

Audit Evidence – Question 11

11. Are there any other matters you would like to raise regarding ED-500? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

Q11 - Other comments**1. Monitoring Group****International Forum of Independent Audit Regulators (IFIAR)**

Other

Paragraph A2 specifies that audit evidence may be obtained by performing risk assessment procedures. We understand that this idea arises out of the new way that audit evidence is being defined in ED-500 and specifically that information obtained during the audit becomes audit evidence only after it has been subjected to audit procedures. However, this raises the question of how much weight auditors should ascribe to this audit evidence when gathering information in response to assertion-level risks. We recommend that the IAASB clarify in the application material what weight, if any, auditors should ascribe to audit evidence obtained from performing risk assessment procedures.

We recommend that the interaction between the requirement of paragraph 8 related to designing and performing audit procedures to obtain sufficient appropriate audit evidence and the requirements within ISA 330 should be better explained, to avoid circular references between the standards.

We recommend that the language in the application material of the extant standard stating that inquiry alone ordinarily does not provide sufficient audit evidence be reinstated in the application material to ED-500, instead of the current proposal of moving that material to the appendix.

We recommend that paragraph A14 be strengthened by stating that obtaining more audit evidence cannot compensate for its poor quality as we are unaware of circumstances where obtaining more of the same poor-quality evidence would provide sufficient appropriate audit evidence.

We recommend that paragraph A22 relating to the risk of automation bias when evaluating the relevance and reliability of information intended to be used as audit evidence includes consideration of outputs generated by automated systems. In addition, we recommend that paragraph A23:

Provide an example of instances or situations when vulnerability to automation bias may be greater; and

Include the need for the auditor to assess 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.

In a number of cases, we recommend the examples provided be enhanced to provide more useful guidance to auditors:

Due to the increase in remote performance of various audit procedures, requiring an increase in professional skepticism in evaluation of such evidence, we recommend paragraph A42 includes increased detail of the design considerations for audit procedures carried out remotely. We recommend specific considerations related to inventory counts performed remotely be presented as conforming amendments to ISA 501.

We recommend paragraph A55 be revised to note that inspection of a document, such as a stock, bond or a digital copy of a mortgage, may be relevant to the existence assertion at a point in time, and that further audit evidence may be required to support existence at year end.

Paragraph A45 includes a reference to ISA 600 which includes examples of circumstances of audit evidence with access restrictions. However, we recommend such examples be repeated within the standard, without reference to a group audit, as they are applicable to all audit evidence. In addition, the footnote with reference to ISA 600 paragraph A29 seems to be incorrect and should reference paragraph A39.

Authenticity of information intended to be used as audit evidence

Auditors are increasingly obtaining information in their audits (e.g., documents and records) that is in digital format. This is partly attributable to the increasing digitalization of the information systems of audited entities. Digital records and documents are at an increased risk of being altered inappropriately by management of the audited entity and others. We believe that the IAASB should revisit as part of the Audit Evidence project whether the fundamental principle in ISA 200 that auditors may accept records and documents as genuine unless the auditor has reason to believe the contrary remains appropriate. We recommend that the IAASB remove paragraph A57 from the ED-500 application material while the merits of this principle are reconsidered.

International Organization of Securities Commission (IOSCO)

Specific Comments

Paragraph 14 – “If the auditor obtains audit evidence that is inconsistent with other audit evidence or that contradicts the assertions in the financial statements [text added] (...)” We suggest this edit as we believe a requirement to perform additional procedures when audit evidence does not corroborate assertions in the financial statements is needed.

Paragraph A13 – “(...) However, increasing the quantity of audit evidence by performing the same type of audit procedures may not provide more persuasive audit evidence in all circumstances.” We believe this sentence could benefit from an example where increasing the quantity of audit evidence by performing the same type of audit procedure provides more persuasive audit evidence and an example where it does not.

Paragraph A17– “...the auditor may use an automated tool to interrogate [emphasis added] a large data set of transactions more easily.” We note that the use of the word “interrogate” may create translation issues and suggest using a different word such as “analyze”.

Paragraph A23 – “(...) Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater. (...)” We believe this sentence could benefit from examples where vulnerability to automation bias may be greater.

Paragraph A25 – “(...) An audit procedure may be designed to be effective in achieving a specific purpose, but if the performance or execution of the audit procedure (i.e., its application) is inappropriate, detection risk may not be reduced to an appropriately low level.” We believe this sentence could benefit from an example.

Paragraph A57 – “(...) ISA 200 explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. (...)” We believe this requirement should be strengthened and more closely align to the auditor’s requirement to evaluate the reliability of information intended to be used audit evidence i.e. the auditor should consider the authenticity in their evaluation of

reliability of the information provided rather than accepting the information as genuine unless the auditor has reason to believe the contrary.

Paragraph A64 – We believe this reference should be A59, not A58.

Paragraph A78 – We recommend the IAASB reconsider this paragraph as it is too narrowly focused on addressing considerations related to deficiencies specifically around information prepared by management's expert and not more broadly related to management's use of information from all sources.

Paragraph A80 – "(...) Deficiencies in internal control identified by the auditor [text deleted], particularly when there is a significant deficiency in internal control. (...)" We recommend not limiting the factor to only those control deficiencies identified by auditors.

Appendix (and paragraph A17) – "(...) However, inquiry alone ordinarily does not provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level, nor of the operating effectiveness of controls." We believe this sentence could benefit from further guidance and/or examples, specifically describing when inquiry alone could provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level or of the operating effectiveness of controls.

We suggest the Board consider adding a reference in ISA 300, Planning an audit of Financial Statements, to ED 500 related to obtaining audit evidence during planning.

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Conforming and consequential amendments arising from proposed ISA 500 (Revised)

33. As part of the conforming amendments, ISA 501 should be updated:

- a. to reflect the example provided in paragraph 5 of the Appendix to the ED regarding the use of automated techniques to perform inventory counts; and
- b. to provide additional requirements and guidance when the auditor is using such remote observation techniques to perform inventory counts.

Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

19. We strongly believe that the requirement to design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence (Paragraph 8 of the ED) should be clearly linked to the requirements to design and perform audit procedures responsive to the assessed risks in ISA 330, The Auditor's Responses to Assessed Risks.

20. Further, we believe that this section should be specific about the audit procedures to be performed in order to elevate information to audit evidence.

26. Paragraph A57 of the ED references ISA 200 on accepting documents and records as genuine, unless there is 'reason to believe' the contrary. We question whether 'reason to believe' is a too high threshold and whether a consequential amendment could be necessary. Furthermore, we believe that the work effort required here is unclear and could be better explained.

Appendix 1 – Illustrative areas of some potential improvements related to audit evidence identified in other standards

ISA 501 – AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

The standard should provide an additional requirement requiring the auditor to maintain, in any case, control over the lawyer’s letter of inquiries process. ISA 501 paragraph 10 currently requires it only in the 2 situations specified in the standard.

The standard should also clarify 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 - EXTERNAL CONFIRMATIONS

The standard should require that, in specific cases, even if external confirmations have been received directly by the auditor, additional procedures should be performed by the auditor to be able to consider information included in the confirmation responses as reliable (i.e. confirmation alone can't be considered as sufficient audit evidence).

In addition to the requirement above, the standard should explain that for confirmations from custodian banks or inter-company confirmations, evidence of reliability is obtained if the effectiveness of the process to prepare the confirmation responses is known and tested.

When performing alternative audit procedures in case of non-response to a confirmation request, the standard should require the auditor to obtain external audit evidence. If only internal audit evidence is available, the standard should require the auditor to reduce the reliance put on these procedures.

ISA 520 - ANALYTICAL PROCEDURES

The standard should provide additional guidance to better explain how to determine the amount of difference from the expectations that can be accepted without further investigation (i.e. “threshold”).

The standard should also clarify if and when such an amount can be above the overall materiality.

ISA 530 - AUDIT SAMPLING

The standard should give practical examples of sample calculations and sampling methods. The standard should provide guidance to help the auditor in the determination of the tolerable misstatement, especially when a financial statement line item consists of multiple accounts that are all subject to individual non-statistical sampling.

ISA 330 - THE AUDITOR’S RESPONSES TO ASSESSED RISKS

When the tests of controls are performed during the interim period, the standard should clarify that audit evidence shall be obtained for the remaining period if there have been significant changes in the design and implementation of controls subsequent to the interim period.

The standard should clarify whether the threshold for selecting material class of transactions, account balance, and disclosure under ISA 330 paragraph 18 is the materiality for the financial statements as a whole or the performance materiality.

The links with ISA 315 need to be strengthened by:

- (i) Proposing additional guidance and additional illustrative examples of situations where substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level;

(ii) Providing additional guidance on how the sliding scale of risks impacts the level of audit evidence necessary; and

(iii) Defining and explaining the different categories of controls (i.e. manual controls, automated controls and semi-automated controls) and by providing additional guidance on the nature and extent of audit procedures that the auditor can put in place to test the IT general controls and IT application controls.

When using audit tools and techniques, the standard should provide additional requirements on audit documentation that should be retained in audit files, including but not limited to the memo outlining the findings and conclusions and the way the tests using audit tools and techniques have been performed.

Financial Reporting Council (FRC)

We encourage the IAASB to review the material in A30 – A32, in relation to “Selecting specific items” to ensure it is consistent with widely understood statistical principles. A31 states that selecting specific items from a population “does not constitute audit sampling”, though the description of the process, to select specific items based on their characteristics, aligns with established definitions of non-statistical sampling as the auditor is still picking a subset of the population to examine, even if it is not a representative one.

We believe there is great value in aligning auditing standards with common mathematical language as this would be simpler to understand and lead to better outcomes when, for example, considering the extrapolation of errors. The increasing prominence of data analytics in audit, and entry into the profession by an increasing number of students from analytics background compounds the benefit of aligning the terminology used in auditing standards.

We support the material included in paragraph 11 (a) which describes the auditor’s responsibilities in relation evaluating the competence, capability and objectivity of a management expert but note that IESBA are starting a project on the independence of experts so encourage the IAASB to have early discussed with IESBA to ensure consistency.

ISA 200 includes a lot of references to ‘audit evidence’. Given that ISA 200 is a foundational standard, it would be helpful to retain the definition there, conformed if/as necessary with the final revisions.

Independent Regulatory Board for Auditors and Institute of Chartered Accountants of Namibia (IRBA & ICAN)

We do not support the proposal to remove the explicit requirement in paragraph 8(c) of extant ISA 500 – which requires auditors to evaluate the appropriateness of management’s expert’s work as audit evidence. This may lead to more auditors failing to appropriately evaluate such work. The IAASB’s rationale for removing this requirement is that it is redundant, due to the requirement in paragraph 8(b) of ED-500. However, it may not always be apparent to auditors that the requirement is now implicit in ED-500, and this could result in auditors deferring to management’s experts without a proper evaluation. We recommend that clarity be provided that the explicit requirement in paragraph 8(c) of extant ISA 500 is now in 8(b) of ED-500 or that it is restored.

In reference to the requirement outlined in paragraph 12(a) of ED-500, pertaining to the identification of doubts about the relevance or reliability of information intended for use as audit evidence, we suggest that the IAASB amends the wording in the requirement to “determine which” instead of “determine whether”. This is because we cannot envision a scenario where no modifications or additions to audit procedures would be required when doubts are identified. Therefore, the requirement should be to “determine which” modifications or additions are necessary.

We suggest that the IAASB restores the language found in the application material of the extant standard – which states that inquiry alone usually does not provide sufficient audit evidence – in the application material of ED-500, rather than relocating it to the appendix, as proposed.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Appendix 1 – Areas of potential improvements related to audit evidence identified in other standards

ISA 501 – AUDIT EVIDENCE—SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

The standard should provide an additional requirement requiring the auditor to maintain control over the lawyer’s letter of inquiries process in call cases. Paragraph 10 of ISA 501 currently only requires this in the two situations specified in the standard.

The standard should also clarify that the lawyer's response to the auditor's inquiries alone does not represent sufficient audit evidence to validate the accuracy of a provision or a disclosure for complex and significant litigation.

ISA 505 - EXTERNAL CONFIRMATIONS

The standard should require that, in specific cases, even where external confirmations have been received directly by the auditor, the auditor should perform additional procedures in order to consider the information included in the confirmation responses as reliable (i.e. confirmation alone cannot be considered as sufficient audit evidence).

In addition, the standard should explain that for confirmations from custodian banks or inter-company confirmations evidence of reliability is obtained if the effectiveness of the process to prepare the confirmation responses is known and tested.

When performing alternative audit procedures due to non-response to a confirmation request, the standard should require the auditor to obtain external audit evidence where possible. If only internal audit evidence is available, the standard should require the auditor to reduce the reliance put on these procedures.

ISA 520 - ANALYTICAL PROCEDURES

The standard should provide additional guidance to better explain how to determine the amount of difference from the expectations that can be accepted without further investigation (i.e. the “threshold”).

The standard should also clarify if and when such an amount can be above the overall materiality.

ISA 530 - AUDIT SAMPLING

The standard should give practical examples of sample calculations and sampling methods.

The standard should provide guidance to help the auditor in the determination of the tolerable misstatement, especially when a financial statement line item consists of multiple accounts that are all subject to individual non-statistical sampling.

ISA 330 - THE AUDITOR’S RESPONSES TO ASSESSED RISKS

The standard should clarify that, where tests of controls are performed during the interim period, audit evidence shall be obtained for the remaining period if there have been significant changes in the design and implementation of controls after the interim period.

The standard should also clarify whether the threshold for selecting material classes of transactions, account balances and disclosures under ISA 330 paragraph 18 is the materiality for the financial statements as a whole or the performance materiality.

The links with ISA 315 need to be strengthened by:

Providing additional guidance and illustrative examples of situations where substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level;

Providing additional guidance on how the sliding scale of risks impacts the level of audit evidence necessary; and

Defining and explaining the different categories of controls (i.e. manual controls, automated controls and semi-automated controls) and by providing additional guidance on the nature and extent of audit procedures that the auditor can put in place to test the IT general controls and IT application controls.

The standard should provide additional requirements on audit documentation that should be retained in the audit file when using audit tools and techniques, including but not limited to the memorandum outlining the findings and conclusions and the way the tests using audit tools and techniques have been performed.

Conforming and consequential amendments arising from proposed ISA 500 (Revised)

As part of the conforming amendments, ISA 501 should be updated to:

reflect the example provided in paragraph 5 of Appendix to the ED regarding the use of automated techniques to perform inventory counts; and

set out additional requirements and guidance when the auditor uses such remote observation techniques to perform inventory counts.

Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

The requirement to design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence (Paragraph 8 of the ED) should be linked to the requirements to design and perform audit procedures responsive to the assessed risks in ISA 330, *The Auditor's Responses to Assessed Risks*.

In addition, this section should deal with the audit procedures to be performed in order to classify from "information" as "audit evidence".

Paragraph A57 of the ED references ISA 200 on accepting documents and records as genuine, unless there is 'reason to believe' the contrary. We question whether 'reason to believe' is a too high threshold and whether a consequential amendment to ISA 200 should be considered. Further, the work effort required here is unclear and could be better explained.

3. National Audit Standard Setters

American Institute of Certified Public Accountants (AICPA)

Appendix B: Additional Application Material from SAS No. 142

We recommend the IAASB consider the following:

In paragraph A24 of ED-500, we suggest the IAASB revise the language of the first example as follows.

Inspection or external confirmation observation procedures may provide more persuasive audit evidence than inquiry.

In addition, we suggest adding the following application material paragraph contained within SAS No. 142:

Although external confirmations may provide audit evidence relating to certain assertions, some assertions exist for which external confirmations provide less persuasive audit evidence, for example, external confirmations provide less persuasive audit evidence relating to the recoverability of accounts receivable balances than they do of their existence.

SAS No. 142 includes consideration that evidence can be sourced from management, external sources, or from the auditor themselves, while ED-500 only focuses on information produced by the entity or external sources. We suggest the IAASB consider adding application material similar to paragraph A12 of SAS No. 142, which states:

.....“Auditor. The auditor may develop information to be used as audit evidence. For example, an auditor may accumulate and analyze industry trends to be used in the audits of entities in that industry. The auditor may also employ or engage a specialist to assist the auditor in developing audit evidence, which could include developing an independent expectation to evaluate the reasonableness of an accounting estimate. The auditor may also use automated tools and techniques to analyze information provided by management or external parties, resulting in audit evidence.”

The following paragraphs from SAS No. 142 are not included in ED-500, but may provide additional clarification on various topics, including (but not limited to) considerations related to technology:

A14. An example of information provided by management that is obtained from outside the general and subsidiary ledgers is internal marketing information developed by the entity’s sales function as an assumption in making an accounting estimate for a warranty provision.

A24. Information in documentary form, whether paper or electronic, may be more reliable than evidence obtained through oral inquiries (for example, a contemporaneously written record of a meeting may be more reliable than a subsequent oral representation of the matters discussed).

A25. Determining whether controls are effectively designed and implemented (including general IT controls, as appropriate) may help the auditor design appropriate audit procedures to evaluate the reliability of information. In some cases, the reliability of such information may only be established when the related controls, whether manual or automated, including those over the preparation and maintenance of the information, have been tested and determined to be operating effectively.

A26. Using electronic information may require the auditor to perform additional audit procedures to establish its reliability. For example, when using a scanned version of an executed sales contract provided by the sales department, additional audit procedures, such as confirmation of the key terms with a third party, may be necessary if the auditor has not tested the operating effectiveness of the controls around execution of the original contract and the maintenance of the scanned version.

A37. Contradictory information may be relevant even when the source of that information is less reliable than the source of corroborative information. For example, in the audit of a depository institution, reports of decreasing property values in a particular geographical area may have been obtained by the auditor that contradicted the report of an external appraisal provided by management to support its estimate of the values of collateral for a loan portfolio. In this case, given that contradictory information has been obtained, the auditor may determine that it is necessary to perform additional audit procedures to obtain audit evidence about the value of the property.

A38. Contradictory information is not considered in isolation but, rather, as part of the auditor’s consideration with respect to that management assertion taken as a whole. In such cases, professional skepticism and

judgment is necessary to evaluate the persuasiveness of the audit evidence taken as a whole, rather than focusing on an individual piece of audit evidence. For example, the auditor may be aware of information on social media suggesting a company's product has major quality issues and that all buyers would be returning the product. The auditor may have obtained external confirmations regarding product sales and outstanding accounts receivable that do not indicate quality or return issues and may have scanned the sales returns subsidiary ledger, which contained only an immaterial amount of returns subsequent to year-end. In light of that, the auditor may conclude that the contradictory information does not suggest a reasonable possibility of a risk of material misstatement and that further audit procedures are not necessary.

A39. In some cases, the auditor may intend to use information obtained from management for other audit purposes. For example, the auditor may use the performance measures included in the entity's internal audit function reports, initially obtained for the purpose of evaluating monitoring activities, in a substantive analytical procedure. In such cases, the appropriateness of this information to be used as audit evidence is affected by whether the information is sufficiently precise or detailed for the auditor's purposes.

A41. The auditor may obtain audit evidence about the accuracy or completeness of information to be used as audit evidence through the performance of an audit procedure that was not primarily intended for that purpose. For example, in testing valuation, the auditor may reconcile the listing of investment purchases for completeness before selecting a sample. In other situations, the auditor may consider it necessary to obtain audit evidence about the accuracy and completeness of information by testing controls over the preparation and maintenance of the information (for example, in light of the nature, frequency, and volume of transactions).

A45. The auditor may use automated tools and techniques to process, organize, structure, or present data in a given context in order to generate useful information that can be used as audit evidence.

A47. The auditor may also use automated tools and techniques to obtain audit evidence about the operation of the entity's internal control. For example, if management has controls over the sequential numbering of sales invoices, the auditor may be able to obtain corroborating audit evidence about the sequential numbering of sales invoices for the period by using automated tools and techniques to determine whether any gaps in numbering or duplicates exist, which may provide audit evidence about the controls over the completeness of invoices issued during the period.

A48. Some information may be available only in electronic form or only at certain points or periods in time, which may affect the nature and timing of the audit procedures to be performed.

A49. Certain electronic information may be destroyed or deleted after a specified period of time (for example, if files are changed and back-up files do not exist). Accordingly, as a result of the entity's data retention policies, the auditor may find it necessary to request retention of some information for the performance of audit procedures at a later point in time or to perform audit procedures at a time when the information is available.

A50. Some electronic information (for example, records maintained on a distributed ledger, such as a blockchain) is available on a continuous basis during the audit. In such cases, auditors may develop audit procedures using automated tools and techniques to obtain information about transactions on a real-time basis.

A57. By using automated tools and techniques, auditors may be able to perform recalculation procedures on 100 percent of a population, for example, recalculating the gross margin for each product sold for an entity's product line

A61. Analytical procedures involve the auditor's exercise of professional judgment and may be performed manually or by using automated tools and techniques. For example, the auditor may manually scan data to identify significant or unusual items to test, which may include the identification of unusual individual items within account balances or other data through the reading or analysis of entries in transaction listings, subsidiary ledgers, general ledger control accounts, adjusting entries, suspense accounts, reconciliations, and other detailed reports for indications of misstatements that have occurred. The auditor also might use automated tools and techniques to scan an entire population of transactions and identify those transactions meeting the auditor's criteria for a transaction being unusual. The identification of items that exhibit characteristics of risk of material misstatement through analytical procedures provides the auditor with audit evidence about those items. Analytical procedures also provide audit evidence about the items not exhibiting characteristics of risks of material misstatements because the auditor has determined, exercising professional judgment, that the items not selected for further audit procedures are less likely to be materially misstated.

A64. Inquiries of knowledgeable persons outside the entity do not meet the definition of external confirmations in accordance with AU-C section 505. However, the responses to inquiries of persons outside of the entity are considered in accordance with this SAS and may constitute reliable information to be used as audit evidence.

We believe the IAASB should include the language in paragraph A3 of extant ISA 500 that states "An external individual or organization cannot, in respect of any particular set of information, be both an external information source and a management's expert, or service organization or auditor's expert." The exposure draft is clear that an external information source cannot also be a management's expert, but it is not clear on the point that it cannot also be a service organization or an auditor's expert.

In our view, auditing standards need to remain sufficiently principles-based so as not to constrain the use of technology or appear to do so. Accordingly, we agree with relocating the types of audit procedures to the Appendix and noting that it is not an exhaustive list. For example, the use of audit data analytics may result in the auditor being able to perform a robust analysis of full populations of data, and understand patterns and anomalies to determine where potential misstatements may occur. While this represents procedures to analyze, such activities do not neatly fit in the current category of analytical procedures or the requirements in ISA 520, Analytical Procedures, as they can have characteristics of both tests of details and substantive analytical procedures. We therefore agree with the following sentiment in the Explanatory Memorandum and suggest explicitly stating in the proposed standard that "it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances (i.e., whether the audit procedures are appropriately designed to achieve their intended purpose, and have been effectively applied by the auditor) rather than the type of audit procedure (i.e., in which "category" the audit procedure falls)."

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB notes that this principles-based reference framework is likely to have a direct impact on the future development of other evidentiary ISA's that may be prioritised for revision as part of the IAASB's 2024-2027 forward strategy and work plan e.g., ISA 520 Analytical Procedures and ISA 530 Sampling. It is unclear at this time as to whether the revision of these standards will provide more extensive requirements as appropriate, than that reflected in ED ISA 500 as the overarching framework standard. There will also need to be careful consideration of the interplay between ED ISA 500 and any future revisions to ISA 230 Audit Documentation and ISA 330 The Auditor's Response to Assessed Risks and the level of principles based approach taken for these ISAs if they directly reference a principles-based reference framework standard being ISA 500 Audit Evidence.

The AUASB are generally supportive of the incremental requirements on Management's Expert included in ED ISA 500 in 11 (c) (i) and (ii). The focus of the incremental requirements on these specific areas seems to be appropriate considering they may be seen as higher risk areas to the auditor when undertaking their work on the use of management's expert, as appropriate to the engagement circumstances.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

The very useful information about types of audit procedures is now in an appendix, which in our opinion therefore loses its credibility and can be overlooked. Therefore, the description of audit procedures should remain in the application material as it is in extant ISA 500. The appendix should only provide examples of the types of audit procedures.

Canadian Auditing and Assurance Standards Board (AASB)

We note the following other matters for the IAASB's consideration to improve clarity and consistency in the application of the standard:

Adding an example of when accuracy and completeness may not be applicable to paragraph A64, as follows:

A64. As explained in paragraph A58, the intended purpose of the audit procedure affects the auditor's professional judgment about the attributes of relevance and reliability that are applicable in the circumstances. The attributes of accuracy and completeness ordinarily will be applicable for information generated internally from the entity's information system used in performing further audit procedures but may not always be applicable when performing risk assessment procedures, for example when other corroborative audit evidence is available.

Adding an explanation in paragraph A78 of how the scenario described results in a control deficiency, such as:

A78. Based on the auditor's understanding of how information prepared by the management's expert has been used by management in the preparation of the financial statements, the auditor may identify a deficiency in internal control. For example, the control deficiency may be due to management not assessing whether the information is appropriate for their intended purpose. ISA 26538 deals with the auditor's responsibility to communicate deficiencies in internal control to those charged with governance and management.

Explaining in first-time implementation guidance that the requirements in paragraph 11 build on paragraph 8 as well as paragraph 9. The guidance could explain that the auditor is required to understand that the information prepared by management's expert must be appropriate in the circumstances to provide audit evidence that meets the intended purpose of the audit procedure (in accordance with the requirement in paragraph 8(b)).

For the proposed conforming and consequential amendment to paragraph 3 of ISA 505, External Confirmations, we suggest a revision to this paragraph to align with guidance in ED-500 paragraph A24 which states: "Inspection or external confirmation procedures may provide more persuasive audit evidence than inquiry". See our suggestion below:

ISA 500 (Revised) indicates that corroborating information obtained from a source independent of the entity, such as external confirmations, may provide more persuasive audit evidence than increase the assurance the auditor obtains from evidence existing within the accounting records or from representations made by management.

Compagnie Nationale des Commissaires aux Comptes and Conseil National de l'Ordre des Experts-Comptables (CNCC & CNOEC)

There is no clear linkage between inherent risk factors in ISA 315 revised (complexity; subjectivity, uncertainty) and the attributes mentioned in ED-500.

Hong Kong Institute of Certified Public Accountants (HKICPA)

Another key consideration is the level of documentation needed for auditors to illustrate the audit procedures performed to evaluate the information intended to be used as audit evidence.

Paragraph A40 clarifies that the auditor is not required to document the consideration of every attribute of relevance and reliability of information. However, it is unclear whether the auditor should document their assessment or thought process of which attribute(s) is/are applicable in the circumstance, which forms the basis of the evaluation under paragraph 9. We seek the IAASB's clarification in this regard.

To avoid confusion and drive consistency, we suggest adding a paragraph on areas that specific documentations are required, in a manner similar to paragraph 38 of ISA 315 (Revised 2019), paragraph 39 of ISA 540 (Revised), etc.

It is important to avoid the perception that ED-500 would result in excessive documentation. Accordingly, in addition to referencing the documentation principles and requirements in ISA 230, it would be helpful if further guidance and examples be developed on documentation to address requirements in ED-500 to drive consistency and align expectation between auditors and regulators.

As elaborated further in our detailed response, there are several areas where we seek clarification from the IAASB or recommend inclusion of illustrative examples:

To clarify the documentation requirements to various requirements in ED-500.

Institut der Wirtschaftsprüfer in Deutschland e.V. (IDW)

Appendix 2:

Other Comments by Paragraph

2. The reference to paragraph A5 should be moved to paragraph 3, as paragraph 3 deals with ISA 330, as does paragraph A5.

A3. In the second sentence, it is not clear what the difference is between an automated tool or technique being more effective or providing more persuasive audit evidence. If there is no difference, then "be more effective can be deleted. The third sentence suggests that an automated tool or technique may be "more effective" in analyzing, processing, organizing, structuring, or presenting large volumes of data or information. In our view, automated tools and techniques may be more efficient at these tasks, but not necessarily more effective than manual procedures.

A4. The second comment in A3 applies to the first bullet in this paragraph as well (i.e., efficiency as opposed to effectiveness). We note that the second and third bullet points, unlike the first bullet point, appear to be missing a verb. In the third bullet, we suggest that the word "multiple" be replaced with "different", since the word "multiple" suggests that there are more than two pieces of evidence, when in fact there may only be two. The word "different" can refer to two or more, as the case may be.

A5. As noted in the comment to paragraph 2, the reference in this paragraph should be to paragraph 3. The reference to ISA 330 should be to paragraph A64, not A62.

A6-A8. We refer to our response to paragraph 7, in which we note the need for a definition of persuasiveness (of audit evidence).

A9. In the second bullet point, the use of the word “multiple suggests that if one source is not enough, then more than one additional source is needed. To avoid this connotation, we suggest changing the words to read “from an additional source or sources”. In the last bullet point to avoid the same connotations with the word “multiple”, we suggest that the word “multiple” be replaced by “different”.

A10. The reference to paragraph A50 in ISA 200 (actually, it should be to paragraph A53) is one-sided. The rest of the paragraph in ISA 200 explains that there is a balance to be struck between reliability and cost, etc. For this reason, paragraph A10 needs to be more balanced by including the rest of paragraph A53 of ISA 200.

A14. This paragraph seems to be focused on the quantity of audit evidence obtained to respond to assessed risks of material misstatement, rather than also addressing the quantity of audit evidence obtained through risk assessment procedures. The paragraph should be augmented to cover both. In the last sub-bullet of the last bullet, the comma and word “in” after “inspect” are superfluous and can be deleted.

A17. In the example, the word “Only” should be inserted at the beginning of the first bullet point to clarify that what is meant is that inquiry alone is not sufficient.

A19. In the second bullet point, in line with the CUSP principles and the IAASB Glossary of Terms, the word “assessed” should be replaced with “evaluate”. In the last bullet point, since the word “undue” relates to both weight and reliance, the word “undue” should be placed prior to the word “weight”.

A20. The first bullet would provide a more powerful message if the words “existence of risks” in both instances in the bullet were to be replaced with “non-existence of risks”.

A21. In line with our comments above, we suggest that the word “multiple” in both instances be replaced with “different”.

A23. In line with our comment on paragraph A3, we suggest that “may be more effective or” be deleted.

A25. In line with the wording used in paragraphs A38 and A44 of ISA 200 and Appendix 3 of ISA 530, the term “appropriately low level” should be changed to “acceptable level”. A new term such as “appropriately low level” should not be used unless there is an important reason to introduce a new term.

A30. At the end of the second bullet, the words “by value” need to be added, since it is not a large proportion of the population, but a large proportion of the population by value.

A38. The sentence in the example is not a full sentence.

A47. Since an internal expert is a member of the engagement team, the term “auditor’s expert” should be changed to “auditor’s external expert”. To make the example a full sentence, the introductory phrase should end with “may include”.

A48. In the example box, the word “data” should be changed to “information”, since the examples are information and not data. Since “independence” is not defined for sources, we suggest that the term “Independent” in the fourth last bullet point be replaced with “Unrelated”.

A50. The use of “it” in the last sentence is unclear: we suggest that “it” be replaced with “The source of the information” if that is meant. In the last sentence there is a comma missing after “matters” and a superfluous comma after “information”.

A51. In line with our comments above, the word “multiple” should be replaced with “different”. In the example box, a verb is missing in the introductory phrase. We suggest adding “may include” at the end of that phrase.

A64. It is unclear to us how the second and third bullets in the example box relate to accuracy and completeness.

A87. Since other ISAs do address the auditor’s evaluation of whether sufficient appropriate audit evidence has been obtained for specific topics, it is a statement of fact and the word “may” should be deleted.

A88. In line with the wording used in paragraphs A38 and A44 of ISA 200 and Appendix 3 of ISA 530, the term “appropriately low level” should be changed to “acceptable level”. A new term such as “appropriately low level” should not be used unless there is an important reason to introduce a new term.

Appendix

7. The word “checking” is colloquial. For this reason, we suggest replacing that word with “redoing the calculation to determine”

13. The use of the word “corroborate” in the introductory sentence in the example and in the second bullet of the example is biased towards corroboration. We therefore suggest that the word “corroborate” be replaced with “obtain evidence about”.

Conforming Amendments

ISA 200

A30. We do not see the need for having deleted the sentence beginning with “In addition” because the absence of information can be information.

ISA 240

A18. The use of the term “corroborate” is not neutral and therefore “to corroborate” should be replaced with “regarding”.

ISA 540

A82. The first sentence suggests that both evidence corroborating and contradicting assertions always exist. We therefore suggest that the word “any” be inserted prior to the word “evidence”. We also believe that “supports and corroborates” is redundant and suggest that “supports and” be deleted.

A107. The use of “taking into consideration” is not in line with the CUSP principles. We therefore suggest that it be replaced with “given” or “considering”.

ISA 805

A8. It seems to us that the word “information” added through the conforming amendment ought to be “audit evidence”.

There are four additional major substantive issues that we would like to address in response to this question.

First, in relation to paragraph 11 (a), we note that the application material provides the link between the terms used in 11 (a) and in paragraph 9. Since these two requirements are so closely linked, we suggest that the link between the terms be made explicit within paragraph 11 (a) as follows:

“Evaluate the credibility, including the competence and capabilities, of that expert and whether the expert is free from bias (i.e., is objective);”

Second, we note that the movement of the definition of “accounting records” from ISA 500 to ISA 200 was not accompanied by a significant improvement in the definition. The definition continues to be circular (“records” is defined by “records”) and includes a long list of examples of accounting records, which does not belong in a definition, but in application material to a definition. We suggest a principles-based definition as follows:

“Any documentation of the entity providing a basis for the preparation of the financial statements”.

Third, we note that the standard uses the terms “information” and “data” interchangeably, or at least not consistently. Information and data are not the same thing: data is a series of symbols or signs used to convey information, whereas information is the conveyance of meaning to a recipient. We suggest that ISA 500 and the other ISAs use the terms with their correct meaning.

Fourth, we note that there are important differences between the inability to obtain sufficient appropriate audit evidence that leads to a scope limitation and the inherent limitations of an audit. Paragraph A12 deals with the issue of scope limitations, but not all inability to obtain evidence are automatically scope limitations if the limitations on obtaining evidence are generally accepted or otherwise inherent. It would be useful for auditors if ISA 500 were to explain the distinction.

Japanese Institute of Certified Public Accountants (JICPA)

Yes. Refer to our comments below.

11-1: Inconsistency of description (paragraphs 7(c) and A66)

There is an inconsistency between paragraph 7(c) and paragraph A66 in the description of the management’s experts. Paragraph 7(c) defines the management expert as “An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements” (underline added). On the other hand, paragraph A66 states, “Management may employ or engage experts in fields other than accounting (e.g., actuarial, valuation, engineering, or climate change and sustainability) to obtain information necessary to prepare the financial statements.” (underline added), which does not mention “auditing.” If there is no specific reason for the differentiation, we suggest that the descriptions be consistent.

11-2: Clarification of the term “applicable” (paragraphs 9(b) and 10)

As commented above, we agree with the concept of paragraph 9. It is important for the auditor to consider the attributes of relevance and reliability of information depending on the circumstances, and the consideration of the attributes of accuracy and completeness should not be required for all information.

However, we believe that the meaning of the word “applicable” in paragraphs 9 and 10 needs to be clarified. Paragraph 9(b) states, “(...the auditor shall consider...) The attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures,” and paragraph 10 states, “If the auditor considers that the accuracy and completeness attributes are applicable in accordance with paragraph 9(b), the auditor shall obtain audit evidence about the accuracy and completeness of the information.” We believe that there is no case in which the accuracy and completeness of the information is not applicable at all, even if the information is provided by an external source. In other words, although degrees of applicability vary depending on the circumstances, the attributes of accuracy and completeness would always be applicable. We therefore believe that the use of the term “applicable” in paragraphs 9 and

10 may give an inaccurate impression that audit evidence for the accuracy and completeness of the information shall always be obtained.

In order to avoid such misunderstanding, we suggest clarifying that the meaning of “the accuracy and completeness attributes” in paragraph 10 shown as above does not mean the nature of the information itself, but rather the attributes mean that the auditor is required to consider when evaluating the relevance and reliability of the information.

11-3: Reconsideration of wording (paragraph A3)

The last sentence of paragraph A3 says, " For example, an automated tool and technique may be more effective in analyzing, processing, organizing, structuring or presenting large volumes of data or information" (underline added). On the other hand, the definition of audit evidence in paragraph 7(b) states, “Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report” (underline added). The phrase "data or information" in paragraph A3 may create a misunderstanding that data is different from information and therefore data is no longer included in audit evidence. We suggest that "or information" be deleted in paragraph A3 or change the wording to read, "information such as data."

11-4: Consistent use of the term (Paragraphs A22, A41 and A61)

Paragraphs A22 and A61 both use the phrase "Digital Information or information that has been generated by automated systems" (underline added), which is read as “Digital Information” or “information generated by automated systems” and they are two different technical terms. Paragraph A41, on the other hand, uses the phrase "Digital information, which includes documents in digital form and data stored in an IT system. Such digital information may be manually captured, converted into a digital format, or electronically generated." This sentence could be read such that “digital information” includes “information generated by automated systems.” We suggest consistent use of the term "digital information" throughout the ED-500 since what is meant by "digital information" seems to be inconsistent.

11-5: Possible rewording (paragraph A47)

The third bullet point in the example of paragraph A47 states, "The information may have been generated by an IT application that uses a highly complex programming language. The auditor may use an IT programming expert to assist in understanding how the information is generated" (underline added).

We believe some of the difficulties in understanding the process of information generation are also caused by databases, network configurations, and other factors and not necessarily limited to programming languages. Therefore, we suggest using the term "system" instead of “programming languages” in paragraph A47.

11-6: Possible rewording (paragraph A50)

The first sentence in paragraph A50 says, "The source and form of the information intended to be used as audit evidence" (underline added). However, we believe that “and form” should be deleted because paragraph A50 refers only to the source of information and referring to the “form” is irrelevant.

11-7: Clarification (paragraph A57: Reliability)

The second sentence of paragraph A57 refers to the first sentence of paragraph A23 (paragraph A24 in ISA 200 of the 2021 Handbook) of ISA 200 "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing" which states that “The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.” Although the

relationship between "genuine" and "authenticity" is not clear, it can be interpreted from this statement that the attribute of authenticity need not be considered (or it is not applicable) in the assessment of reliability unless the auditor has reason to believe ingenuine. To make it clear, we suggest that a guidance be provided as to when the attribute of authenticity is applicable.

11-8: Additional example (paragraph A60: Use of Technology)

We suggest adding "sources of information" to the list of other factors that affect the auditor's professional judgment in paragraph A60. Paragraph A50 states, "The source of the information may also affect the auditor's professional judgment regarding the attributes of relevance and reliability that are applicable in the circumstances, and the nature and extent of the auditor's evaluation of the relevance and reliability of the information." Therefore, we believe that adding "sources of information" as one of the factors in paragraph A60 would be consistent with the description in paragraph A50 and would better connect with paragraph A62.

11-9: Additional guidance (Use of Technology)

We expect that the use of technology in auditing will continue to spread out. Given this in mind, we suggest additional application materials or implementation guidance that provides considerations or examples of procedures by categorizing the use of technology in broad perspective. For example, it could be categorized as (1) use of technology by auditor (e.g., AI assisted audit procedures) and (2) use of technology by entity (e.g., trust services such as electronic seal) being subject to audit procedures. We believe this will be useful for audit practice.

11-10: Terminology (Automated Tools and Techniques: ATT)

Many of the technology related explanations or descriptions refer the term "automated tools and techniques (ATT)" and replacing words to "automated" are proposed often in the proposed conforming and consequential amendments to other ISAs. However, we are not certain whether all technology-based tools and techniques can be described as "automated" since they could also involve manual elements.

Therefore, we suggest reconsidering the appropriateness of using the term "automated" and possibly changing it to another term, such as "technology-utilized tools or techniques," or clarifying the meaning of ATT in the standard. It is important to avoid misunderstanding that an audit procedure using ATT does not require auditor's professional judgment or any other involvement.

11-11: Editorial comments – inconsistencies found in referenced paragraph numbers.

Paragraph A36 refers to "The source of the information (see paragraphs A47 - A51)" and "The attributes of relevance and reliability of the information that are applicable in the circumstances (see paragraphs A52 - A61)", which should be (see paragraphs A48 - A52) and (see paragraphs A53 - A62), respectively.

In footnote 34 of paragraph A57, the reference is to ISA 200, paragraph A23 (2020 IAASB Handbook), but based on the 2021 IAASB Handbook, it should be paragraph A24.

Paragraph A79 refers to paragraph A54, but it should be paragraph A55.

Paragraph A85 refers to paragraph A83, but it should be paragraph A84.

11-12: Inconsistent phrases

The phrase "information intended to be used as audit evidence" (underline added) is used throughout the ED-500. However, in paragraph A51 of ED-500 and conforming and consequential amendment to ISA 540 (Revised) "Auditing Accounting Estimates and Related Disclosures," paragraph 30 does not include the

term "intended" in the phrase (i.e., "information to be used as audit evidence." Unless they are intentionally used differently, the phrase should be consistently used throughout the standard.

Paragraphs A69 states, "as management may have an influence on the professional judgments of the management's expert" (underline added) and paragraph A72 states, "A broad range of circumstances may influence the professional judgments of the management's expert" (underline added). Both refer to the professional judgment exercised by the management's experts; however, we are not sure if management's expert could exercise professional judgments. By definition in Glossary, "professional judgment" is a judgment exercised by an auditor or an assurance practitioner in the context of audit, review, or assurance engagement, and we understand it is not exercised by management's expert.

The title of paragraph A76 is "Obtain an Understanding of How the Information Prepared by the Management's Expert Has Been Used by Management in the Preparation of the Financial Statements (Ref: Para. 11(c))" (underline added). However, the relating requirements in paragraph 11 (c) states, "Obtain an understanding about" (underline added). Since 5.1.2 of the CUSP states, "Obtain an understanding of" (underline added), it would be better to use "of" in paragraph 11(c) as well.

11-13: Consistency with the revision of ISA 570 (Revised)

Given the fact that the current project for revision of ISA 570 (Revised) "Going Concern" includes use of information from sources external to the entity as one of the key issues to address, we would like you to make sure the consistency between ED-500 and revision of ISA 570 (Revised).

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We have the following additional editorial suggestions:

Paragraph A47 term: "foreign language"

In paragraph A47 an example shown, where an auditor's expert is used, is: "... information may be in a foreign language and may need to be translated..." In New Zealand (and presumably some other countries), there is more than one official language (English, te reo Māori and New Zealand Sign Language) and so a translation may be required for a non-foreign language. With recent law changes in New Zealand, there will be times when an auditor is presented with information that is not in the presentational language of the financial statements, and they may need to engage an auditor's expert to translate. The language used in that case would not be a foreign language. We recommend that this sentence is altered to read "The information may be in a language other than the presentational language of the financial statements, and may need to be translated".

Consequential change to ISA 240 (on page 59 of the Exposure Draft document)

The consequential amendment documented in the ED states:

"If the auditor has identified a fraud or has obtained audit evidence information that indicates a fraud may exist, the auditor shall communicate these matters, ... , on a timely basis with the appropriate level of management ..."

We suggest that "audit evidence or information" is the correct wording to be used in this instance. Otherwise, the auditor is required to collect audit evidence that indicates a fraud may exist, which is often time-consuming and onerous. They may have found the fraud in information before that information became audit evidence, so deleting the reference to information is not necessary.

Consequential change to ISA 505 (on pages 69 and 70 of the Exposure Draft document)

There is a very minor inconsistency in the headings above paras 16 and A24. We suggest both are titled “Evaluating the Results of the External Confirmation Procedures”

Paragraph A63 – example of internally generated information.

We suggest that the sentence in paragraph A63 is amended to “...For example, accuracy, reliability, and completeness ordinarily will be applicable for information generated internally from the entity’s information system...”

Reliability is just as important for internally generated information as it is for externally generated information, therefore should be an attribute to be considered for internally generated information.

Public Accountants and Auditors Board Zimbabwe (PAAB)

Persuasiveness is not clearly defined. ED 500 addresses the question of how much evidence is enough evidence by introducing the aspect of persuasiveness without a definition of what this means or at what point we can conclude that we have persuasive audit evidence.

Royal Dutch Institute of Chartered Accountants (NBA)

The NBA is somewhat worried that the clarity that extant ISA 500 provides regarding the management expert, has been downplayed to application material. We are of the opinion that the extant ISA’s requirements are worth to be retained in ED-500.

We suggest IAASB reviews the flow of wording between the first part of requirement 8 and part 8(b). We had difficulty to link the two parts of the requirement.

We observed that neither paragraph 14 on inconsistencies with other audit evidence, nor the related application material refers to ISA240. We suggest to clarify the link of this requirement to related requirements in ISA240, including those in paragraph 15 of ISA240.

We suggest that IAASB reconsiders the example in paragraph A58. As now written, the example might be misunderstood in that it only refers to risk assessment procedures to provide a basis for the determination that the integrity of the entity’s financial information has been maintained. In our view, solely performing risk assessment procedures will likely not provide sufficient basis for that conclusion, and additional audit procedures, such as testing of the operating effectiveness of controls, would generally be needed.

Further, we suggest to also include in paragraph A59 the example of reviewing contracts and Terms & Conditions as part of the risk assessment procedures, since this appears an important activity to obtain an understanding of the risks.

The NBA is worried about the lack of alignment of ED-500 with ISA240, as elaborated in our responses to questions 1(b) and 11.

4. Accounting Firms

Baker Tilly International (BTI)

There is no guidance in the standard which addresses the engagement of an expert. Management could have framed the engagement or only provided relevant information which could influence or focus the outcome of the work performed by the expert. It could be made clearer that the conditions of the engagement performed by the expert should be reviewed for any evidence of bias or impaired objectivity.

As drafted the guidance focuses on the outcome which could be manipulated by management.

BDO International (BDO)

Other matters: Where the IAASB plans to issue further guidance, we would strongly recommend that this is communicated clearly to all stakeholders and at the earliest opportunity. This will help firms to plan their approach to ED-500 implementation.

In addition, we are curious about the impact of ED-500 on the proposed ISA for Audits of Financial Statements of Less Complex Entities (ISA for LCE). We understand that the proposed ISA for LCE is a condensed summary of extant ISAs, including ISA 500, and that some of the documentation requirements may be less detailed in ISA for LCE. We look forward to the opportunity to comment on the conforming amendments to ISA for LCE as they related to ED-500.

We found that the reference to information prepared by a management's expert in ED-500.A49 is incorrect, it should be paragraphs A66-A78 instead of paragraphs A65-A77. Further, we suggest including a reference to fraud risk or ISA 240 to paragraph ED-500.A90 as it directly links to paragraph 14 rather than paragraph 12(b).

Deloitte Touche Tohmatsu Limited (DTTL)

DTTL would like to suggest the following conforming updates be made to ISA 501 as they relate to revisions from ED-500. Paragraphs A41-A42 and the Appendix of ED-500 explain how auditors may perform the required audit procedures to attend physical inventory counting through manual or automated techniques. DTTL believes the following conforming amendments should be made to ISA 501 to acknowledge that automated techniques may be used to observe management's inventory count procedures.

A5. Observing the performance of management's count procedures, for example, those relating to control over the movement of inventory before, during and after the count, assists the auditor in obtaining audit evidence that management's instructions and count procedures are adequately designed and implemented. Typically, the auditor will be physically present at the specific location during management's count procedures. However, there may be instances in which the auditor can obtain sufficient appropriate audit evidence through automated techniques such as live video, screensharing or video footage from a drone. In addition, the auditor may obtain copies of cutoff information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date.

DTTL has the following recommendation to clarify that authenticity is an attribute of the information and an attribute of the source producing the information:

A56: Authenticity – The source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered. The information has been generated by or provided by a source authorized to do so, and the information has not been altered in an inappropriate manner.

DTTL recommends the following cross reference corrections:

A36. Evaluating the relevance and reliability of information intended to be used as audit evidence involves performing audit procedures. The nature, timing and extent of such audit procedures may vary and are influenced by the auditor's consideration of:

- The source of the information (see paragraphs A47-A51 A48-A52); and
- The attributes of relevance and reliability of the information that are applicable in the circumstances (see paragraphs A52-A61 A53-A62).

Ernst & Young Global Limited (EY)

Our additional comments include:

We believe the inclusion of remote observation techniques in paragraphs A41 and A42 of ED-500 is helpful in modernizing the auditing standard. Specifically, the example in paragraph A42 of ED-500 recognizes that remote observation techniques may be used to inspect the physical condition of inventory. We believe the IAASB should consider whether a conforming amendment should be made to ISA 501 to clarify whether “attendance” at physical inventory counting can be achieved using remote observation techniques.

Paragraph A34 of ED-500 states “Such information ordinarily is expected to result in audit evidence to support the conclusions that form the basis for the auditor’s opinion and report.” Not all information obtained is audit evidence, as explained in the remaining sentences of A34 of ED-500. Therefore, we believe this sentence should be deleted.

We suggest the following clarifications are made to the example in paragraph A60 of ED-500 as follows:

The first bullet states “If the responses corroborate management’s assertions, the attribute of bias may be more applicable in the circumstances”. It is not clear who would be exhibiting bias (e.g., is it those charged with governance or management).

In the second bullet, only the attributes of accuracy and completeness are mentioned as being applicable in the circumstance. We believe the attribute of management bias would also be applicable in such circumstance and suggest it is added to the example.

We suggest the following edit to the first bullet of paragraph A20 of ED-500: “For risk assessment procedures, doing so in a manner that is not biased toward obtaining audit evidence that may corroborate the existence of risks of material misstatement or the auditor’s ...”

Grant Thornton International Limited (GT)

We have identified the following additional matters in relation to ED-500:

External information source – we note that the definition of external information source has been relocated from the definition section of the extant standard to a description in paragraph A48 of ED-500 in accordance with the CUSP Principles and Guidelines. However, we are of the view that it would be beneficial to retain this as a definition in ED-500 given an external information source may be used in the generation of audit evidence.

Additionally, we are of the view that once reinstated as a definition in ED-500, further guidance is required to establish clearly the responsibilities of the auditor with regards to an external information source and information produced by the entity.

Conforming amendment to ISA 200 – ED-500 removes the definition of audit evidence from ISA 200. We recommend that, as ISA 200 is a foundational standard, the definition of audit evidence remain in the definitions section of ISA 200.

Exercise of professional judgment – as noted in our response to question 5, we question whether the emphasis being placed on professional skepticism is deemphasising the exercise of professional judgment. For example, ED-500 paragraph 4 reminds us that ISA 200 requires auditors to exercise professional judgment and maintain professional skepticism. However, it then goes on to explain how ED 500 emphasises maintaining professional skepticism but makes no reference to how it emphasises exercising

professional judgment. We therefore recommend that consideration is given to the balance within ED-500 between professional skepticism and professional judgment.

Test of details definition – we are of the view that the restructuring of ED-500 has made it less clear what is considered a test of details, as such, we recommend that ED-500 include a definition of ‘test of details’.

Mazars (MZ)

The proposed text in ISA 500.A27 talks about using technology to “Identify and Select” items to test. This may be interpreted as meaning that technology may be used to identify a list of higher risk items, or outliers (for example, using risk or other characteristics of items in a population), from which the auditor may then select a sample of which items to test. It would be very helpful to auditors to clarify if this is the intention of the text.

MNP LLP (MNP)

1. A63, “accuracy and completeness ordinarily will be applicable for information generated internally from the entity’s information system.”

We are not certain whether “accuracy and completeness” would ordinarily be applicable. For example, regarding management’s estimates, we would consider the “bias” attribute to be more applicable than accuracy and completeness.

Similarly, when management provides internal documents to support their report, the authenticity of those documents maybe more applicable than completeness or accuracy.

In addition, some of the most requested information is the general ledger or trial balance. Different interpretations may result in substantially different expectations of audit procedures.

2. A64, “The attributes of accuracy and completeness ordinarily will be applicable for information generated internally from the entity’s information system used in performing further audit procedures but may not always be applicable when performing risk assessment procedures”.

We support this but feel readers would benefit from elaboration and examples on how to apply this. One common example for the board to consider is the use of interim financial statements for risk assessment without performing procedures on said interim statements.

3. The documentation requirement is referenced to CAS 230 in Paragraph A40 and we appreciate the cautionary language in the paragraph that “this ISA does not require the auditor to document the consideration of every attribute of relevance and reliability of information”. However, we believe there is a need for additional guidance to avoid different interpretations between auditors and regulators. Given that the consideration of what attributes are applicable is based on the auditor’s professional judgement, is there an expectation that the auditor needs to document the rationale as to why certain attributes are or are not applicable? Also, if the standard indicates that completeness and accuracy are ordinarily applicable attributes for information generated internally by the entity, is there a higher expectation of documentation required when we determine that completeness and accuracy are not applicable in the circumstances?

4. With regards to evaluating the competence, capabilities and objectivity of management’s expert, paragraph A73 states that “....a management’s expert employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity”.

In Canada, management's experts are often members of professional bodies that have their own professional conduct and licensing standards. In many cases, management's expert especially if they are external, should be more objective than other employees.

5. Paragraph A78 provides guidance on how the information prepared by the expert is used by management may result in a control deficiency. The guidance is not clear on how that could occur; therefore, we recommend that an example be added to demonstrate this.

6. Additionally, the attributes related to reliability are mostly positive attributes except for "bias", which can be viewed as a negative attribute. To be consistent with the rest of the attributes, the term "bias" should be revised to be a positive attribute such as "free of bias" or "objectivity", etc.

Mo Chartered Accountants (MCA)

The concepts introduced by ED500 are clear and relevant. The principles-based approach should be adaptable to a wider area than merely technology particularly so businesses evolving in their markets and with the advent of non-traditional forms and methods of finance and a push for everything to be digital. With the afore-mentioned in mind over and above professional scepticism, challenge of those charged with governance and management cannot be extricated. For, in the absence of adequate and appropriate challenge of those that are accountable to shareholders (whose interest the auditor serves and who appoint the auditors) familiarity and overlooking critical elements is bound to occur. Documentation of challenge is equally critical and the ability to refute (where appropriate) management views is what is required for enhancement of audit quality and its growth.

We believe that there may be changes required in other standards that have a bearing of ED500 and these need to easily be assimilated as part of the proposed conforming and consequential amendments to other ISAs whenever they arise to keep relevant and equip the auditor with the necessary knowledge to ensure that audit requirements are fulfilled based on a standard applicable to all for uniformity and understanding.

PKF International Limited (PKF)

We would like to raise the following matters for consideration by the IAASB:

Paragraph 6, 'Objectives'

We would propose that the IAASB consider updating the structure and wording of the 'Objectives' paragraph. Objective 6(b) is a new objective and whilst we agree with its purpose, we recommend that the IAASB review the placement of this objective relative to the extant objective (6a), to ensure that the stages of an audit are represented clearly and accurately. We propose the following wording:

'The objectives of the auditor are to:

Design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining information intended to be used as audit evidence;

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; and

Draw reasonable conclusions on which to base the auditor's opinion [and report] from the audit evidence obtained.'

Paragraph 7, 'Definitions'

The term, 'Information intended to be used as Audit Evidence' is explained within the application guidance (A34) of ED-500. In our opinion, as this is a new term and as the understanding of this term is critical to the effective application of this standard, a definition should be included within the main body of the standard.

We recommend including a definition with paragraph 7, such as:

'Information intended to be used as audit evidence –

Information obtained in various forms and from various sources, that may become audit evidence after applying audit procedures, including evaluating the relevance and reliability of the information.'

Paragraph 8(b) and Application guidance A24-33

ED-500 includes a requirement in paragraph 8(b) whereby, 'the auditor shall design and perform audit procedures, the nature, timing and extent of which are appropriate in the circumstances'. This requirement contains a reference to application guidance (A24-33). However, whilst paragraphs A24-33 provides useful guidance on the 'nature' and 'extent' of the audit procedures, there is no guidance provided on 'timing' of these procedures. We recommend that the IAASB re-evaluates whether guidance on 'timing' should also be included in these application notes.

Paragraph 12 and 14

Paragraph 12 requires the auditor to consider whether modifications or additions to audit procedures are necessary when there are doubts about the relevance or reliability of information to be used as audit evidence. It also requires the auditor to consider the effect on other aspects of the audit if the doubts cannot be resolved.

Similarly, paragraph 14 requires the auditor to consider what modifications or additions to audit procedures are necessary to address inconsistencies in audit evidence obtained and to consider the effect on other aspects of the audit.

We recommend that the IAASB reviews whether to include a requirement for the auditor to consider the effect on the audit report where doubts about the relevance or reliability of information cannot be resolved and/or where inconsistencies in audit evidence cannot be overcome.

We recognize that the application guidance (A93) addresses inconsistencies in information with conclusions on a significant matter but would propose that the IAASB considers if this is sufficient to address all circumstances.

Application Guidance – A18

We noted a small omission of a closed bracket within the final sentence.

Application Guidance A18

We recommend that the IAASB reconsiders the wording of the following sentence in order to clearly reflect its intention,

'For an audit procedure to achieve more than one purpose, the auditor complies with the requirements of the relevant ISAs'.

We suggest revising the wording as follows:

'For an audit procedure to achieve more than one purpose, the auditor must comply with the requirements of the relevant ISAs'.

Application Guidance – A48

We noted a small omission of a space between sentences 2 and 3, within bullet point 2.

Application Guidance – A79

We noted a possible error in paragraph A79, which discusses, ‘evaluating the relevance of information with regards to the period of time to which it relates’. This paragraph is cross referenced to application guidance (A54). In our view, this should be paragraph A55.

PriceWaterhouseCoopers (PwC)

Paragraph A48 acknowledges that information intended to be used as audit evidence may come from different sources, including a service organisation, a management’s expert or an auditor’s expert. Paragraph A49 also states that an external individual or organisation cannot be both an external information source and a management’s expert in respect of any particular set of information. While factually accurate, this may be perceived as incomplete with respect to paragraph A48. We recommend that paragraph A3 of extant ISA 500, which explicitly states that an external individual or organisation cannot, in respect of any particular set of information, be both an external information source and a management’s expert, or service organisation or auditor’s expert, be retained in full.

RSM International Limited (RSM)

We recommend that:

“external information source” should be specifically defined. Our suggestion for the definition is: “An external individual or organisation that provides information that is used by the entity in preparing the financial statements or that has been obtained by the auditor as audit evidence, when such information is suitable for use by a broad range of users. When information has been provided by an individual or organisation acting in the capacity of management’s specialist, service organisation, or auditor’s specialist, the individual or organisation is not considered an external information source with respect to that particular information.”

We have the following additional comments:

It would be helpful to include an example in paragraph A12, in respect of a circumstance when the auditor determines that it is not practicable to obtain or understand the information intended to be used as audit evidence.

In paragraph A27, what is the difference between “identify” and “select”?

Reference 31, on page 36 of ED-500, appears to be incorrect and should be ISA 600 (Revised) paragraph A35.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAG)

ISA 500 (Revised) paragraph 4 may be redundant as the examples provided are part of the requirements under paragraphs 8, 9 and 13. Paragraph 4 could be removed.

In general, we have concerns about the understandability of the standard. The approach in ISA 500 (Revised) has led to requirements that may be too accommodating and less directive. This may result in inconsistent applications and/or different interpretations of the standards in practice.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

There is also a need to explain how the evaluation requirement of paragraph of the ED-ISA 500 relates to the paragraph 13 of ISA 240 according to which records and documents may be accepted as genuine, unless the auditor has reason to believe the contrary. A57 of the ED-ISA 500 explains that ISA 240.13 is about the authenticity attribute only and auditor may or may not determine that this attribute is applicable. We would find it helpful to clearly state that in most cases, the auditor will not find authenticity applicable (i.e., unless there is a reason to believe the contrary).

Furthermore, the link between audit evidence that provides an appropriate basis for risk identification and assessment as per paragraph 13 of in ISA 315 (Revised), and the sufficiency and appropriateness of the audit evidence as defined in ED-ISA 500 is missing. This could be addressed by a conforming amendment to ISA 315 which would clarify what sufficiency and appropriateness mean for audit evidence obtained for risk identification and assessment.

Accounting and Finance Association of Australia and New Zealand (AFAANZ)

should emphasise and provide a more complete coverage of the biases that may threaten the generation and evaluation of evidence originating from information prepared by a management's expert.

To the extent that the IAASB wishes emphasise information prepared by a management's expert, we believe that the biases that may impact judgments made on the basis of information prepared by a management's expert should be highlighted.

We note the incremental requirements expressed in paragraph 11 when information intended to be used as audit evidence has been prepared by a management's expert. Recognising the IAASB's intent with regard to the incremental requirements, we feel that there is an opportunity to strengthen the requirements and application material as they relate to the unique circumstances of using a management's expert.

Research (Agrawal et al. 2020) suggests that auditors may overly rely on the perceived reputation of the expert's firm when evaluating the expert. That is, the evaluation may be subject to an availability bias. Agrawal et al. (2020) also note that auditors may over-rely on the expert's work on account of the perceived superior knowledge of the expert (i.e., exhibit overconfidence). Similarly, Agrawal et al (2021) highlight that conversations with the management's expert (conversations necessary to obtain the understanding required in paragraphs 11(b) and 11(c) may bias the auditor's evaluation of relevance and reliability such that they may be less challenging of the management expert's work. See also Hux (2017) for a review of research on auditors' use of specialists (including management experts) which highlights biases that may negatively impact the evaluation and use of a management expert's work.

Given that the IAASB wishes to make special mention of the circumstances around information prepared by a management expert, and not rely on the principles contained in paragraph 9, we encourage the IAASB, in the application material accompanying paragraph 11, to explicitly refer the auditor back to the discussion on biases in paragraph A19 and to provide a more complete discussion on the biases that may impact judgments relating to the generation and evaluation of evidence. See also our response to Question 2.

Center for Audit Quality (CAQ)

In paragraph A36 of ED-500, the two bullets parenthetically reference paragraphs A47 – A51 and A52 – A61 of ED-500, respectively. We believe these bullets should reference paragraphs A48 – A52 and A53 –

A62 of ED-500, respectively (and consistent with paragraphs 9(a) and (b) of ED-500). We encourage the IAASB to review and consider if any revision is appropriate.

Chartered Accountants Ireland (CAI)

The definition of “Authenticity” in the application material (A56) states:

The source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered.

We believe that authenticity is an attribute of the information and not an attribute of the source producing the information. We would recommend this is amended for clarity. We also believe that the Board should consider adding a cross reference to ISA 240.14 which allows the auditor to accept records and documents as genuine unless the auditor has reasons to believe to the contrary.

We feel this would be clearer if it said: the source actually generated or provided the information was authorised to do so and the information has not been inappropriately altered subsequent to generation.

CPA Australia (CPAA)

We are concerned that the wording in paragraph 11(c) may have a dilutive effect on the responsibilities of the auditor when evaluating the information prepared by management’s expert. The paragraph requires the auditor to ‘Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of the financial statements’. This requirement could be perceived as a lower-level requirement than is currently required in the extant ISA 500, that is, to ‘Evaluate the appropriateness of that expert’s work as audit evidence for the relevant assertion’.

European Federation of Accountants and Auditors for SMEs (EFEAA)

EFAA is concerned to ensure that professional standards and regulation is scalable and proportionate to the capacities of SMPs and their SMEs clients and tailored to the needs and characteristics of SMPs and SMEs. We are also concerned that SMPs will be least likely to respond to this important consultation for various reasons, including lack of awareness as well as lack of time and resources. In the absence of sufficient engagement with SMPs there is a real risk of non-response bias with the consequence that the strategy and work plan will be biased in favour of large accountancy firms and regulators, standard setters and other stakeholders from large western economies working in English.

EFAA, therefore, strongly encourages targeted outreach to the SMP community so that SMPs are aware of ED-500 and that they can either respond directly or by participating in the development of a response by their professional accountancy organisation (PAO) or national standard setter (NSS). The IAASB might wish to facilitate this by running a short online survey or providing such a survey to PAOs or NSS for them to use so that the feedback is prepared on a consistent basis.

We have no other matters to raise.

Federation of Accounting Professions of Thailand (FAPT)

There should be detailed clarification/application materials on this new model to be issued when the revised ISA is approved.

IFAC SMP Advisory Group (SMPAG)

There is a lack of consistency in use of terms “consistency/ inconsistency” and “corroboratory/ contradictory” evidence. It seems that consistency is being used in some cases to imply it includes corroboration, whereas the two are not the same.

Proposed A32 is unclear in its purpose. The addition of this paragraph appears to condone full population testing in automated tools and techniques, but its location and its wording makes it unclear. As it is under the heading of 'Selecting specific items' and therefore is not subject to sampling risk (as it is not a sample) makes sense. However, in A31 the use of selecting specific items is in effect impermissible to make conclusions related to the entire population. In a situation of full population testing, it is possible to obtain evidence regarding the entire population without the sampling risk (as it is not a sample). If the purpose of A32 is to allow to full population auditing techniques and to select items for testing based on the risk or other attribute permissible in A30, then there is an unintended consequence embedded in A31 that is impermissible as audit evidence on the population assessed.

In the recent IAASB Non-Authoritative Support Material Related to Technology, Note 2, Note 6, and Note 7 could be in jeopardy of being impermissible viewpoints if it is impermissible to draw conclusions related to an entire population from a selection of the entire population. This could discourage the use of full population testing concepts as the standards are unclear on the permissibility to draw conclusions related to the population.

Given the challenges we have highlighted about what all the changes to ISA 500 (Revised) would mean in practice, we would encourage the Board to give greater consideration to projects with narrow-scope amendments going forward, rather than opening up and changing all aspects of each ISA. This would make it easier to communicate the changes, explain the reasons and also help in managing the IAASB's resource constraints.

An area that could warrant further consideration is whether the wording in para. 11 (c) could have a dilutive effect on the responsibilities of the auditor when evaluating the information prepared by a management's expert. The paragraph requires the auditor to “Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of financial statements”, which could be perceived as a lower-level requirement than what is currently required in the extant ISA 500 to “Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion”.

Institute of Chartered Accountants in England and Wales (ICAEW)

Paragraph A27 8(b) states that ‘the auditor may use various approaches to identify and select items for testing’. The word ‘identify’ is not included within the extant requirement and is not defined.

An interpretation of this guidance is that auditors can identify riskier items in a population and then select a sample from that population. If this is the intended purpose of the application material this would be very valuable to auditors, but this is currently unclear.

Paragraph A27 8(b) would benefit from a technology-based example whereby audit software is used to identify riskier items in a population. Please also see our response to question 4 above.

Institute of Internal Auditors (IIA)

Regarding ISA 610 – Using the Work of Internal Auditors, we would recommend referencing adherence to the IIA's International Professional Practices Framework as a litmus test in determining sufficiency of source in the evaluation of audit evidence. Objectivity and independence are core standards in the IPPF, as is quality control. Standards and guidance provided within the IPPF enable the “systematic and disciplined approach” which ISA 610 requires.

While ISA 610 references requirements for using internal auditors for direct assistance, we would also like to mention how internal auditors could be utilized effectively for indirect assistance. This might include communication of institutional knowledge and analysis of risks and controls that could assist auditors in learning more about the organization as they plan their audit activities. Utilization of internal audit during inquiry phases can more efficiently advance organizational knowledge.

In addition, at times, the work conducted by internal auditors may directly align with testing to be executed by external auditors. If adherence to the IPPF has been substantiated, utilization of this work should be considered to supplant, support, and/or complement any additional testing to be executed by external auditors. While some level of review and re-performance may be required by the external auditors to develop comfort in the internal audit testing executed, overall efficiencies can still be gained through the limitation of duplicative work.

Instituto Mexicano de Contadores Publicos (IMCP)

See suggestions in questions 6, 8 and 10, in relation to the advisability of addressing more broadly the concepts of "input-output model", "contradictory evidence" and the new "stand back" requirement in the explanatory material.

Korean Institute of Certified Public Accountants (KICPA)

- Proposed deletion of paragraph 8(C) of the extant ISA

Paragraph 8(c) of the extant ISA 500 requires evaluation of the appropriateness of the work of a management's expert. Paragraph A49 of the extant ISA 500 describes that the assumptions and methodologies used and the completeness of source data, among others, are some of the factors to be considered in evaluating the appropriateness. ED-500 deleted the paragraph 8(c) of the extant ISA 500 because its requirement was deemed redundant with paragraph 8(b) of ED-500.

However, it is not clear how the requirement in the paragraph 8(c) of the extant ISA 500 duplicates with the paragraph 8(b) of ED-500. The requirement to evaluate the appropriateness of the work of a management's expert in the paragraph 8(c) of the extant ISA 500 may be misunderstood as an unnecessary process, if no additional explanation is provided.

Therefore, the requirement and application material relevant to the paragraph 8(b) of ED-500 need to indicate specifically that the process to evaluate the appropriateness of the work of a management's expert is necessary. They also need to provide specific examples of considerations required in evaluating the appropriateness of the work of a management's expert, as described by paragraph A49 of the extant ISA 500.

If paragraph 8(c) of the extant ISA 500 needs to be deleted due to duplication, the application material needs to provide relevant reasons to support the deletion and to prevent misperception that the evaluation of the appropriateness of the work of a management's expert is an unnecessary process.

- Need for clear explanation regarding the circumstance where the attribute of 'authenticity' is applicable

Paragraph 9 of ED-500 requires the auditor to evaluate the relevance and reliability of information intended to be used as audit evidence. Paragraph A56 explains the attributes of reliability and specifies 'authenticity' as one of such attributes. In addition, paragraph A57 of ED-500 states that the auditor can determine if the attribute of authenticity is applicable in the circumstances when evaluating the reliability of information intended to be used as audit evidence. It also adds that ISA 200 explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.

However, as described in our answer to Q8, more specific explanation is required with regard to the circumstance where the attribute of authenticity is applicable. In addition, paragraph A57 does not provide additional explanation as to how the auditor's decision on applicability of the authenticity attribute is linked with ISA 200 requirement. This can lead to confusion in practical application of requirements and to inconsistency in requirements between ISA 500 and ISA 200/240. For example, if no clear explanation is provided, the paragraph A57 may make a reader to think that the auditor has to decide whether the attribute of authenticity is applicable even when the auditor has no reason not to believe the records and documents are not authentic and that the applicability of the authenticity attribute can be determined based on such decision. But this is inconsistent with ISA 200 requirement that the auditor may accept records and documents as genuine.

Therefore, the application material needs to add clear explanation as described below.

The attribute of authenticity is not applicable if the auditor has no reason not to believe that records and documents are not authentic;

Therefore, the auditor may decide the attribute of authenticity is not applicable in the circumstance, without additional review.

- Need to add relevant details, including access to audit-related big data

The automated tools and techniques described in ED-500 includes big data analysis. However, access to big data can be restricted due to applicable laws and regulations including Personal Information Protection Act. As such, we request to include restricted access to big data as one of examples in paragraph A45 where restricted access to information intended to be used as audit evidence is described.

Malaysian Institute of Accountants (MIA)

Please see our response in Question 7 above.

We believe that the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. However, it may be useful to further clarify whether the same rigour is to be applied on the information intended to be used as audit evidence prepared by management's experts. Such information can be information provided by the management to the expert for use in the expert's own work, as well as the estimates/assumptions/judgments made by the expert.

We believe that 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. However, further guidance is needed on the matter highlighted in Question 7 above.

Nordic Federation of Public Accountants (NRF)

In finalizing this project, we encourage the IAASB to give the expected behavioral changes an extra thought, including how to best highlight and present those for the stakeholders.

It is always more challenging to assess the pros and cons of proposed revisions when the entire standard is revised. ED-500 includes several changes per se, but it has been a bit challenging to understand what specific changes will lead to changed audit behavior. A list that pinpoints the expected changes in behavior would be much appreciated, not only within this project but as part of the standard setting process moving forward when dealing with broader scope projects.

ED-500 includes a definition of management's expert. It is not new and can also be found in other ISAs. The definition excludes individuals or organizations possessing expertise in accounting and auditing. We wonder

if these exemptions continue to be relevant. Our concerns refer specially to excluding “accounting” and the consequences thereof. It is not uncommon for public interest entities to engage other audit firms than their auditor as management’s experts, for example regarding changes from local GAAP to IFRS, fair value calculations affecting the financial reporting or in connection with implementation of new IFRS standards. The auditor’s use of such information should necessitate the same considerations related to relevance and reliability of audit evidence as for those types of management’s experts already included in the current definition. Also, paragraph A70 in ED-500 includes actuaries as examples. Often actuaries are engaged to provide expertise on matters that the entity is expected to report on based on accounting requirements. In our view there is a grey area on what could be considered as “accounting” which is unfortunate given the different requirements on how the auditor should address these matters.

Paragraph 8 regarding Reperformance in the Appendix focuses on independent execution. We wonder though how this relates to auditors using the same information, including relevant assumed knowledge, when performing the procedures. We would encourage the IAASB to clarify if this situation also is part of the “independent execution” concept. Further, we question whether the example on auditor’s point estimate should be considered as being a part of reperformance and hence is a relevant example.

Regarding suggested conforming changes, the word “information” in ISA 240 paragraph 41 has been replaced with “audit evidence”. The suggested change could be perceived as raising the bar as to situations where the auditor must communicate information the auditor becomes aware of that may indicate the existence of fraud. We wonder whether that was the intent and if, in a fraud context, this is a conforming change.

As a conforming amendment in ISA 402 the word “relevant” in A32 has been added to “audit evidence”. Since the objective of the new suggested definition of audit evidence is to clarify that audit evidence obtained that has been evaluated in accordance with paragraph 13 of ED-500 is relevant, the word “relevant” to audit evidence has been deleted in ISA 330. Therefore, we wonder about the appropriateness of using that particular word in this paragraph.

A minor change is also suggested in the bullet in paragraph 3 in ISA 505 that refers to ISA 500. That bullet deals with how to “increase the assurance” and has an accompanying footnote that refers to ED-500 paragraph A24. However, A24 does not discuss “assurance” but rather the concept of “persuasiveness”. We find this a bit confusing, and in our view this is another example of the need for clarifications regarding the concept of persuasiveness and how it relates to other terms.

South African Institute of Chartered Accountants (SAICA)

There is an opportunity to add further guidance on the rapidly changing IT environment as part of the application guidance. There are different types of complex technology aspects and changes that auditors need to consider in the complex IT environment as part of the audit process i.e., artificial intelligence (AI).

A practical guidance document may assist the auditors in gathering audit evidence to address potential IT bias. The IAASB may provide further clarity on the following:

A42. Third bullet, it is not clear how doing this procedure closer to the reporting date will assist where AI is used. This evidence would need to come from controls. AI of this nature continuously changes and updates, therefore substantive evidence may be less effective.

A64. Third bullet under the example. It is not easy to follow the accuracy and completeness considerations. Is it the listing supporting the selections or the selection itself? This depends also in what context the journal is being tested. ISA 240 or substantive procedures addressing a specific assertion.

The Malta Institute of Accountants (TMIA)

The link between the inherent risk factors in ISA 315 revised (complexity, subjectivity and uncertainty) and the attributes mentioned in ED-500 needs to be clearly defined.

7. Individuals and Others

Ataf Noor Ali (ANA)

11.1 Use short sentences.

11.2 Appendix: Split in two distinct topics rather than one. The appendix describing audit techniques is the most relevant.

11.3 Add Appendix-3 comprising of flow charts of logical relationships.

11.4 Cross-references. A50. ‘...the auditor may need to obtain audit evidence about the accuracy and completeness of the information’. Is the reference here to A62 valid?

11.5 ED500 proposes to delete some very important statements from ISA505 para 2. These are generalization applicable to audit evidence like “Audit evidence is more reliable when it is obtained from independent sources outside the entity. (ISA 500 para 45).

This brings us to an important aspect missing in the ED500 relating to the description of internal and external sources of audit evidence and its ranking as to reliability.

11.6 Syntax error? A62: ‘The evidence and reliability of the information may help to inform the auditor’s evaluation....’.

Thomson Reuters (TR)

We believe that high quality technology-enabled confirmation tools provide the profession with a source of external evidence that is uniquely efficient, secure and appropriate (i.e., highly relevant and highly reliable). This is described well in paragraph A12 of extant ISA 505, indicating that the reliability of confirmation responses are enhanced when obtained through a process that is secure and properly controlled.

We believe that confirmation responses delivered by such systems meet all the Reliability criteria described in paragraph A56 of the Proposal (accurate, complete, authentic, unbiased and credible). We have concern, however, that ED 500 changes flowing through to ISA 505 may be interpreted by some auditors as lessening the emphasis on high quality confirmations received through third-party web-based platforms that are secure and properly controlled.

This might be inferred by some, for example, due to a) “external information sources” being referred to in cautionary terms in paragraph A46 (p. 36) of the Proposal, and b) the proposed revision in paragraph 2 of ISA 505 (pgs. 68-69 of the Proposal) keeping the statement that “audit evidence in the form of external confirmations received directly by the auditor from confirming parties may be more appropriate than evidence generated internally by the entity” but removing the extant generalizations in paragraph 2 stating that audit evidence obtained directly from independent sources is more reliable than evidence generated internally.

We think it is important that any such inferences or misunderstandings be avoided. External confirmation through a secure and well-controlled system is one of the most powerful and efficient fraud detection opportunities available to the audit profession today.

To avoid any such inferences or misunderstandings, we suggest that confirmation responses received through a secure and properly controlled system be explicitly cited in the Proposal as examples of high-quality evidence. This could be accomplished by all or any of the following –

Revising paragraph A50 of the Proposal (p.38) to include the following bullet and footnote as an additional example of when reliability is enhanced:

If the source of information is a confirmation process that is secure and properly controlled, the reliability of the information is enhanced. x

x ISA 505, paragraph A12

Revising paragraph 6 in the Appendix (p. 52) by adding the following underlined statement and footnote to the first bullet:

Bank accounts and bank facilities with the bank. In some cases, this may be facilitated through third-party web-based and automated platforms, which if secure and properly controlled can enhance the reliability of the information. x

x ISA 505, paragraph A12

Revising paragraph A4 of the Proposal (p. 26) by adding the following underlined example and footnote to the first bullet:

Describe circumstances when an audit procedure may be performed more effectively by using an automated tool and technique than manually. For example, ISA 240 explains that the use of automated tools and techniques may enable more extensive testing of digital transactions or account files,⁹ and ISA 505 explains that the reliability of electronic confirmation responses are enhanced when obtained through a process which is secure and properly controlled.¹⁰

10 ISA 505, paragraph A12

As part of the above added citations, it would be beneficial to reference the following specific validation procedures described in paragraph A12 of ISA 505: "An electronic confirmation process might incorporate various techniques for validating the identity of a sender of information in electronic form, for example, through the use of encryption, electronic digital signatures, and procedures to verify web site authenticity."

This will provide a valuable example of highly reliable external evidence being obtained if validation procedures such as these are performed and the validity of an external information source is established.

We also suggest that the IAASB consider adding the following underlined wording to the last bullet in paragraph A48 of the Proposal (p. 38) to explicitly recognize that a Service Provider (such as an outside confirmation service) can also be a source of audit evidence/information:

A service organization or service provider. x

x As defined in ISQM 1

Q11 - No other matter noted

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

No additional comments we would like to raise.

3. National Audit Standard Setters

Federación Argentina de Consejos Profesionales de Cs. Económicas (FACPCE)

4. Accounting Firms

Crowe Global (CROWE)

We have no others matters to raise.

Crowe LLP (CROWE LLP)

KPMG International Limited (KPMG)

We do not have any additional matters to raise.

5. Public Sector Organizations

Office of the Auditor General of Alberta (OAGA)

We have only answered questions 3, 4 and 8 of Exposure Draft: Proposed International Standard on Auditing 500 (Revised). Our response to questions 3, 4 and 8 of the Exposure Draft is below:

Provincial Auditor of Saskatchewan (PAS)

No other matters

Swedish National Audit Office (SNAO)

No.

U.S. Government Accountability Office (GAO)

We did not identify any other matters not raised in our other responses related to ED-500.

6. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

We have no further matters to raise regarding ED-500.

Chamber of Auditors of the Czech Republic (CA CR)

No other comments.

Chartered Accountants Australia and New Zealand and the Association of Chartered Certified Accountants (CA ANZ & ACCA)

No other matters we wish to raise at this stage.

Consiglio Nazionale dei Dottori Commercialisti e Degli Esperti Contabili (CNDCEC)

No

Institute of Certified Public Accountants of Uganda (ICPAU)

No additional comments.

Institute of Chartered Accountants of Nigeria (ICAN)

We do not have any other matter to raise regarding ED 500 currently.

Institute of Chartered Accountants of Scotland (ICAS)

We have no other matters that we would like to raise.

Institute of Singapore Chartered Accountants (ISCA)

Instituto de Auditoria Independente do Brasil (IBRACON)

No.

Malaysian Institute of Certified Public Accountants (MICPA)

We do not have any other matters.

Pan-African Federation of Accountants (PAFA)

We have no additional comments outside of those indicated in the responses provided above.

SRA

Wirtschaftsprüferkammer (WPK)

No Comments.

7. Individuals and Others

Shuichiro Tsumagari (ST)