asked for its views on the AETF proposed approach presented in paragraphs 75-99 to address matters relevant to technology.

**Section VI – Definition of Audit Evidence**

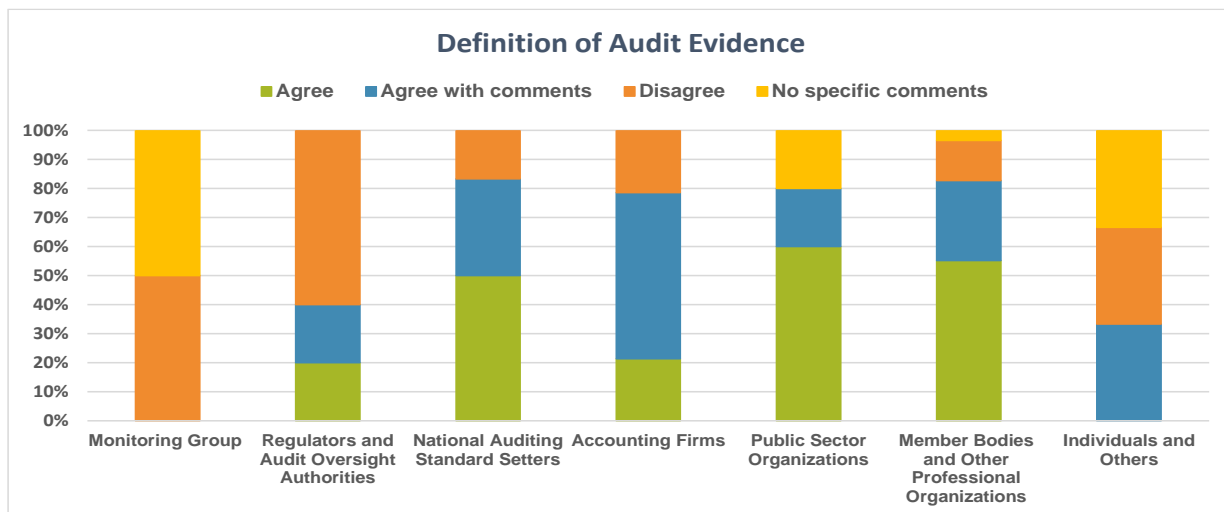
**Highlights from Respondents’ Feedback**

- Broad support for the conceptual relevance of the “input-output model,” however, views that the definition of audit evidence:
  - Is too theoretical and delivers an overly simplistic view of the “input-output model.”
  - May encourage a mechanical, process driven approach to audit evidence.
  - Is too narrow and could prevent the auditor from using certain information as audit evidence.
- Clarity needed for:
  - What constitutes a necessary audit procedure to turn “information” into “audit evidence” and how the nature, timing, and extent of those audit procedures may vary (i.e., illustrating their scalability).
  - The scope of the definition and its implications when evaluating contradictory or inconsistent audit evidence.

**Overview of Responses**

100. Question 6 asked respondents if they agreed with the revised definition of audit evidence. In particular, respondents were asked for their views if they agreed with the “input-output model” whereby information can become audit evidence only after audit procedures are applied to it.

101. The chart below shows an analysis of the responses to question 6 per stakeholder group.



102. The overall responses to question 6, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.7 and 4-B.7** for further details):

- 29 respondents agreed – 41%;
- 23 respondents agreed with further comments or concerns – 33%;
- 14 respondents disagreed, including one MG respondent – 20%; and
- 4 respondents did not have a specific response, including one MG respondent – 6%.

### **Respondents' Comments**

#### *Monitoring Group Responses*

103. The MG respondent conceptually agreed that information becomes audit evidence once audit procedures have been applied. However, the MG respondent disagreed that the definition of audit evidence should be limited only to information to which audit procedures have been applied, because there are instances where certain information obtained, or lack of information obtained, may be used by the auditor to draw conclusions.

104. In addition, to further reinforce the auditor's application of professional skepticism when obtaining and evaluating audit evidence, the MG respondent recommended to supplement the definition with the explanation that audit evidence consists of information that corroborates or contradicts the assertions in the financial statements.

#### *Other Respondents' Comments*

105. Respondents who agreed with question 6 supported the "input-output model" and believed that the revised definition of audit evidence:

- (a) Appropriately distinguishes information from audit evidence and clarifies that not all information is itself audit evidence. This was seen as important, especially given the significant increase in sources and types of information available to the auditor.
- (b) Supports the application of professional judgment by encouraging the auditor to more actively consider the information intended to be used as audit evidence and whether it adds value to the audit.
- (c) Is more principles-based than the extant definition because it no longer distinguishes the various sources of audit evidence (e.g., information produced by the entity versus other types of information intended to be used as audit evidence).
- (d) Encourages the auditor to consider audit evidence obtained from all stages of the audit (i.e., from planning, execution, to completion).
- (e) Accurately addresses the conclusions that form the basis for the auditor's opinion *and report*, given that audit evidence is also critical to enable the auditor to prepare and issue the auditor's report.

106. Respondents who agreed with question 6 and provided comments or had concerns noted the following key matters in their feedback:

### Input-output model

- (a) Respondents were broadly supportive of the “input-output model,” however commented that the definition of audit evidence has a simplistic focus on the framework set out by the model and that it is a conceptual definition which may cause difficulties during its application. Respondents supported providing further clarity to assist the practical application of the definition (e.g., through providing application material to the definition and through first-time implementation support materials).

### Nature, timing, and extent of audit procedures required for “information” to become “audit evidence”

- (b) Respondents believed that further clarity is needed to explain the nature, timing, and extent of the audit procedures required for “information” to become “audit evidence” given that as presently written, the definition of audit evidence may:
- Lead to a more onerous interpretation of the work required to perform audit procedures for the information to become audit evidence.
  - Have the unintended consequence of creating a perception that the auditor must apply specific types of audit procedures to satisfy the criteria (e.g., inspection, observation, confirmation, or other procedures as described in the Appendix of ED-500).
- (c) Comments were made that:
- There may not always be a discrete step between the input of “information” and the output of “audit evidence.” When this is the case, the procedures required to evaluate the relevance and reliability of information intended to be used as audit evidence may be the only procedures needed that turn that information into actual audit evidence (they may overlap).
  - The nature, timing, and extent of the audit procedures vary (are scalable) and may range from simple to extensive audit procedures in the context of the circumstances, based on the on the source of the information and nature of the audit evidence derived from such information.
- (d) Respondents also suggested:
- Providing application material to address scalability aspects and examples to illustrate how the nature, timing, and extent of the procedures can vary.
  - Emphasizing that it is the outcome of applying audit procedures to the underlying information that results in audit evidence.
  - Clarifying that “other audit procedures to comply with the ISAs” include the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence.
  - Supplementing the Appendix of ED-500 with examples of simpler types of audit procedures that may be adequate (e.g., based on the auditor’s application of professional judgment).
  - Recognizing that the absence of information may also be used by the auditor to draw conclusions that form the basis of the auditor’s opinion and report.

### Other matters

- (e) Respondents also commented that:

- Clarity is needed for other terminology used in the context of the definition of audit evidence, and more broadly across the ISAs (e.g., for “information” and “data” which are often used interchangeably and inconsistently).
- The interaction of the definition of audit evidence with paragraphs 13–14 of ED-500 is unclear (see paragraph 167(a)).
- There is circularity in terms of how the phrase “audit evidence” is defined and used in paragraphs 9(b) and 10 of ED-500 (see paragraph 153(c)).
- Clarity is needed where documentation is not necessary given that in certain cases the evaluation of relevance and reliability does not need to be documented because it is not questionable (see paragraph 133(c)).

107. Respondents who disagreed with question 6 noted the following key matters in their responses:

Input-output model

- (a) Respondents either disagreed with the “input-output model” or expressed conceptual support but had concerns with its operability as applied to the definition of audit evidence. Comments included that the “input-output model” as reflected in the definition:
- Is a simplified way to illustrate the relationship between the information intended to be used as audit evidence and the audit evidence obtained and does not recognize that the evaluation of relevance and reliability is not always a linear process.
  - The notion that information can only become audit evidence after audit procedures have been applied to it is a very theoretical distinction. This may create challenges for auditors during practical implementation as well as lead to inconsistencies in its application (e.g., lack of clarity for the extent of audit procedures required and related documentation expectations).
  - Encourages a mechanical, process driven approach to audit evidence rather than the application of professional judgment as to what constitutes audit evidence.
- (b) Respondents expressed preference for the IAASB to retain the extant definition of audit evidence, which was seen as more appropriate and understandable. In addition, respondents suggested retaining the extant definition of audit evidence in ISA 200 and not making a confirming amendment for its removal from this standard, given the foundational nature of ISA 200, and because the term “audit evidence” is referred to in the requirements and in other paragraphs of this standard.

Scope of the definition of audit evidence

- (c) Respondents expressed concern that the revised definition of audit evidence is too narrow and could prevent the auditor from using certain information as audit evidence. Comments were made that the definition of audit evidence should:
- State that audit evidence includes all information (and the lack of information) irrespective of source.
  - Not be limited only to information to which audit procedures have been applied.
- (d) Concern was also expressed that as presently drafted, the definition is not clear that audit evidence includes both information used by the auditor that is corroborative, as well as

contradictory that could have the unintended consequence for the requirements in paragraphs 12–14 of ED-500 to be inappropriately viewed as not relevant (see paragraph 167(a)). In addition, comments were made that it is not clear from the definition whether any information that would be indicative of inconsistencies should be subjected to audit procedures. Suggestions included adding to the definition that audit evidence consists of both information that corroborates and contradicts the assertions in the financial statements.

Aspects of the definition that lack of clarity, relevance, or create confusion

- (e) Respondents believed that the following aspects of the definition lack clarity, relevance, or create confusion:
- The phrase “*information to which audit procedures have been applied*” implies the auditor is doing something with, or to, the information before it becomes audit evidence. However, absent consideration of the effectiveness of the procedures and their outcome, it does not add any substance to the definition and detracts from the auditor’s responsibilities to evaluate information and the results of audit procedures to form a conclusion. In addition, comments were made that the way this phrase is used in the definition of audit evidence is inconsistent with language used in paragraphs A1–A2 of ED-500 which creates confusion.
  - The reference to “*audit procedures*” as currently drafted in the definition may result in confusion as to the work effort required from the auditor because audit procedures are typically understood to be actions (e.g., inspection, observation, confirmation, or other types of procedures as listed in the Appendix to ED-500). It is necessary to emphasize their scalability, such as the varying degree of work effort related to the nature, timing, and extent of the audit procedures performed and how they can range from simple to extensive procedures.
  - The focus in the definition on the information “*intended to be*” used as audit evidence incorrectly implies that this information can only be used in drawing conclusions that form the basis of the auditor’s opinion if audit procedures are applied to it. While supporting that information should be evaluated for relevance and reliability, comments included that not all types of information necessarily need to be subject to “audit procedures” to become audit evidence and that there is lack of clarity what is a necessary audit procedure to elevate information to audit evidence. For example:
    - Information can be used as audit evidence without applying additional procedures (e.g., a bank statement is relevant audit evidence to support the bank balance, but that bank statement as such is not subject to “audit procedures”).
    - The absence of information is also used by the auditor and therefore may constitute audit evidence.
  - There is lack of clarity about what could fall within “other audit procedures to comply with the ISAs,” and whether this includes any action performed by the auditor (e.g., the auditor exercising professional judgment).

## AETF Initial Views and Recommendations

### Definition of Audit Evidence

108. The AETF continues to believe that the definition of audit evidence appropriately embeds the principles of the “input-output model” that link audit evidence to information that is subject to audit procedures. However, the AETF acknowledge that further guidance to the definition is necessary to support its practical implementation. In this regard, the AETF intends to:
- (a) Leverage and repurpose certain application material in paragraphs A34 and A1 of ED-500 in support of the definition. This would strengthen the link to the “input-output model” and clarify the intent of ED-500 that information can become audit evidence only after audit procedures are applied to it, including evaluating its relevance and reliability. In addition, there is also an added benefit to move the explanation for the phrase “*information intended to be used as audit evidence*” earlier in the standard.
  - (b) Develop new application material with examples to demonstrate how the nature, timing, and extent of the audit procedures to turn “information” into “audit evidence” may vary from simple to extensive audit procedures. Such examples will also clarify how the absence of certain transactions (e.g., sale returns after year end) fit within the “input-output model.”
109. The AETF also discussed how to address the notion that the auditor cannot ignore information relevant to the audit that comes to the auditor’s attention in the course of the audit, including information that calls into question the reliability of other information.

### Objectives

110. The AETF also believes that it would be helpful to reinforce the concepts of the “input-output model” in the standard by incorporating the principles of the model into the objectives of ED-500. In addition, the AETF agrees with respondents that paragraph 6(b) of ED-500 can be further clarified as it includes two separate evaluations with different purposes, i.e., an evaluation of the:
- Information intended to be used as audit evidence – performed for the purpose of determining whether the information is relevant and reliable for the auditor’s use as audit evidence; and
  - Audit evidence obtained – performed for the purpose of providing a basis for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.
111. The box below provides an illustrative proposal for the objectives, marked-up from ED-500, that includes separating the objective in paragraph 6(b) into two subparagraphs.

6. The objectives of the auditor are to:
- (a) Design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor’s opinion, including evaluating the relevance and reliability of information intended to be used as audit evidence; and
  - (b) Evaluate ~~information intended to be used as audit evidence,~~ and the audit evidence obtained, to provide a basis for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.



112. The AETF intends to continue discussing the objectives in ED-500 post September 2023, and make further amendments to align with the proposed final requirements as necessary. This would also reflect the outcome of the AETF deliberations and proposals for paragraph 13(a) of ED-500 in respect of the “stand-back” requirement (also see paragraph 170).

**Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section VI**. In addition:

3. The Board is asked for its views on the AETF proposed approach presented in paragraphs 108-112 to address matters relevant to the definition of audit evidence and the objectives of ED-500?

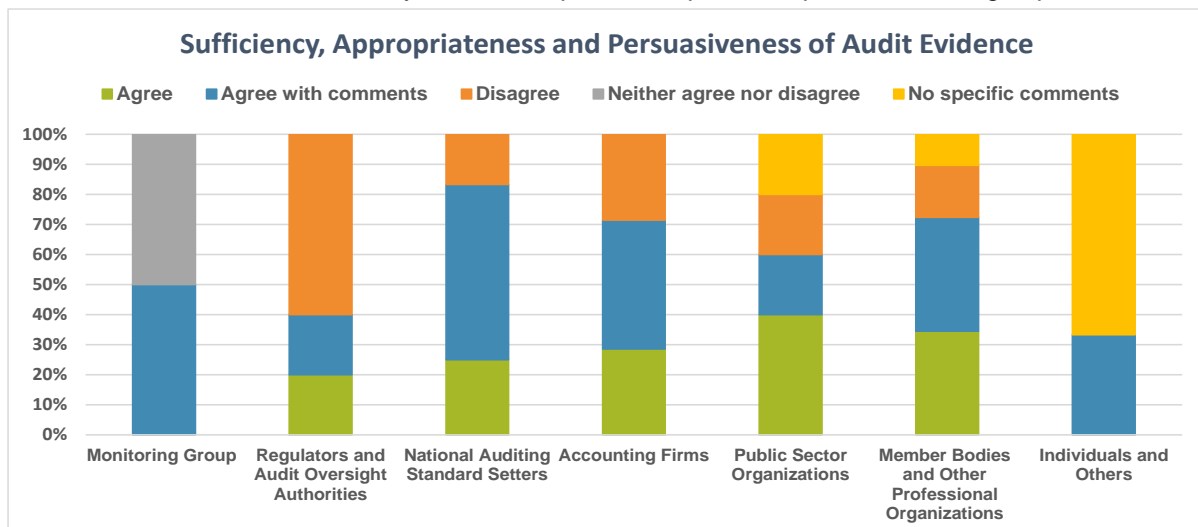
**Section VII – Interrelationship of Sufficiency, Appropriateness and Persuasiveness of Audit Evidence**

**Highlights from Respondents’ Feedback**

- General support for inclusion of the concept of persuasiveness in ED-500, including views that the concept of persuasiveness of audit evidence should be:
  - A defined term for the purpose of ED-500, and the ISAs more broadly.
  - Elevated to the requirements section of ED-500.
  - Better explained or illustrated to remove uncertainty for the auditor as to how much audit evidence is enough.
- Support to streamline the application material explaining the interrelationship of sufficiency, appropriates, and persuasiveness to enhance its understandability and clarity.

**Overview of Responses**

113. Question 7 asked respondents whether the application material in ED-500 appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.
114. The chart below shows an analysis of the responses to question 7 per stakeholder group.



115. The overall responses to question 7, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.8 and 4-B.8** for further details):

- 20 respondents agreed – 29%;
- 28 respondents agreed with further comments or concerns, including one MG respondent – 40%;
- 15 respondents disagreed – 21%;
- 1 MG respondent neither agreed nor disagreed and had comments – 1%; and
- 6 respondents did not have a specific response – 9%.

### **Respondents' Comments**

#### *Monitoring Group Responses*

116. One MG respondent expressed support for the introduction of the concept of persuasiveness of audit evidence in ED-500, noting this aligns with the requirements of ISA 330. However, the MG respondent believed it would be appropriate to define the concept.

117. The MG respondent also recommended adding a new requirement in ED-500 to evaluate the sufficiency of information intended to be used as audit evidence, given that both sufficiency and appropriateness are foundational aspects of audit evidence that should be evaluated and be specifically addressed in the requirements of the standard.

118. Other comments and suggestions provided by MG respondents included:

- (a) Broadening the definitions of sufficiency and appropriateness of audit evidence to include information intended to be used as audit evidence, rather than remaining focused on audit evidence.
- (b) Further expanding the application guidance on the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.
- (c) Providing examples of how the use of ATT can yield more persuasive audit evidence. It was noted that without such additional context or clarification, the risks around automation bias and overreliance on technology may lead to a deterioration in audit quality.
- (d) Including practical examples to illustrate when external information may yield more persuasive audit evidence than information produced by the entity.

#### *Other Respondents' Comments*

119. Respondents who agreed with question 7 appreciated the usefulness of the guidance and examples provided to describe the interrelationship of sufficiency, appropriateness, and persuasiveness of audit evidence.

120. Respondents who agreed with question 7 and provided comments or had concerns noted the following key matters in their responses:

#### Persuasiveness of audit evidence

- (a) Respondents were generally supportive of including the concept of persuasiveness of audit

evidence in the context of ED-500, however some believed that it would be appropriate for the IAASB to:

- Define the concept, given that persuasiveness of audit evidence is discussed in ED-500 in the same context and sometimes with equal weighting as sufficiency and appropriateness of audit evidence which are themselves defined terms.
- Elevate persuasiveness of audit evidence to the requirements section of the standard, given the importance of this concept to support the auditor's understanding whether they have obtained sufficient appropriate audit evidence.
- Include more guidance and examples for persuasiveness of audit evidence in the application material (e.g., factors the auditor may consider) to support consistency in the professional judgments made, better demonstrate what is expected from the auditor and remove uncertainty about how much audit evidence is enough.

Streamlining and clarifying the application material

- (b) Respondents were generally supportive of the application material describing the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence. Suggestions were made to streamline the application material (e.g., placing paragraphs A6–A9 of ED-500 together with paragraphs A13–A14 of ED-500 and addressing the overlap between paragraphs A5 and A85 of ED-500) and providing further explanations for their interrelationship (e.g., explaining that if information is not appropriate as audit evidence, then it is irrelevant for the auditor to consider its sufficiency).

121. Respondents who disagreed with question 7 noted similar matters as those explained in paragraph 120 above, including:

- (a) Defining persuasiveness of audit evidence either in the context of ED-500 or for the purposes of the ISAs to enable consistent understanding and application of the IAASB Standards. Comments were made that given the importance of this concept in supporting the auditor's understanding whether sufficient appropriate audit evidence has been obtained, it is insufficient to refer to this concept only in the application material.
- (b) Elevating persuasiveness of audit evidence to the requirements of ED-500. Suggestions included requiring an evaluation of the persuasiveness of audit evidence, as is the case for relevance and reliability of information intended to be used as audit evidence or adding to paragraph 8 of ED-500 that the auditor should design and perform audit procedures to obtain persuasive audit evidence.
- (c) Streamlining and clarifying the application material explaining the interrelationship between sufficiency, appropriateness, and persuasiveness of audit evidence and removing certain paragraphs where the guidance was seen as circular or lacking relevance.
- (d) Clarifying the definition of sufficiency of audit evidence, given views that it is meaningless to consider the sufficiency when the audit evidence is not appropriate.
- (e) As part of non-authoritative first-time implementation materials, providing a diagram to visually illustrate the correlation between sufficiency, appropriateness, and persuasiveness of audit evidence.

## AETF Initial Views and Recommendations

### *Defining Persuasiveness of Audit Evidence*

122. The AETF deliberated respondents' comments that persuasiveness of audit evidence should be a defined term, and believes that pursuing a definition for this term in ED-500 would:
- Have the benefit that the definition would become available in the Definitions section of ED-500, instead of being a description included within application material discussing the interrelationship of sufficiency, appropriateness, and persuasiveness of audit evidence.
  - Become accessible through the IAASB Glossary of Terms upon finalization of the approved pronouncement for ISA 500 (Revised) that will assist in the common and consistent interpretation of the term for the ISAs more broadly (including for translations).
  - Align with the CUSP Drafting Principles and Guidelines<sup>29</sup> given that the term "persuasive audit evidence" is already a term used in the requirements of other ISAs.<sup>30</sup>
123. The box below provides an illustrative proposal for the definition of persuasiveness of audit evidence. This proposal has been developed by leveraging existing application material in ED-500 describing the interrelationship of sufficiency, appropriateness, and persuasiveness of audit evidence, which was broadly supported by respondents.

Persuasiveness (of audit evidence) – The combination of the sufficiency and appropriateness of audit evidence taking into account the assessed risk of material misstatement

124. In developing the proposal, the AETF aimed to recognize the two perspectives that influence the persuasiveness of audit evidence, i.e., the:
- Combination of sufficiency (measure of the quantity) and appropriateness (measure of quality) of audit evidence, which are themselves defined terms in the context of ED-500.
  - Threshold relevant to the auditor's consideration for persuasiveness in the context of what constitutes sufficient appropriate audit evidence, i.e., by taking into account the assessed risk of material misstatement.

### *Elevating Persuasiveness of Audit Evidence to the Requirements*

125. The AETF considered respondents' suggestions that persuasiveness of audit evidence should be elevated to the requirements section of ED-500, for example when designing and performing audit procedures to obtain sufficient appropriate audit evidence in paragraph 8(b) of ED-500. After deliberation, the AETF formed the view that this is already encapsulated by the lead in sentence to paragraph 8 of ED-500 (i.e., for the purpose of obtaining sufficient appropriate audit evidence).
126. Similarly, the AETF is of the view that introducing a requirement for evaluating the sufficiency of information intended to be used as audit evidence would be confusing, given that sufficiency is a defined term in the context of audit evidence and not in the context of information intended to be used as audit evidence. Also, while paragraph 13(a) of ED-500 addresses the auditor's evaluation of whether sufficient

<sup>29</sup> See Section 8 "Definitions in the ISAs" of the [CUSP Drafting Principles and Guidelines](#).

<sup>30</sup> For example, in paragraphs 7 and 8 of ISA 330, paragraph 15 of ISA 505, and paragraphs 18-19 of ISA 540 (Revised).

appropriate evidence has been obtained, ISA 330, rather than ED-500, addresses the conclusion of the sufficiency and appropriateness of audit evidence (i.e., hence the persuasiveness of audit evidence).

*Application Material for Sufficiency, Appropriateness and Persuasiveness*

127. The AETF intends to repurpose and reallocate the application material in paragraphs A6–A9 of ED-500 discussing the interrelationship of sufficiency, appropriateness, and persuasiveness of audit evidence as application material to the definition of persuasiveness of audit evidence proposed in paragraph 123 above. In addition, based on respondents’ feedback, the AETF will further consider suggestions for streamlining and enhancing certain application material related to sufficiency, appropriateness, and persuasiveness of audit evidence. Such matters will be presented for discussion to the Board post September 2023.

**Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section VII**. In addition:

4. The Board is asked for its views on the AETF proposed approach presented in paragraphs 122-127 to address matters relevant to the interrelationship of sufficiency, appropriateness and persuasiveness of audit evidence?

**Section VIII – Evaluating the Relevance and Reliability of Information Intended to be Used as Audit Evidence**

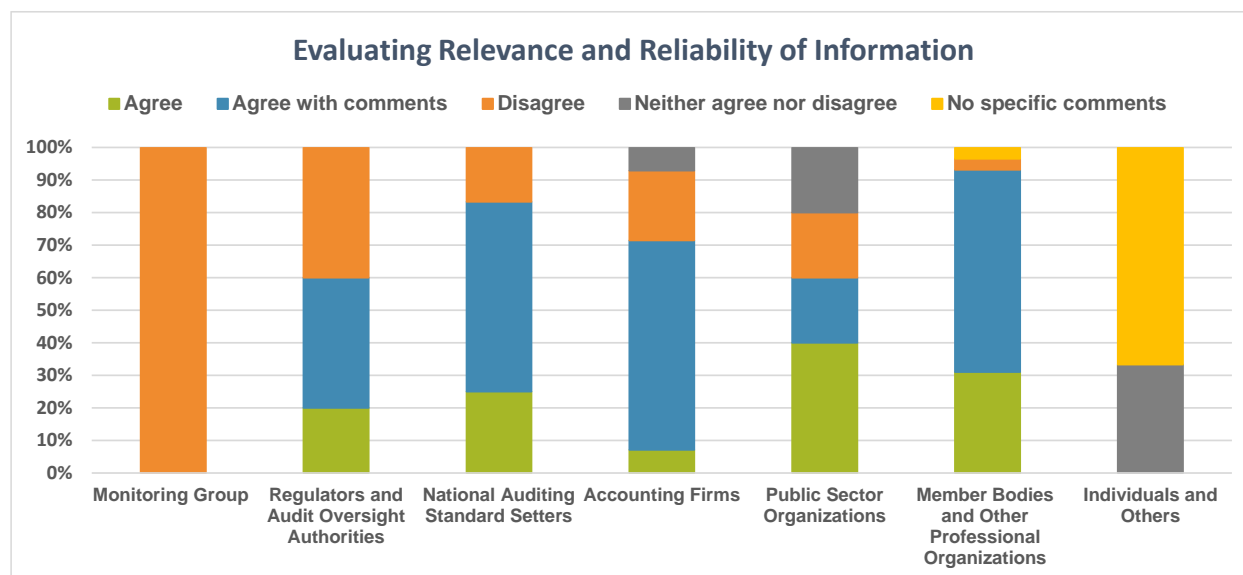
***Highlights from Respondents’ Feedback***

- Broad support that ED-500 will support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.
- Concerns about increased work effort burden with the step-up from “consider” to “evaluate” in the requirement.
- Support to provide further clarity for:
  - The spectrum of work required to evaluate the relevance and reliability, including guidance for the auditor’s judgments which attributes are “significant” in the circumstances.
  - Documentation expectations (e.g., by providing guidance or by developing specific documentation requirements).
- Views that more robust requirements are needed for:
  - Evaluating the information intended to be used as audit evidence prepared by a management’s expert.
  - When the auditor has doubts about relevance and reliability of information.

**Overview of Responses**

128. Question 8 asked respondents whether the requirements and application material in ED-500 support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.

129. The chart below shows an analysis of the responses to question 8 per stakeholder group.



130. The overall responses to question 8, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.9 and 4-B.9** for further details):

- 16 respondents agreed – 23%;
- 37 respondents agreed with further comments or concerns – 53%;
- 11 respondents disagreed, including the two MG respondents – 16%;
- 3 respondents neither agreed nor disagreed and had comments – 4%; and
- 3 respondents did not have a specific response – 4%.

## Respondents' Comments

### Monitoring Group Responses

131. The MG respondents commented as follows:

#### Evaluating information intended to be used as audit evidence

- To support a consistent and appropriate evaluation, the appropriate “threshold” should be reconsidered when evaluating the attributes of relevance and reliability, such as the concept of the *degree to which* the attribute is applicable.
- Certain paragraphs in the application material (i.e., paragraphs A59 and A64 of ED-500) may be inappropriately interpreted to mean that generally less testing is required for the relevance and reliability of information used to perform risk assessment procedures in contrast to more testing for information used to perform further audit procedures.

#### Evaluating the appropriateness of work performed by a management’s expert

- Removing the explicit requirement in paragraph 8(c) of extant ISA 500 for the auditor to evaluate the appropriateness of a management’s expert work as audit evidence for the relevant assertion may lead to more auditors failing to appropriately evaluate such work.

- (d) The linkages between the requirements in paragraph 30 of ISA 540 (Revised)<sup>31</sup> and paragraph 11 of ED-500 should be strengthened. Also, further consideration should be provided to elevate the application material in paragraph A68 of ED-500 to the requirements.

Doubts about relevance and reliability of information

- (e) The requirement in paragraph 12(a) of ED-500 should be strengthened to “determine which/what” modifications or additional audit procedures are necessary when doubts about the relevance or reliability of information are identified.
- (f) The application material in paragraphs A81–A83 of ED-500 should be enhanced to address broader considerations relevant for auditors when there are doubts about the reliability of information depending on its source (e.g., consideration of deficiencies in internal control related to the preparation and maintenance of the information).

Documentation

- (g) Specific documentation requirements and related guidance should be included to support consistent practice addressing, among other matters, the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence.

*Other Respondents’ Comments*

132. Respondents who agreed with question 8 generally did not offer detailed reasons for their support, however it was noted that the application material was useful.
133. Respondents who agreed with question 8 and provided comments or had concerns noted the following key matters in their responses:

Step-up from “consider” to “evaluate”

- (a) Respondents were concerned with the change of the verb used in the requirement in paragraph 9 of ED-500 from “consider” (in extant) to “evaluate” (in ED-500) as this implies an increased work effort with related documentation implications.<sup>32</sup> Comments were made that:
- Moving from “consider” to “evaluate” may cause an undue burden for auditors to document audit procedures for every piece of information intended to be used as audit evidence, including for their consideration of each of the attributes of reliability. This may be disproportionate, especially for audits of LCEs.
  - There is a lack of clarity around how this change will be interpreted by audit regulators (i.e., what would be considered enough in terms of work effort and documentation) and may have unintended consequences (e.g., firms developing checklists of procedures they believe are appropriate that may adversely impact audit quality).
- (b) Respondents suggested reverting back to “consider” in the requirement or clarifying further the IAASB’s intent for the requirement as explained in the EM (i.e., that the attributes of relevance and reliability are not intended to be used as a checklist and that the auditor is not required to document

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<sup>31</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>32</sup> See Appendix 2 “Work Effort Verbs” of the [CUSP Drafting Principles and Guidelines](#).

the consideration of every attribute of relevance and reliability of information).

#### Documentation

- (c) Respondents supported further guidance or inclusion of specific documentation requirements to specify the extent of documentation when evaluating the relevance and reliability of the information intended to be used as audit evidence. Respondents in general believed that the extent of documentation required in ED-500 should not be extensive and commented that:
- It should be clear when documentation is not needed. For example, in certain cases the evaluation of the relevance and reliability of information does not need to be documented because it is not questionable (e.g., information from a central bank).
  - The auditor should not be required to document why a particular attribute may not be relevant or to document all information that could theoretically be available.
  - Only documentation of the attributes which have been considered as applicable in the circumstances should be required.

#### Work effort to evaluate the relevance and reliability of information

- (d) Respondents supported more clarity on how to weigh the significance of the attributes of relevance and reliability of information, given views that all attributes are always applicable in some way, however in some circumstances some attributes are more significant than others. Suggestions included:
- Clarifying the threshold for the requirement in paragraph 9 of ED-500.
  - Providing guidance to support the auditor's decision making on whether specific attributes of relevance and reliability are applicable in the circumstances (e.g., views included that accuracy and completeness will always be applicable to some degree, but there are further considerations to be taken into account when assessing whether these attributes are important).
  - Indicating that there is a spectrum of work effort to evaluate relevance and reliability, based on the nature and importance of the information intended to be used as audit evidence.
  - Including examples to address the interrelationships between the attributes and examples on "how" procedures may be applied to evaluate the relevance and reliability of information intended to be used as audit evidence.

#### Management's expert

- (e) The requirements to evaluate information intended to be used as audit evidence prepared by a management's expert were seen as less robust than in extant ISA 500. Views included that the auditor should continue to be explicitly required to evaluate the appropriateness of a management's expert work as audit evidence for the relevant assertion.
- (f) Respondents believed that there may be lack of understanding that the requirement in paragraph 8(c) of extant ISA 500 is implicitly addressed by the requirement in paragraph 8(b) of ED-500 and builds on the requirement in paragraph 9 of ED-500. Suggestions included clarifying these aspects in the application material or in first-time implementation guidance.



- (g) Respondents also questioned whether it remains appropriate for the definition of management’s expert to exclude individuals or organizations possessing expertise in accounting and auditing, including the consequences of such exclusion, given that public interest entities often engage other accounting firms as management’s experts (e.g., implementation of new accounting standards or fair value calculations affecting financial reporting). In this regard, respondents encouraged the IAASB to further liaise with IESBA in the course of their project on the Use of Experts.
134. Respondents who disagreed with question 8 noted the following key matters where ED-500 should be strengthened:
- (a) The requirements for evaluating audit evidence prepared by a management’s expert should be made more robust, given this is an area for improvement frequently flagged as recurring in audit inspection findings.
  - (b) Given that any doubts about relevance and reliability of information would necessitate further actions by the auditor, the requirement in paragraph 12 of ED-500 should refer to “what” modifications or additions to audit procedures are necessary to resolve the doubts.
  - (c) Further guidance or specific documentation requirements should be provided for the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence.
  - (d) The work effort to evaluate the relevance and reliability of information intended to be used as audit evidence is unclear, including how the auditor may determine what attributes of relevance and reliability are “applicable in the circumstances” and how important those attributes are. Suggestions included clarifying the phrase “applicable in the circumstances” which was seen as vague and not sufficient to support the auditor’s judgment as to whether the attributes represent a risk related to the reliability of the information. In addition, suggestions included enhancing the application material to clarify the possible range of procedures that auditors can use in their consideration of the attributes given their significance in the circumstances.
  - (e) The removal of the distinction between internal and external information is problematic because it remains important to require vigilance of the auditor for information produced by the entity.
135. Respondents who neither agreed nor disagreed with question 8 commented that there may be further opportunities to improve the clarity of the requirements.

### **AETF Initial Views and Recommendations**

#### *Attributes of Relevance and Reliability*

136. To address respondents’ concerns that it is not clear when an attribute is applicable in the circumstances and enable a consistent evaluation of the relevance and reliability of information intended to be used as audit evidence, the AETF believes that revisions to the requirement in paragraph 9 of ED-500 are necessary.
137. The AETF discussed that, from the feedback, respondents suggested different approaches on how to clarify the requirement in paragraph 9 of ED-500. For example, some respondents suggested retaining the attributes in the application material only and removing reference to the “attributes” from the requirement. Although this would align with the principle-based approach, the AETF decided not to pursue such suggestions, given it implies a less robust approach than proposed in ED-500 and may not be in the public interest. Instead, the AETF believes it would be more appropriate to retain the robustness of the

requirement by continuing to refer to the attributes, but to reconsider the appropriateness of the threshold “applicable in the circumstances” used in the requirement.

138. In this regard, the AETF proposes to replace “*applicable in the circumstances*” with the threshold “*significant in the circumstances*” in paragraph 9 of ED-500. The AETF believes that doing so would acknowledge that even though all attributes are applicable in some manner, their significance to the information being evaluated varies based on its relative importance to the auditor’s planned audit procedures. In addition, the term “significance” is a commonly used term across the ISAs in various contexts and its understandability is supported by a description in the IAASB’s Glossary of Terms.
139. In addition, the AETF is of the view that enhancements to the application material are also warranted. In this regard, the AETF intends to develop new application material providing guidance and examples when an attribute is significant in the circumstances. Such enhancements will be presented for discussion to the Board post September 2023.

#### *Documentation*

140. The AETF discussed that stakeholders supported providing clarity for documentation expectations related to the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence. This was often linked with the step up in the work-effort verb in the requirement from a consideration (in extant) to an evaluation (in ED-500), concerns about regulatory interpretation and checklist approaches developing, and perceptions of a more extensive documentation burden that may lead to overdocumentation.
141. However, the AETF discussed that respondents had different views how this may be accomplished in ED-500 (e.g., including a specific documentation requirement versus providing examples and guidance) and that respondents offered various suggestions how a specific documentation requirement should be approached (e.g., a robust requirement for the auditor’s evaluation versus only addressing considerations when documentation of the evaluation is not needed or necessary).
142. The AETF discussed that the CUSP Drafting Principles and Guidelines<sup>33</sup> do imply possible documentation implications where there is an evaluation. However, they also specify that individual ISAs do not necessarily require specific documentation requirements unless:
- The intention is to clarify how the ISA 230 documentation requirements apply in the circumstances of those individual ISAs.
  - There are concerns that ISA 230 may not be consistently applied in practice in the circumstances of those individual ISAs.
143. Given these considerations, the AETF intends to further explore how documentation expectations can be addressed in ED-500, which may include developing a specific documentation requirement, providing guidance or both.

#### *Evaluating the Appropriateness of a Management’s Expert Work*

144. In view of respondents’ feedback that the requirements to evaluate information intended to be used as audit evidence prepared by a management’s expert appear to be less robust than in extant ISA 500, the

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<sup>33</sup> See Appendix 2 “Work Effort Verbs” and Section 13 “Addressing Specific Documentation Requirements in Individual Standards Other than ISA 230” of the [CUSP Drafting Principles and Guidelines](#).

AETF continues to believe that the robustness of ED-500 is not weakened. However, the AETF acknowledges the need to facilitate a more effective connection between the requirements in paragraphs 9 and 11 of ED-500 when evaluating the relevance and reliability of information prepared by a management's expert intended to be used as audit evidence. In this regard, the AETF intends to incorporate specific examples in the application material that will be presented for discussion to the Board post September 2023.

#### *Doubts About Relevance and Reliability*

145. Some respondents believed that paragraph 12(a) should be strengthened to require the auditor to always perform additional audit procedures when there are doubts about the relevance or reliability of information. In deliberating such comments, the AETF noted that when there are doubts about the *relevance* of information the auditor may conclude that the information will not be used as audit evidence and additional audit procedures would not be necessary. Accordingly, the AETF plans to bifurcate the requirement in paragraph 12(a) of ED-500 as follows:

- (a) For relevance – determine whether modifications or additions to audit procedures are necessary to resolve the doubts.
- (b) For reliability – determine what modifications or additions to audit procedures are necessary to resolve the doubts.

#### **Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section VIII**. In addition:

5. The Board is asked for its views on the AETF proposed approach presented in paragraphs 136-145 to address matters relevant to evaluating the relevance and reliability of information intended to be used as audit evidence?

## **Section IX – Conditional Requirement for Accuracy and Completeness**

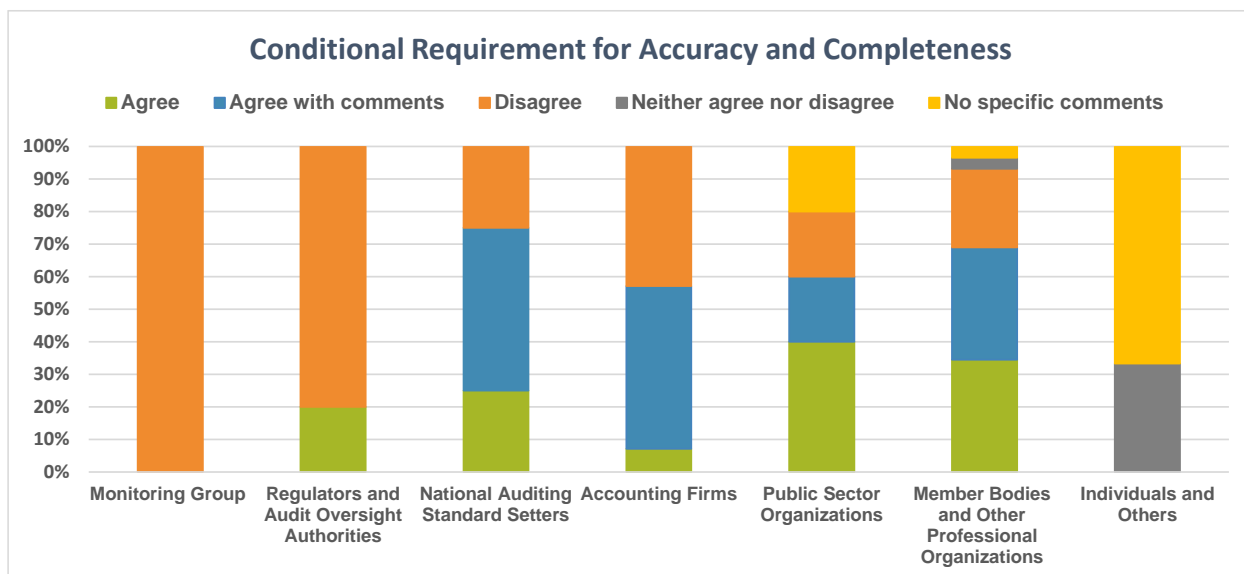
#### ***Highlights from Respondents' Feedback***

- The conditional requirement for accuracy and completeness seen as:
  - A less robust approach compared to extant, or
  - Diminishing the importance of the other attributes of reliability (i.e., authenticity, bias, and credibility).
- Concerns about the ability to comply with the requirement for information obtained from sources external to the entity.
- Clarity needed for the iterations between paragraphs 9 and 10 of ED-500.

#### **Overview of Responses**

146. Question 9 asked respondents whether they agreed with the separate conditional requirement to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances.

147. The chart below shows an analysis of the responses to question 9 per stakeholder group.



148. The overall responses to question 9, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.10 and 4-B.10** for further details):

- 17 respondents agreed – 24%;
- 24 respondents agreed with further comments or concerns – 34%;
- 23 respondents disagreed, including the two MG respondents – 33%;
- 2 respondents neither agreed nor disagreed and had comments – 3%; and
- 4 respondents did not have a specific response – 6%.

## Respondents' Comments

### *Monitoring Group Responses*

149. The MG respondents expressed the following concerns:

- (a) The new requirement for accuracy and completeness is not as robust as the requirement in paragraph 9(a) of extant ISA 500, and it appears that it has relegated certain aspects to the application material (i.e., describing the attributes of accuracy and completeness as being “ordinarily” applicable for information generated internally from the entity’s information system).
- (b) There may be insufficient scrutiny by auditors of the reliability of information produced by the entity in circumstances where that would not be appropriate.
- (c) Auditors may not be able to evaluate whether the attributes are “applicable in the circumstances,” including for accuracy and completeness (e.g., completeness may be an *applicable* attribute, however, it may not represent a risk related to the reliability of the information intended to be used as audit evidence, such as with information obtained from external sources).

150. A comment was made that more prescriptive requirements are needed to evaluate whether information produced by the entity is sufficiently reliable, including to obtain audit evidence about the attributes of accuracy and completeness given this area attracts a significant number of audit

inspection findings.

151. In addition, suggestions included to define the phrases “ordinarily” and “may not always” used in the application material, to add practical examples that illustrate in what circumstances it would be appropriate not to test the accuracy and completeness of information prepared by the entity when performing further audit procedures or risk assessment procedures, and provide specific documentation requirements to address significant judgments made when completeness and accuracy of information prepared by the entity were not considered applicable.

#### *Other Respondents’ Comments*

152. Respondents who agreed with question 9 believed that the conditional requirement for accuracy and completeness remains consistent with the requirement in paragraph 9(a) of extant ISA 500 and aligns with the principle-based approach because it applies regardless of whether the information is from an internal or external source.
153. Respondents who agreed with question 9 and provided comments or had concerns noted the following key matters in their responses:

#### Focus on accuracy and completeness may diminish the importance of the other attributes of reliability

- (a) Comments were made that identifying accuracy and completeness in a separate conditional requirement may be perceived to undermine the significance of the other attributes of reliability (i.e., authenticity, bias, and credibility). In addition, because the other attributes of reliability of information are not specifically mentioned in the requirement, this may have the unintended consequence of auditors determining that it is not necessary to obtain audit evidence about authenticity, bias, and credibility, or to overweight the significance of accuracy and completeness in particular situations. Suggestions included to develop equivalent application material for the other attributes of reliability to drive a consistent evaluation and mitigate against the unintended consequence of diminishing the importance of these attributes when applicable in the circumstances.

#### Concerns with broadening the requirement to address all information sources

- (b) Respondents noted that there may be significant challenges for auditors to obtain audit evidence about the accuracy and completeness for external information, when those attributes are deemed applicable attributes, as the auditor may not have sufficient access to such evidence (e.g., a proprietary model of an external source of information). Given these practical concerns, suggestions included to:
- Acknowledge the inherent limitations that may exist on the auditor’s ability to obtain evidence about the attributes of accuracy and completeness for information obtained from sources external to the entity.
  - Emphasize that the auditor exercises professional judgment when determining whether the attributes of accuracy and completeness are applicable.
  - Clarify that alternative attributes may be more relevant for external information and develop examples in the application material specifically focused on information from external information sources.
  - Provide examples of information from external sources for which it may be appropriate to

obtain audit evidence about the attributes of accuracy and completeness.

Iterations between paragraphs 9 and 10 of ED-500

- (c) Respondents noted that there is circularity in terms of how the phrase “audit evidence” is defined and the interaction with how the phrase is used in the context of the requirements in paragraphs 9(b) and 10 of ED-500 (i.e., an infinite loop is created by requiring the auditor to “obtain audit evidence” about completeness and accuracy in order to be able to evaluate that information for relevance and reliability which can itself be used as audit evidence). This was seen as adding unnecessary complexity and leading to an excessive iterative process for each subsequent piece of information. Suggestions included clarifying and simplifying the drafting for the affected requirements or explaining that the additional information obtained about accuracy and completeness is not subject to the same complex evaluation process.

154. Respondents who disagreed with question 9 noted the following key matters in their responses:

Undue focus on accuracy and completeness

- (a) Comments were provided that if an attribute is determined as applicable in the circumstances, then the same level of requirements should apply. In this regard, respondents questioned why the conditional requirement is focused on accuracy and completeness only and does not address the other attributes of reliability (i.e., authenticity, bias, and credibility). Suggestions included that all attributes of reliability (i.e., accuracy, completeness, authenticity, bias, and credibility) should be elevated to the requirements of the standard.
- (b) In addition, respondents’ views included that:
- The focus and attention on accuracy and completeness may undermine the importance of the other attributes of reliability of information and may inadvertently result in auditors paying less attention to other important attributes when applicable in the circumstances.
  - Giving more prevalence to accuracy and completeness relative to the other attributes of reliability moves away from the principle-based approach of ED-500.

More robust requirement needed for accuracy and completeness

- (c) Respondents were concerned about relaxing the requirement compared to extant ISA 500, by making the testing of accuracy and completeness of information prepared by the entity conditional and because the work effort verb “consider” used in the requirement implies only a reflection by the auditor in relation to accuracy and completeness. Suggestions included developing a more robust requirement mirroring the requirement in paragraph 9(a) of extant ISA 500.

Binary choice in relation to testing for accuracy and completeness

- (d) Respondents were concerned that the conditional requirement may lead to inconsistent interpretation and application by auditors as the wording could be misinterpreted to imply a binary choice (i.e., to test accuracy and completeness or not). Comments were made that accuracy and completeness of information are always applicable attributes in some way, irrespective of the source and regardless of the nature of the audit procedure. However, they may not be equally significant to the auditor’s evaluation of reliability in all cases, or it may not be possible to directly evaluate accuracy and completeness. Suggestions included bifurcating

the requirement in a part that applies to information produced by the entity and a part that applies to external information.

Concerns about the application of the requirement to external sources of information

- (e) Respondents expressed concerns about the ability of the auditor to comply with the conditional requirement for accuracy and completeness in relation to information obtained from sources external to the entity (e.g., when the auditor has no rights of access to obtain evidence over the accuracy and completeness of information obtained from an external information source). In addition, comments included that the application material is overly focused on information from internal sources which could be interpreted as implying that the attributes of accuracy and completeness do not ordinarily apply to information from external sources.

155. Respondents who neither agreed nor disagreed with question 9 noted that it is not sufficiently clear from the requirement when the attributes of accuracy and completeness are applicable and suggested further guidance to help the auditor make this determination.

**AETF Initial Views and Recommendations**

156. The AETF notes that broadly there were concerns from the feedback about the conditional requirement for accuracy and completeness across all stakeholder constituencies, however the underlying reasons for those concerns differed. Certain respondents, predominately MG respondents, Regulators and Audit Oversight Authorities, believed the conditional requirement is not as robust as extant and that more prescriptive requirements are needed to evaluate whether information produced by the entity is sufficiently reliable. Other respondents had concerns with the ability to comply with the requirement for external information sources and that there is undue focus provided on accuracy and completeness relative to the other attributes.

157. The AETF considered two options (i.e., Option 1 and 2), outlined in the table below, for how the requirement in paragraph 10 of ED-500 could be addressed:

Description	Indicative Drafting <i>(in Mark-Up from ED-500)</i>
<p><i>Option 1:</i></p> <p>Removing paragraph 10 of ED-500 and adding essential material to paragraph 9 of ED-500 explaining that accuracy and completeness are significant attributes for information from sources internal to the entity</p>	<p>9. The auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall consider:</p> <ul style="list-style-type: none"> <li>(a) The source of the information; and</li> <li>(b) The attributes of relevance and reliability that are <del>applicable</del> <u>significant</u> in the circumstances, given the intended purpose of the audit procedures. <u>When information is from sources internal to the entity, the attributes of accuracy and completeness are ordinarily considered significant attributes.</u></li> </ul> <p>10. [Removed]</p>

Description	Indicative Drafting (in Mark-Up from ED-500)
<p><i>Option 2:</i></p> <p>Replacing paragraph 10 of ED-500 with a requirement to obtain audit evidence about accuracy and completeness for information from sources internal to the entity, supported with essential material</p>	<p>...</p> <p>10. <u>When information is from sources internal to the entity, the attributes of accuracy and completeness are ordinarily considered significant attributes. In making the evaluation in accordance with paragraph 9, the auditor shall obtain audit evidence*</u> about the accuracy and completeness of information from sources internal to the entity.</p> <p><i>* Note: the phrase “obtain audit evidence” is shaded in gray as the AETF still needs to consider the potential circularity between paragraphs 9 and 10 of ED-500.</i></p>

158. The AETF views on the proposed options include that:

- (a) Both options include essential material to clarify that when information is from sources internal to the entity, including information generated internally from the entity’s information system, accuracy and completeness are ordinarily significant attributes.
- (b) Option 1 may be seen to align more closely with the principle-based approach of ED-500 as it does not impose a requirement based on the source of information. In addition, this Option addresses the circularity in paragraphs 9 and 10 of ED-500 cited by respondents.
- (c) Option 2 retains the requirement from extant to “obtain audit evidence about the accuracy and completeness” and may therefore be seen as a more robust approach. However, under this Option, the AETF will still need to consider the concerns about the potential circularity in paragraphs 9 and 10 of ED-500.

159. The AETF also intends to enhance the application material in support of the proposed requirements for both Options 1 and 2. Such material will be presented for discussion to the Board post September 2023.

**Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents’ feedback presented in **Section IX**. In addition:

6. The Board is asked for its views on the proposed Options 1 and 2 presented in paragraphs 156-159 to address matters relevant to the conditional requirement for accuracy and completeness.

## Section X – “Stand-Back” Requirement

**Highlights from Respondents’ Feedback**

- Mixed views about the benefits of the new “stand-back” requirement:
  - Seen as duplicative with the “stand-back” in ISA 330.
  - Questions about what the auditor is expected to do differently than as already required by ISA 330.

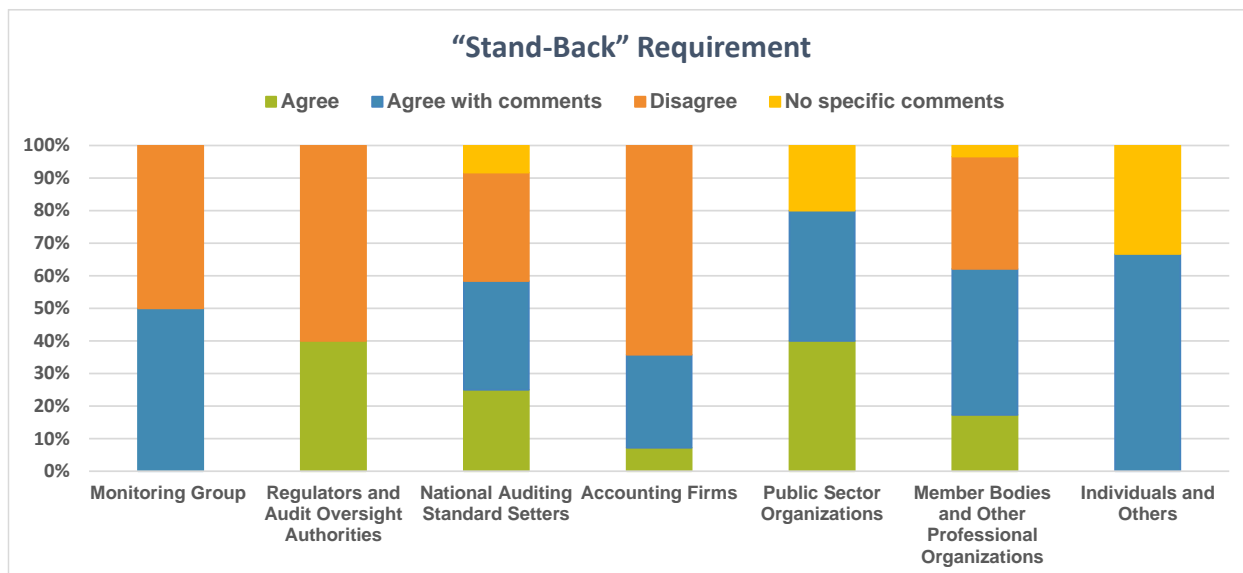


- Concerns around unclear work effort (i.e., the level at which the requirement is expected to be performed) and increased documentation burden due to its overlap with the “stand-back” of ISA 330.
- May be misinterpreted to exclude consideration of information that is inconsistent with other audit evidence, or which contradicts assertions within the financial statements.
- Suggestions to:
  - Broaden the scope of the requirement to explicitly address all information obtained during the audit.
  - Optimize and integrate the various “stand-backs” across the ISAs to increase their effectiveness.
  - Clarify work effort and documentation expectations around the new “stand-back” requirement.

### Overview of Responses

160. Question 10 asked respondents if they agreed with the new “stand-back” requirement for the auditor to evaluate the audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained.

161. The chart below shows an analysis of the responses to question 10 per stakeholder group.



162. The overall responses to question 10, across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Items 4-A.11 and 4-B.11** for further details):

- 13 respondents agreed – 19%;
- 26 respondents agreed with further comments or concerns, including one MG respondent – 37%;
- 27 respondents disagreed, including one MG respondent – 38%; and

- 4 respondents did not have a specific response – 6%.

## Respondents' Comments

### *Monitoring Group Responses*

163. One MG respondent agreed with the new “stand-back” requirement, and:
- (a) Commented that the requirements for evaluating the audit evidence obtained in ED-500 are more aligned with the objective of ISA 330 (see paragraph 31).
  - (b) Recommended for guidance and examples to be developed to reinforce the application of professional skepticism when performing the evaluation required by the “stand-back” requirement (see paragraph 50(b)).
164. The MG respondent who disagreed with the new “stand-back” requirement expressed concern that the scope of the requirement in paragraph 13(b) of ED-500 is too narrow and may cause auditors to misinterpret that they are justified to disregard information that is inconsistent with other audit evidence or contradicts assertions in the financial statements because such information has yet not become audit evidence (i.e., has not been subject to audit procedures, as defined). Suggestions included:
- Broadening the requirement to include consideration of all information obtained during the audit, instead of being limited to audit evidence only.
  - Strengthening the standard by requiring documentation of the conclusions reached when performing the new “stand-back” requirement contemplated by paragraph 13 of ED-500.

### *Other Respondents' Comments*

165. Respondents who agreed with question 10 supported the “stand-back” requirement because it:
- (a) Encourages a holistic assessment of all audit evidence obtained at different stages of the audit before concluding whether sufficient appropriate audit evidence has been obtained.
  - (b) Enables coherence among the overall body of standards and is consistent with similar “stand-back” requirements of other ISAs.<sup>34</sup>
  - (c) Reinforces the auditor’s application of professional skepticism in the overall evaluation of whether sufficient appropriate audit evidence has been obtained.
166. Respondents who agreed with the “stand-back” and provided comments or had concerns noted the following key matters in their responses:
- (a) The “stand-back” requirement in paragraph 13 of ED-500 was seen as overlapping with the requirement in paragraph 26 of ISA 330. Because of the duplication, respondents cautioned this may have unintended consequences for the auditor’s work effort burden (e.g., regulatory interpretations that there may be two separate documentation requirements to be fulfilled under both standards’ “stand-back” requirements). Suggestions included clarifying the amount of

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<sup>34</sup> The evaluations required by paragraph 35 of ISA 315 (Revised 2019) and paragraph 34 of ISA 540 (Revised), the conclusion required by paragraph 26 of ISA 330 and the link to paragraph 11 of ISA 700 (Revised) when forming an opinion on the financial statements.

documentation expected to demonstrate that the “stand-back” requirement has been sufficiently addressed.

- (b) Respondents observed a proliferation of “stand-back” requirements across the ISAs and noted that this may diminish their effectiveness. Suggestions included having one stand-back requirement in the suite of ISAs addressing the evaluation of the sufficiency and appropriateness of audit evidence or optimizing the various “stand-backs” across the standards to be more distinctive.
- (c) Respondents commented that certain clarifications are needed to support the practical application of the “stand-back” requirement, including for the following matters:
  - Clarifying that any relevant information that is indicative of inconsistencies should also be included in the scope of the “stand-back” assessment and be subjected to audit procedures including evaluating its relevance and reliability.
  - Clarifying that the requirement in paragraph 13 of ED-500 applies to all audit evidence gathered and evaluated at the end of the audit (i.e., the aggregate audit evidence obtained in the course of the audit) and that it is not intended to apply to the audit evidence obtained from each specific audit procedure performed.
- (d) Respondents asked for further examples to address:
  - Procedures that may be performed to evaluate the overall audit evidence obtained and to demonstrate what in addition to the “stand-back” requirement in ISA 330 should be done.
  - Biases that may threaten the effectiveness of the “stand-back” requirement (e.g., emphasizing anchoring and overconfidence bias when auditors return to their original judgment).
  - The auditor’s application of professional skepticism when performing the “stand-back” requirement.

167. Respondents who disagreed with the new “stand-back” requirement noted the following key concerns in their responses:

Too narrow breadth of the requirement

- (a) Respondents were concerned that the requirements in paragraphs 13 and 14 of ED-500 may be misinterpreted to exclude information that contradicts or is inconsistent with other audit evidence, given the distinction made in ED-500 between “information” and “audit evidence.” Respondents believed that the “stand-back” requirement should be expanded to include all information obtained during the audit, and not be limited to just audit evidence (i.e., only to information that has been subjected to audit procedures, as defined).

The “stand-back” requirement adds no benefits in addition to what is already required

- (b) Respondents questioned the benefits for the inclusion of the new “stand-back” requirement. Comments included that the purpose of the “stand-back” and the level at which the requirement is expected to be performed is insufficiently distinct from the requirement in paragraph 26 of ISA 330. In addition, the “stand-back” requirements in both ISA 330 and ISA 700 (Revised) were seen as sufficient for the auditor to meet the intended objectives of ED-500.

- (c) Given views that it is redundant, suggestions included removing the “stand-back” requirement from ED-500 to avoid duplication and confusion, or to remove paragraph 13(a) only given views that the relationship between the level of the evaluation of audit evidence obtained in the requirement and the auditor’s evaluation of whether sufficient appropriate audit evidence has been obtained in ISA 330 is not clear.

Unclear work effort and documentation expectations

- (d) Respondents commented that as drafted, the new “stand-back” requirement implies that a list of all audit evidence collected in the course of the audit should be compiled. This may have an unintended consequence for an expectation that the auditor should document the conclusions required at the audit procedure level, rather than the aggregate evidence obtained during the audit. Suggestions included clarifying the documentation expectations to mitigate against the risk of increased documentation burden for the auditor or for performing unnecessary work.

Enhancing the relationship among the various “stand-backs” in the ISAs

- (e) Respondents commented that the relationships among the “stand-back” requirement in ED-500 and similar “stand-backs” in ISA 315 (Revised 2019), ISA 330 and ISA 700 (Revised) should be clarified to avoid overlap, confusion and to achieve consistency in implementation. Respondents provided various suggestions how this may be accomplished (e.g., by anchoring the overarching “stand-back” evaluation on whether sufficient appropriate audit evidence has been obtained in ED-500 rather than in ISA 330 with a consequential amendment to ISA 700 (Revised) or integrating the stand-back requirements from ED-500 into ISA 330).

**AETF Initial Views and Recommendations**

168. The table below shows an analysis of the various stand-backs in the ISAs, including those proposed in ED-500 and ED-570.<sup>35</sup>

Ref. Para.	Description
ISA 315 (Revised 2019), paragraph 35	The “stand-back” is specific to all audit evidence obtained from the risk assessment procedures.
ISA 330, paragraph 26	The “stand-back” extends to all audit evidence obtained when forming an opinion.
ED-500, paragraph 13	The “stand-back” requires the auditor to evaluate the audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained.
ISA 540 (Revised), paragraph 34	The “stand-back” extends to all audit evidence obtained when applying ISA 330 to accounting estimates.

<sup>35</sup> See [Exposure Draft of Proposed ISA 570 \(Revised 202X\), Going Concern and Conforming and Proposed Consequential Amendments to other ISAs](#).

Ref. Para.	Description
ED-570, paragraph 29	The “stand-back” is specific to all audit evidence obtained when concluding on the appropriateness of management’s use of the going concern basis of accounting in the preparation of the financial statements.
ISA 700 (Revised), paragraph 11	When concluding whether the auditor has obtained reasonable assurance, the auditor is required to take into account the conclusion made in accordance with ISA 330 whether sufficient appropriate audit evidence has been obtained.

169. The AETF considered respondents’ suggestions about optimizing the various “stand-back” requirements in the ISAs and in doing so discussed that:

- (a) The benefit of anchoring the overarching “stand-back” in both ED-500 and in ISA 330, would include that the requirement would also apply to the audit evidence obtained for specific topics, for example going concern, which do not link back directly to the conclusion in paragraph 26 of ISA 330 whether sufficient appropriate audit evidence has been obtained. However, a specific “stand-back” for going concern matters has been addressed by the proposals in paragraph 29 of ED-570.
- (b) From a practitioner’s perspective, for topics which may be specific and complex, for example accounting estimates or going concern, there is a benefit of including separate “stand-backs” in the requirements of those standard as it provides an opportunity for a more subject matter-specific requirement to be considered and addressed by the auditor.
- (c) Anchoring the overarching “stand-back” in ED-500 rather than in ISA 330, would necessitate a revision to both paragraph 26 of ISA 330 (i.e., a “stand-back” specific to audit evidence obtained from further audit procedures performed would still likely be needed) and paragraph 11 of ISA 700.

*Paragraph 13(a) of ED-500*

170. The AETF discussed that there are benefits to retaining paragraph 13(a) of ED-500 given an evaluation of the audit evidence obtained “closes the loop” on the requirement in paragraph 8(b) of ED-500. The AETF initial thinking is to refocus the requirement in the context of ED-500, instead of linking to the “stand-back” whether sufficient appropriate audit evidence has been obtained in ISA 330. The AETF also acknowledge that if retained, the level at which the requirement is performed (i.e., as currently stated it suggests that the evaluation is performed at the audit procedure level) will need to be further considered and addressed. The AETF intends to continue discussing these matters and develop proposals for paragraph 13(a) of ED-500 post September 2023.

*Paragraph 13(b) of ED-500*

171. The AETF acknowledge respondents’ concerns about overlap of the “stand-back” in paragraph 13(b) of ED-500 with the overarching “stand-back” whether sufficient appropriate audit evidence has been obtained in ISA 330. In addition, the analysis of the various “stand-backs” in the ISAs did not identify any gaps that should be addressed in this regard. On this basis, the AETF initial thinking includes that the “stand-back” requirement in paragraph 13(b) of ED-500 should be removed.

**Matters for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Section X**. In addition:

7. The Board is asked for its views on the AETF proposed approach presented in paragraphs 168-171 to address matters relevant to the “stand-back” requirement?

**Section XI – Other Matters**

***Highlights from Respondents' Feedback***

- Clarity needed for the:
  - Work effort related to the attribute of authenticity of information and how it interacts with ISA 200 and ISA 240.
  - Interaction of paragraph 8 of ED-500 with ISA 315 (Revised 2019) and ISA 330.
  - Phrase “intended purpose of the audit procedure.”
- Support to align ISA 330 and certain ISAs of the 500-series with the changes proposed in ED-500, including for the impact of technological advances.

172. Question 11 of ED-500 included an open-ended question, seeking input from respondents if they had any other matters to raise (see the separate NVivo report in **Agenda Item 4-A.12 and 4-B.12** for further details). Respondents shared perspectives on where other enhancements could be considered for ED-500, provided various editorial and drafting suggestions, or referred to matters previously discussed in **Sections I-X** of this Agenda Item. Paragraphs 173-181 below summarize the substantive themes from respondents for question 11.

**Authenticity of Information**

173. The MG respondents commented that the principle in paragraph A24 of ISA 200 that auditors may accept records and documents as genuine unless the auditor has reason to believe the contrary should be:
- (a) Revisited as part of the project, given that auditors are increasingly obtaining information (e.g., documents and records) in digital form which are at an increased risk of being altered inappropriately. Suggestions included removing paragraph A57 of ED-500 until this principle is reconsidered.
  - (b) Strengthened and more closely aligned to the auditor's requirement to evaluate the relevance and reliability of information intended to be used as audit evidence (i.e., the auditor should consider the authenticity in their evaluation of relevance and reliability of information intended to be used as audit evidence rather than accepting the information as genuine unless the auditor has reason to believe the contrary).
174. Other respondents believed that the relationship between the requirement in paragraph 9 of ED-500 and the guidance in paragraph A57 of ISA 200 is not sufficiently clear and commented that:
- (a) It is necessary to clarify the threshold and work effort required on accepting documents and records as genuine, unless there is “reason to believe” the contrary, as this is too broadly

stated. For example, it can be interpreted that the attribute of authenticity does not need to be evaluated unless a document is believed to be ingenuine.

- (b) The inclusion of the attribute of authenticity may lead to perception that evaluating the authenticity is equally as common or necessary as evaluating other attributes of relevance and reliability. Respondents also suggested providing guidance when the attribute of authenticity is applicable or clearly stating that in most cases, the auditor will not find authenticity as applicable unless there is a reason to believe to the contrary.
175. Respondents also supported providing clearer linkages with the requirement in paragraph 14 of ISA 240 that records and documents may be accepted as genuine, unless there is a reason to believe the contrary and the guidance in paragraph A10 of ISA 240 that an audit rarely involves the authentication of documents, nor is the auditor expected to be an expert in such authentication.

### **Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence**

176. One MG respondent commented that the interaction of paragraph 8 of ED-500 for designing and performing audit procedures to obtain sufficient appropriate audit evidence and the requirements of ISA 330 should be better explained, to avoid circular references between the standards.
177. Other respondents commented that:
- (a) The requirement in paragraph 8(b) of ED-500, as presently drafted is ambiguous as to what it requires beyond matters already addressed by ISA 315 (Revised 2019) and ISA 330 and should be clarified or removed.
  - (b) Further context is needed in the application material to explain that the requirement in paragraph 8 relates to *all* audit procedures (i.e., audit procedures designed and performed in planning *and* performing the audit engagement).
  - (c) The requirement should be clearly linked to the requirements to design and perform audit procedures responsive to the assessed risks in ISA 330.

### **Use of the Phrase “Intended Purpose of the Audit Procedure”**

178. Respondents commented that the introduction of the phrase “*intended purpose of the audit procedure*” used in the requirements of ED-500 (i.e., in paragraph 8(b), 9(b) and 13(a) of ED-500), may cause practical challenges for auditors to identify the intended purpose of an audit procedure, particularly when an audit procedure may achieve (or may appear to achieve) more than one purpose. In this regard, respondents believed that the use of the singular form in the phrase (i.e., “intended purpose”) instead of the plural form (i.e., “intended purposes”) does not make it obvious that an audit procedure could have more than one purpose. Respondents supported deemphasizing the focus in ED-500 on classification of an audit procedure by its purpose, and focusing more prominence on the concept whether the intended outcome of an audit procedure is achieved.
179. In addition, comments were made that the phrase “*intended purpose of the audit procedure*” may be subject to varying interpretations because its intent is not easily understood unless read with the related application material (i.e., meeting a particular audit objective such as a risk assessment procedure or a further audit procedure to respond to an assessed risk of material misstatement). Suggestions were provided to remove or clarify the phrase from the respective requirements or remove paragraphs 8(b) and 13(a) of ED-500 entirely, as they were seen not adding value beyond what is already required by other

ISAs.

### **Audit Evidence Related Matters in Other ISAs**

180. As discussed in paragraphs 33(d) and 34(a), respondents believed that broader revisions are needed across the suite of the ISAs to address audit evidence related matters, including but not limited to the use of ATT. In their responses, stakeholders often referred to the Strategy and Work Plan Consultation and encouraged for revisions to ISA 330 and certain ISAs of the 500-series to be considered as a priority by the IAASB's in the next strategy period or more immediately by undertaking narrow scope amendments to these standards as part of the revision to ED-500.

181. In this regard, respondents highlighted the following matters within the individual ISAs that should be addressed as a priority:

ISA 330:

- Aligning the requirements and guidance of the standard with the revisions undertaken by the IAASB in its projects to revise ISA 315 (Revised 2019) and ED-500 and undertaking revisions to recognize the evolution of technology and the use of ATT.

ISA 501:

- Undertaking modernizations to reflect the current methods for inventory counts (e.g., recognizing instances when the auditor can obtain sufficient appropriate audit evidence through using remote observation tools and other ATT and providing additional requirements and guidance when the auditor is using such tools).
- Strengthening the requirements around the audit procedures related to litigation and claims (e.g., clarifying that the lawyer's response to the auditor's inquiries by itself does not represent sufficient audit evidence to validate the accuracy of a provision or a disclosure for complex and significant litigation).

ISA 505:

- Updates to the standard to recognize developments related to using technology-enabled confirmation tools and enhancements to strengthen the requirements when using external confirmation procedures (e.g., obtaining external audit evidence when testing non-responses to confirmation requests).

ISA 520:

- Addressing the implications of using ATT when performing audit data analytics as both risk assessment and further audit procedures and providing guidance how to appropriately address the results of such procedures (e.g., when investigating items that exhibit characteristics that are unusual for the population and related documentation).

ISA 530:

- Modernizing the standard to reflect the evolution of use of technology by the entity and the auditor when using audit sampling and enhancing the guidance to include practical examples of sample calculations and sampling methods.



## AETF Discussion to Date

182. The AETF intends to discuss in further depth the matters related to authenticity of information, designing and performing audit procedures to obtain sufficient appropriate audit evidence and the use of the phrase “intended purpose of the audit procedure” post September 2023. In addition, with respect to authenticity of information, the AETF plans to engage in further coordination activities with the Fraud Task Force given the fraud project has progressed its proposals which are also relevant to ED-500.
183. For the AETF views about the current scope of the audit evidence project versus respondents’ perspectives for broader revisions of audit evidence-related matters across the ISAs, refer to the discussion in paragraphs 76-78.

## Section XII – Translations and Effective Date

### **Highlights from Respondents Feedback**

- No significant translation issues noted.
- General support for the proposed effective date – seen as reasonable for jurisdictions to implement the standard, including where translations are necessary.

### Translations

184. Questions 12(a) sought general comments from respondents on potential translation issues with ED-500. Respondents generally did not identify significant challenges in relation to translating the proposed standard and noted the importance to adhere to the CUSP Drafting Principles and Guidelines<sup>36</sup> in relation to use of clear, simple, and concise language, given that the quality of the translations is always dependent by the way the ISAs are written in English language.
185. Respondents noted the following key matters in their responses (see the separate NVivo reports in **Agenda Items 4-A.13 and 4-B.13** for further details):
- (a) The time to translate a final standard in certain jurisdictions may be significant, and as a consequence the actual implementation period in those jurisdictions is adversely affected. Suggestions included for the IAASB to consider an effective date of no less than 24 months from the approval of the final ISA (also see paragraph 190 below).
  - (b) Because the word “completeness” is used in the ISAs both as an audit assertion (e.g., in ISA 315 (Revised 2019)) and as an attribute of reliability (e.g., in ED-500) this may cause some confusion in translation. Respondents encouraged the IAASB to consider using two distinct words to avoid any misunderstanding.
  - (c) Respondents also commented that the interactions between paragraphs 9(b) and 10 of ED-500 discussed in paragraph 153(c) may cause confusion for translation and during implementation.

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<sup>36</sup> See Section 2. “Clear, Simple and Concise Language, Formatting and Style” of the [CUSP Drafting Principles and Guidelines](#).

## Effective Date

186. Question 12(b) of ED-500 sought general comments from respondents on the effective date proposed as financial reporting periods beginning approximately 18 months after IAASB's approval of the final standard, with earlier application permitted or encouraged.
187. The overall responses to question 12(b), across all stakeholder groups, can be summarized as follows (see the separate NVivo reports in **Agenda Item 4-A.14 and 4-B.14** for further details):
- 38 respondents agreed – 54%;
  - 8 respondents agreed with further comments or concerns – 12%;
  - 8 respondents disagreed – 11%; and
  - 16 respondents did not have a specific response, including the two MG respondents – 23%.
188. Respondents who supported the effective date noted that the proposed timeframe of approximately 18 months after the approval of the final pronouncement is reasonable for their jurisdictions to implement the standard, including where translations are necessary, as well as for development of implementation guidance, update of methodologies, tools, and training materials.
189. Respondents who agreed with the proposed effective date and provided comments or had concerns noted the following key matters in their feedback:
- (a) The IAASB should develop and issue non-authoritative guidance to support the implementation of the standard.
  - (b) The effective date should be contemplated in the context of other IAASB standard-setting projects, and consideration provided for the collective amount of time necessary to implement the new or revised IAASB pronouncements.
  - (c) Any implementation period that is less than 18 months may not allow sufficient time for national adoption processes to occur, and consequently, may impact the adoption of the revised standard with a consistent effective date globally. This may be the case, for example, should there be a time lag between the time of IAASB's approval of the standards and the PIOB's approval date that would impact the time of the publication of the final standard by the IAASB.
190. Respondents who did not support the proposed effective date noted their preference for a 24-months period between the final date of approval of the standard and its effectiveness, given the significant time needed for translating the final pronouncement in their jurisdictions, for national adoption processes to occur, and for firms to update methodologies and related tools.

### **Matter for IAASB Consideration:**

The Board is asked to answer Question 1 in relation to the summary of respondents' feedback presented in **Sections XI-XII**.

## **Part D: Way Forward**

191. Following the September 2023 IAASB meeting, and based on the Board's feedback, the AETF intends to continue to discuss the key themes from the feedback to ED-500 and to develop proposals and update the drafting in ED-500 to address the significant comments received on exposure. In addition, the AETF will continue to engage in coordination activities with IESBA, and with other IAASB Task Forces and Consultation Groups, as appropriate.
192. Based on the current work plan, the IAASB approval of the final pronouncement is targeted for June 2024. However, pending the outcome of the IAASB's deliberations on the Strategy and Work Plan Consultation (see **Agenda Item 5**) and related future work plan decisions, the AETF acknowledges that the way forward and project timeline of the audit evidence project may be affected.

## AETF Members and Activities

### AETF Members

1. The AETF consists of the following members:
  - Sue Almond (Chair)
  - Edo Kienhuis
  - Greg Schollum
  - Eric Turner
2. Information about the project can be found [here](#).

### AETF Activities

3. The AETF held 1 physical meeting over 2 days since September 2022.

### Coordination Activities and Outreach

#### *IAASB Task Forces, Consultation Groups and IESBA*

4. Matters relevant to ED-500 were discussed at the IAASB-IESBA coordination meeting in May 2023.
5. In July 2023, the AETF Chair provided an update to the TCG on the significant comments from respondents to ED-500 relevant for technology.
6. In August 2023, the Chairs and IAASB Staff of the Audit Evidence and Fraud Task Forces met and discussed matters of mutual relevance.

#### *Outreach*

7. In March 2023, the AETF Chair and IAASB Staff met with representatives of the IFIAR's SCWG to discuss their preliminary views and comments in relation to ED-500.

## Appendix 2

### List of Respondents to ED–500

No.	Respondent	Region
<b>Monitoring Group</b>		<b>Total: 2</b>
1.	International Forum of Independent Audit Regulators (IFIAR)	Global
2.	International Organization of Securities Commission (IOSCO)	Global
<b>Regulators and Audit Oversight Authorities</b>		<b>Total: 5</b>
3.	Botswana Accountancy Oversight Authority (BAOA)	Middle East and Africa
4.	Committee of European Auditing Oversight Bodies (CEAOB)	Europe
5.	Financial Reporting Council (FRC)	Europe
6.	Independent Regulatory Board for Auditors and Institute of Chartered Accountants of Namibia (IRBA & ICAN)	Middle East and Africa
7.	Irish Auditing and Accounting Supervisory Authority (IAASA)	Europe
<b>National Auditing Standard Setters</b>		<b>Total: 12</b>
8.	American Institute of Certified Public Accountants (AICPA)	North America
9.	Australian Auditing and Assurance Standards Board (AUASB)	Asia Pacific
10.	Austrian Chamber of Tax Advisors and Public Accountants (KSW)	Europe
11.	Canadian Auditing and Assurance Standards Board (AASB)	North America
12.	Compagnie Nationale des Commissaires aux Comptes and Conseil National de l'Ordre des Experts-Comptables (CNCC & CNOEC)	Europe
13.	Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE)	South America
14.	Hong Kong Institute of Certified Public Accountants (HKICPA)	Asia Pacific
15.	Institut der Wirtschaftspruefer in Deutschland e.V. (IDW)	Europe
16.	Japanese Institute of Certified Public Accountants (JICPA)	Asia Pacific
17.	New Zealand Auditing and Assurance Standards Board (NZAuASB)	Asia Pacific
18.	Public Accountants and Auditors Board Zimbabwe (PAAB)	Middle East and Africa
19.	Royal Dutch Institute of Chartered Accountants (NBA)	Europe
<b>Accounting Firms<sup>37</sup></b>		<b>Total: 14</b>
20.	Baker Tilly International (BTI)*	Global
21.	BDO International (BDO)*	Global
22.	Crowe Global (CROWE)*	Global
23.	Crowe LLP (CROWE LLP)	North America

<sup>37</sup> Forum of Firms members are indicated with a \*. The Forum of Firms is an association of international networks of accounting firms that perform transnational audits.

No.	Respondent	Region
24.	Deloitte Touche Tohmatsu Limited (DTTL)*	Global
25.	Ernst & Young Global Limited (EY)*	Global
26.	Grant Thornton International Limited (GT)*	Global
27.	KPMG International Limited (KPMG)*	Global
28.	Mazars (MZ) *	Global
29.	MNP LLP (MNP)	North America
30.	Mo Chartered Accountants (MCA)	Middle East and Africa
31.	PKF International Limited (PKF)*	Global
32.	PriceWaterhouseCoopers (PwC)*	Global
33.	RSM International Limited (RSM)*	Global
<b>Public Sector Organizations</b>		<b>Total: 5</b>
34.	Office of the Auditor General of Alberta (OAGA)	North America
35.	Office of the Auditor General of Canada (OAG)	North America
36.	Provincial Auditor of Saskatchewan (PAS)	North America
37.	Swedish National Audit Office (SNAO)	Europe
38.	U.S. Government Accountability Office (GAO)	North America
<b>Member Bodies and Other Professional Organizations</b>		<b>Total: 29</b>
39.	Accountancy Europe (AE)	Europe
40.	Accounting and Finance Association of Australia and New Zealand (AFAANZ)	Asia Pacific
41.	Botswana Institute of Chartered Accountants (BICA)	Middle East and Africa
42.	Center for Audit Quality (CAQ)	North America
43.	Chamber of Auditors of the Czech Republic (CA CR)	Europe
44.	Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (CA ANZ & ACCA)	Global
45.	Chartered Accountants Ireland (CAI)	Europe
46.	Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC)	Europe
47.	CPA Australia (CPAA)	Asia Pacific
48.	European Federation of Accountants and Auditors for SMEs (EFEAA)	Europe
49.	Federation of Accounting Professions of Thailand (FAPT)	Asia Pacific
50.	IFAC SMP Advisory Group (SMPAG)	Global
51.	Institute of Certified Public Accountants of Uganda (ICPAU)	Middle East and Africa
52.	Institute of Chartered Accountants in England and Wales (ICAEW)	Europe
53.	Institute of Chartered Accountants of Nigeria (ICAN)	Middle East and Africa

No.	Respondent	Region
54.	Institute of Chartered Accountants of Scotland (ICAS)	Europe
55.	Institute of Internal Auditors (IIA)	North America
56.	Institute of Singapore Chartered Accountants (ISCA)	Asia Pacific
57.	Instituto de Auditoria Independente do Brasil (IBRACON)	South America
58.	Instituto Mexicano de Contadores Publicos (IMCP)	South America
59.	Korean Institute of Certified Public Accountants (KICPA)	Asia Pacific
60.	Malaysian Institute of Accountants (MIA)	Asia Pacific
61.	Malaysian Institute of Certified Public Accountants (MICPA)	Asia Pacific
62.	Nordic Federation of Public Accountants (NRF)	Europe
63.	Pan-African Federation of Accountants (PAFA)	Middle East and Africa
64.	South African Institute of Chartered Accountants (SAICA)	Middle East and Africa
65.	SRA	Europe
66.	The Malta Institute of Accountants (TMIA)	Europe
67.	Wirtschaftsprüferkammer (WPK)	Europe
<b>Individuals and Others</b>		<b>Total: 3</b>
68.	Altaf Noor Ali (ANA)	Middle East and Africa
69.	Shuichiro Tsumagari (ST)	Asia Pacific
70.	Thomson Reuters (TR)	Europe

**Appendix 3**

**Summary of NVivo Reports for Questions 1-12 of ED-500 and the Related Section in Part C of this Agenda Item Where the Summary is Presented**

Question in ED-500:	Section in Part C of this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 1	<b>Section I – Purpose and Scope</b>	Agenda Item 4-A.1	Agenda Item 4-B.1
		Agenda Item 4-A.2	Agenda Item 4-B.2
Question 2	<b>Section II – Enhanced Auditor Judgment When Obtaining and Evaluating Audit Evidence</b>	Agenda Item 4-A.3	Agenda Item 4-B.3
Question 5	<b>Section III – Professional Skepticism</b>	Agenda Item 4-A.4	Agenda Item 4-B.4
Question 3	<b>Section IV – Balance of Requirements and Application Material</b>	Agenda Item 4-A.5	Agenda Item 4-B.5
Question 4	<b>Section V – Technology</b>	Agenda Item 4-A.6	Agenda Item 4-B.6
Question 6	<b>Section VI – Definition of Audit Evidence</b>	Agenda Item 4-A.7	Agenda Item 4-B.7
Question 7	<b>Section VII – Interrelationship of Sufficiency, Appropriateness and Persuasiveness of Audit Evidence</b>	Agenda Item 4-A.8	Agenda Item 4-B.8
Question 8	<b>Section VIII – Evaluating the Relevance and Reliability of Information Intended to be Used as Audit Evidence</b>	Agenda Item 4-A.9	Agenda Item 4-B.9
Question 9	<b>Section IX – Conditional Requirement for Accuracy and Completeness</b>	Agenda Item 4-A.10	Agenda Item 4-B.10
Question 10	<b>Section X – “Stand Back” Requirement</b>	Agenda Item 4-A.11	Agenda Item 4-B.11
Question 11	<b>Section XI – Other Matters</b>	Agenda Item 4-A.12	Agenda Item 4-B.12



Question in ED-500:	Section in Part C of this Agenda Item	Agenda Item:	
		NVivo Word Analysis	NVivo Excel Analysis
Question 12	Section XII – Translations and Effective Date	Agenda Item 4-A.13	Agenda Item 4-B.13
		Agenda Item 4-A.14	Agenda Item 4-B.14

Appendix 4

**AETF High-Level Analysis Illustrating Where and How Technology Related Topics from the Feedback May be Addressed**

Topic	Description	Where has this topic been addressed, either partially or fully, in the ISAs or through NAG?	Preliminary AETF views illustrating where and how the topic may be further addressed		
			Could the topic be further addressed by ED-500? (Yes/No)	Could the topic be further addressed in other ISAs outside of ED-500? (Yes/No)	Could the topic be further addressed by NAG? (Yes/No)
<b>Use of technology by the auditor</b>	<i>Use of ATT to plan and perform the audit, including when obtaining and evaluating audit evidence</i>	<ul style="list-style-type: none"> <li>ISA 220 (Revised) requires engagement partners to take responsibility for using resources appropriately.</li> <li>ISA 315 (Revised 2019) provides application material with specific consideration when using ATT for risk assessment.</li> <li>This topic is addressed in the TCG Frequently Asked Questions (FAQs) and IAASB digital market scans.</li> </ul>	<b>Yes, but not entirely</b> <ul style="list-style-type: none"> <li>Conditional requirement on when the auditor uses ATT in the audit engagement, addressing the inputs and outputs of the tool.</li> <li>Application material to support the new requirement.</li> <li>Linking to ISA 220 (Revised) and ISQM 1 considerations and for selecting of appropriate ATT for the intended purpose.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>Technology and ATT have a broader impact on planning and performing the audit and extend beyond audit evidence related matters. For example, using technology when selecting items for sampling which is a topic relevant to ISA 530.</li> </ul>	<b>Yes – Ongoing</b> <ul style="list-style-type: none"> <li>Refreshed market scans to reflect developments in technology.</li> <li>Further NAG, as discussed in paragraph 98 of this Agenda Item.</li> </ul>
<b>Use of technology by the entity</b>	<i>Risks with digital information (e.g., transformation, extraction,</i>	<ul style="list-style-type: none"> <li>ISA 315 (Revised 2019) provides guidance on understanding the entity's use of IT in the</li> </ul>	<b>Yes, but not entirely</b> <ul style="list-style-type: none"> <li>To support the conditional requirement on when the auditor</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The topic is relevant to ISA 330.</li> </ul>	<b>Yes – Ongoing</b> <ul style="list-style-type: none"> <li>Refreshed market scans to reflect new</li> </ul>

Topic	Description	Where has this topic been addressed, either partially or fully, in the ISAs or through NAG?	Preliminary AETF views illustrating where and how the topic may be further addressed		
			Could the topic be further addressed by ED-500? (Yes/No)	Could the topic be further addressed in other ISAs outside of ED-500? (Yes/No)	Could the topic be further addressed by NAG? (Yes/No)
	<i>conversion, etc.)</i>	components of the system of internal control and sets out consideration for understanding general IT controls.	uses ATT, the AETF is proposing to develop new application material in ED-500 with guidance relevant to the inputs to ATT.  <ul style="list-style-type: none"> <li>In addition, the topic will also be considered when developing new guidance for the evaluation of attributes for accuracy and completeness for information from sources internal to the entity.</li> </ul>		developments in technology.
	<i>Emerging technologies utilized by entity (e.g., artificial intelligence and robotics)</i>	<ul style="list-style-type: none"> <li>ISA 315 (Revised 2019) includes guidance on understanding the entity's use of technology.</li> <li>Market scans by the TCG discussing emerging technologies.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This is out of scope for ED-500, however the AETF is proposing to describe ATT and acknowledge these emerging technologies by way of example.</li> </ul>	<b>No</b>	<b>Yes – Ongoing</b> <ul style="list-style-type: none"> <li>Refreshed market scans to reflect new developments in technology.</li> </ul>

Topic	Description	Where has this topic been addressed, either partially or fully, in the ISAs or through NAG?	Preliminary AETF views illustrating where and how the topic may be further addressed		
			Could the topic be further addressed by ED-500? (Yes/No)	Could the topic be further addressed in other ISAs outside of ED-500? (Yes/No)	Could the topic be further addressed by NAG? (Yes/No)
<b>Multipurpose Audit Procedures</b>	<i>Audit evidence from multipurpose audit procedures</i>	<ul style="list-style-type: none"> <li>Guidance in paragraph A19 of ISA 315 (Revised 2019) and paragraph A18 of ED-500.</li> <li>This topic is addressed in the TCG FAQs.</li> </ul>	<b>Yes, but only as example</b> <ul style="list-style-type: none"> <li>Specific example to demonstrate how the auditor can use ATT to obtain audit evidence to satisfy objectives for both risk assessment and further audit procedures.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The topic is relevant to ISA 315 (Revised 2019) and ISA 330.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This topic is already addressed in the TCG FAQs.</li> </ul>
	<i>Implications of using ATT - to perform audit data analytics and clarifying whether such procedure is a test of details or substantive analytical procedure</i>	<ul style="list-style-type: none"> <li>This topic is addressed in the TCG FAQs.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This topic is out of scope for ED-500.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The topic is relevant to ISA 330 and ISA 520.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This topic is already addressed in the TCG FAQs.</li> </ul>

Topic	Description	Where has this topic been addressed, either partially or fully, in the ISAs or through NAG?	Preliminary AETF views illustrating where and how the topic may be further addressed		
			Could the topic be further addressed by ED-500? (Yes/No)	Could the topic be further addressed in other ISAs outside of ED-500? (Yes/No)	Could the topic be further addressed by NAG? (Yes/No)
	<i>Implications of using ATT - items for further investigation that are unusual or are exceptions</i>	<ul style="list-style-type: none"> <li>Guidance in paragraph A91 of ED-500.</li> <li>This topic is addressed in the TCG FAQs.</li> </ul>	<b>Yes, but only as example</b> <ul style="list-style-type: none"> <li>To support the conditional requirement on when the auditor uses ATT, the AETF is proposing to develop new application material in ED-500 with guidance relevant to using the outputs of ATT.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The topic is relevant to ISA 330, ISA 520 and ISA 530.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This topic is already addressed in the TCG FAQs.</li> </ul>
<b>Technology Related Documentation Considerations</b>	<i>Documentation considerations when using ATT</i>	<ul style="list-style-type: none"> <li>Paragraph A40 of ED-500 covers the principle in ISA 230.</li> <li>This topic is addressed in the TCG FAQs.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The AETF is proposing to consider the matter in ED-500 (either guidance or a specific documentation requirement when using ATT).</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The topic is relevant to ISA 230.</li> </ul>	<b>No</b> <ul style="list-style-type: none"> <li>This topic is already addressed in the TCG FAQs.</li> </ul>
<b>Technology Related Examples</b>	<i>Further examples to illustrate using ATT to perform risk assessment</i>	<ul style="list-style-type: none"> <li>Examples of using ATT are included in ISA 315 (Revised 2019), ISA 600 (Revised) and other ISAs.</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>The AETF is proposing to enhance application material and provide</li> </ul>	<b>Yes</b> <ul style="list-style-type: none"> <li>These topics are relevant to other ISAs (e.g., ISA 315 (Revised</li> </ul>	<b>Yes – Ongoing</b> <ul style="list-style-type: none"> <li>For providing more detailed</li> </ul>

Topic	Description	Where has this topic been addressed, either partially or fully, in the ISAs or through NAG?	Preliminary AETF views illustrating where and how the topic may be further addressed		
			Could the topic be further addressed by ED-500? (Yes/No)	Could the topic be further addressed in other ISAs outside of ED-500? (Yes/No)	Could the topic be further addressed by NAG? (Yes/No)
	<i>procedures, sampling and substantive analytical procedures</i>	<ul style="list-style-type: none"> <li>Using ATT for risk assessment procedures is addressed in the TCG FAQs.</li> <li>Using ATT for substantive analytical procedures is addressed in the TCG FAQs.</li> </ul>	examples of ATT in the Appendix of ED-500 noting that the application material shall remain brief and not date the standard.	2019), ISA 330, ISA 520, and ISA 530).	examples and to reflect emerging practice.