

**Audit Evidence – Question 2**

**2. What are your views about whether the proposed revisions in ED-500, when considered collectively as explained in paragraph 10 above, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?**

**Q02 - Agree****2. Regulators and Audit Oversight Authorities****Botswana Accountancy Oversight Authority (BAOA)**

We do believe that this ED will lead to enhanced auditor judgement because it addresses the mentioned objectives and stated key public interest issues appropriately. The exposure draft has sufficient application material and a number of examples that will make it easier for the auditor to implement the standard and ultimately enhance their judgement when obtaining and evaluating audit evidence.

**3. National Audit Standard Setters****Canadian Auditing and Assurance Standards Board (AASB)**

Many participants in our outreach believe the proposed changes articulate good practice and what many auditors are already following when conducting audits today.

We support the proposed application material which provides guidance that will assist auditor's in applying professional judgment when obtaining and evaluating audit evidence.

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

We believe that the ED will lead to enhanced auditor judgements when obtaining and evaluating audit evidence.

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

2. We believe that the incorporated topics and the added precisions will lead to improve the judgments of the auditors.

**Hong Kong Institute of Certified Public Accountants (HKICPA)**

We agree that the proposed revisions in ED-500 collectively will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.

**New Zealand Auditing and Assurance Standards Board (NZAuASB)**

We agree that the proposed revisions in ED-500 may lead to enhanced auditor judgements when obtaining and evaluating audit evidence. For example, requiring the auditor to consider automation bias, should lead an auditor to be more professionally sceptical over such evidence.

**Public Accountants and Auditors Board Zimbabwe (PAAB)**

PAAB agrees that the increased use of professional skepticism and allowing the auditor to use technology in accordance to his/her professional judgement in the performance of work will lead to enhanced auditor judgements when obtaining and evaluating audit evidence.

#### 4. Accounting Firms

##### **Crowe Global (CROWE)**

We believe that the overall approach of the proposed revisions results in a much-needed modernisation of ISA 500 that results in enhanced auditor judgments when obtaining and evaluating audit evidence.

##### **Deloitte Touche Tohmatsu Limited (DTTL)**

DTTL agrees that the proposed standard will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. Within this appendix, DTTL has provided various recommendations related to areas of ED-500 that can be enhanced to further improve the prudent exercise of auditor judgment.

##### **MNP LLP (MNP)**

We believe that the proposed revisions will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.

##### **PKF International Limited (PKF)**

In our view:

the application of ED-500 will help to enhance auditor judgments when obtaining and evaluating audit evidence.

the principles-based approach provides auditors with a practical reference framework to apply when evaluating the information intended to be used as audit evidence and the quality of the evidence obtained.

ED-500 requires the auditor to ‘stop and think’ about the quality of the information obtained for use as audit evidence and the new definition of audit evidence ‘enforces’ this requirement (i.e., it is explicit that information obtained cannot be used as audit evidence without the auditor performing certain procedures to evaluate that evidence first).

#### 5. Public Sector Organizations

##### **Office of the Auditor General of Canada (OAG)**

We believe that ISA 500 (Revised) enhances auditor judgments when obtaining and evaluating audit evidence.

##### **Provincial Auditor of Saskatchewan (PAS)**

Yes, the changes are helpful and should lead to better auditor judgments when obtaining and evaluating audit evidence. Paragraph 10 highlights this on its own instead of a subpoint of a paragraph, which will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. As well, the changes do address the key public interest issues identified by IAASB.

#### 6. Member Bodies and Other Professional Organizations

##### **Botswana Institute of Chartered Accountants (BICA)**

We agree that the proposed revisions in ED-500 collectively will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.

##### **CPA Australia (CPAA)**

We are of the view that that the proposed revisions in ED-500 will lead to enhanced auditor judgements when obtaining and evaluating audit evidence. We believe specifically stating ‘Professional Judgment and

Professional Scepticism' at the beginning of ED-500 will further emphasise and remind auditors about the importance of exercising professional judgment and maintaining professional scepticism throughout the planning and performance of the audit. Additionally, we are also supportive of the proposed requirement in the last bullet point in paragraph 4, as it is critical for auditors to consider not only whether some audit evidence obtained is consistent and corroborates other audit evidence, but as is equally important, for auditors to consider whether some audit evidence obtained is inconsistent or contradicts other audit evidence.

#### **Federation of Accounting Professions of Thailand (FAPT)**

It's an improvement to the existing ISA and should be useful to the practitioners.

#### **Institute of Certified Public Accountants of Uganda (ICPAU)**

We believe that the proposed revisions in ED-500 when considered collectively will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. We are particularly appreciative of the reinforcement of the application of professional scepticism and the principles-based approach when making judgments about information to be used as audit evidence.

#### **Institute of Chartered Accountants of Nigeria (ICAN)**

When considered collectively, the proposed revisions in ED-500 are robust to enable enhanced auditor's judgement when obtaining and evaluating audit evidence.

#### **Institute of Singapore Chartered Accountants (ISCA)**

In addressing the identified key public interest issues described in paragraph 9 of the ED, we believe that the proposed revisions will enhance judgements made by auditors when obtaining and evaluating audit evidence.

#### **Korean Institute of Certified Public Accountants (KICPA)**

In our opinion, the proposed revisions in ED-500 will lead to enhanced auditor judgments when conducting audit procedures, because it 1) defines a principles-based approach to allow the auditor to apply relevant auditing standards given changes in audit environment, such as shifts in technology/principles which are utilized in assessing information intended to be used as audit evidence, and 2) stresses the importance of professional skepticism when making judgments about information and audit evidence.

#### **Malaysian Institute of Certified Public Accountants (MICPA)**

The evaluation of the relevancy and reliability of the information to be used as audit evidence will enhance auditor's judgements.

#### **SRA**

We studied the memorandum which provides background to en and an explanation of the Exposure Draft of proposed International Standard on Auditing.

We are glad to confirm that we agree with the proposals, as described in the above mentioned ED.

### **7. Individuals and Others**

#### **Altaf Noor Ali (ANA)**

2.1 Yes.

## **Q02 - Agree with comments**

### **2. Regulators and Audit Oversight Authorities**

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

The removal of the distinction between the information produced by the entity (IPE) and external information creates a problem. This will impact how the auditor determines the applicability of the attributes of relevance and reliability. We recommend that this distinction in extant ISA 500 be restored.

We are concerned about the relaxing of requirements for audits (compared to extant ISA 500), specifically with respect to making the testing of certain attributes of reliability and relevance conditional. This could have unintended consequences; auditors will have the discretion to determine the applicability of testing the accuracy and completeness of IPE, instead of being required to test these attributes. It should be clear that the attributes of accuracy and completeness are as important as authenticity, bias and credibility, and testing of these attributes should also be made a requirement. Please see our comments in paragraphs 22-27 for a further discussion in this regard.

Another concern is the lack of documentation requirements for situations where the auditor is allowed to exercise judgment on, for instance, the testing of accuracy and completeness as well as the stand-back requirement. The specific documentation requirements should be in the audit evidence standard, with appropriate links to ISA 230, Audit Documentation.

Other than these concerns expressed in this comment letter, we are of the view that the proposed revisions in ED-500 will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.

### **3. National Audit Standard Setters**

#### **American Institute of Certified Public Accountants (AICPA)**

We believe certain elements of ED-500 will lead to enhanced auditor judgments while others require further clarification.

In particular, as the use of external information sources continues to grow, it becomes increasingly important to drive consistency in practice regarding how those sources are evaluated. In such a foundational standard, we believe it is important to be clearly explicit upfront that the standard applies to both information produced by the entity and information from external information sources. As such, we suggest adding this concept into the introduction or scope section of the standard. We further recommend explicitly defining the term external information source in the Definitions section by elevating and expanding material from paragraph A46 as follows:

An external individual or organization that provides information suitable for use by a broad range of users, which the entity uses in preparing the financial statements or the auditor intends to use as audit evidence. When information has been provided by an individual or organization acting in the capacity of management's expert, service organization, or auditor's expert, the individual or organization is not considered an external information source with respect to that particular information.

We believe that, to the extent auditors are not already evaluating the relevance and reliability of external information sources, the proposed revisions will improve practice. In addition, the enhanced requirement to focus the auditor on understanding how management has considered the appropriateness of information prepared by management's experts may improve practice to the extent this is not already being considered. However, as expressed in the cover letter, to the extent the proposed standard is inconsistently interpreted

because of a lack of clarity of the requirements or interpreted as requiring documentation of the evaluation of each attribute of every piece of evidence, it could have the unintended negative consequence of detracting from audit quality.

#### **Australian Auditing and Assurance Standards Board (AUASB)**

The AUASB supports that the proposed revised ED ISA 500 will support the identified key public interest issues in paragraph 10 of the IAASB EM, in responding to changes in the information that is being used by auditors, including the nature and source of the information. The AUASB do have some comments around the concepts relating to modernising and evolution in technology and fostering the maintenance of professional scepticism, collectively leading to enhanced auditor judgements when obtaining and evaluating audit evidence. Refer to Question 4 and Question 5 for more detailed responses.

#### **Austrian Chamber of Tax Advisors and Public Accountants (KSW)**

The clarification that information must first be evaluated for relevance and reliability before being subject to audit procedures and only then constituting audit evidence is helpful. One challenge is how to prove and document the evaluation of each piece/ type of audit evidence. Some evidence is very clear in terms of relevance and reliability, other more complicated to evaluate. This is not clearly addressed in the proposed standard.

We also have a concern as to the application of ED-500 paras 9 and 10 in practice. The requirements of paras 9 and 10 include a kind of iteration which makes obtaining audit evidence unnecessarily complicated of obtaining information, evaluating information, obtain additional information for the purpose of evaluating audit evidence and so on. We would have expected that this topic is described in the application material to paras 9 and 10 including practical examples how this works in practice.

We very much support all efforts to modernize ISA 500 to the current audit and technology environment. We also support that IAASB emphasizes the role of professional judgement when using information as audit evidence. We hope that the new standard will not result in significant additional work efforts for the auditor in obtaining and assessing evidence.

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

On the whole, we believe that the proposed revisions in the draft when considered collectively will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. However, we believe that such enhancement will only be incremental, rather than considerable, because, on the whole, auditors have already been making good judgments when obtaining and evaluating audit evidence. Nevertheless, the framework for making such judgments may help auditors who have had difficulty in this area to improve their judgments.

### **4. Accounting Firms**

#### **Baker Tilly International (BTI)**

We agree that there are aspects of auditing practice related to audit evidence that can be improved by changes to ISA 500 e.g. consideration of the relevance and reliability of information to be used as audit evidence. However, concepts such as the sufficiency and appropriateness of audit evidence, which are well understood throughout the audit profession, have become clouded by the drafting of some of the new and amended requirements in ED 500.

More emphasis could be given to evidence that is obtained through technology. There could be deeper consideration of the source, reliability and the like – not just the possibility of say faked video/ audio but also

basic information like confirmations and the bias of developers which could influence the likes of chatbots and other Artificial Intelligence.

#### **BDO International (BDO)**

We are concerned that the extent of documentation related to relevance and reliability that would be required over the high volume of information intended to be used as audit evidence is likely to lead to a checklist type approach. We would suggest that greater emphasis be placed on professional judgment regarding the documentation in paragraph 4 as follows.

"... This ISA further emphasizes exercising professional judgment and maintaining professional skepticism in planning and performing the audit, and in critically assessing audit evidence, by, for example:..."

The proposed inclusion of professional judgment in paragraph 4 better aligns with the section heading "Professional Judgment and Professional Skepticism" and various paragraphs in application materials (e.g., paragraphs A35, A48 & A53).

We consider that the proposed revisions in ED-500 may lead to enhanced auditor judgments when obtaining and evaluating audit evidence; in particular:

The updated requirements focused on designing and performing audit procedures, and evaluation of audit evidence obtained including the nature, intended purpose and source of the information.

The emphasis on professional judgment and professional skepticism and the reminders to consider and avoid bias.

Sub-section content that more clearly differentiates information intended to be used as audit evidence prepared by a management's expert and doubts about the relevance and reliability of information intended to be used as audit evidence.

The requirement set out in paragraph 13 as an overall stand back procedure to enable the engagement team to effectively consider and evaluate whether the evidence meets the original intended purpose of the audit procedure(s) alongside consideration of the consistency and/or inconsistency with other audit evidence. The new stand back requirement is also consistent with the concept of stand back requirements in other ISAs.

The introduction of the concept of persuasiveness of audit evidence and its interrelationship with sufficiency and appropriateness of audit evidence in the application guidance. See our response to Question 7 for suggestions regarding the concept of persuasiveness of audit evidence.

The inclusion of application guidance paragraphs A37 and A48-A52, relating to evaluation of information obtained from external sources intended to be used as audit evidence.

#### **Ernst & Young Global Limited (EY)**

We believe the proposed revisions in ED-500 will enhance the auditor's judgments when obtaining and evaluating audit evidence.

However, we have concerns about ED-500 supporting consistency in auditor judgments when applying the principles-based reference framework, particularly when the auditor is using automated techniques. Refer to our responses to Q3, Q4, Q8 and Q9 for further discussion.

#### **KPMG International Limited (KPMG)**

Framework to Assist Auditors in Making Judgements

We are supportive of the introduction of the framework to assist auditors in making judgements when evaluating the relevance and reliability of information intended to be used as audit evidence, and in evaluating the audit evidence obtained. In particular, we welcome the development of the attributes of relevance and reliability, together with the further guidance in terms of considering these attributes. Overall, we consider this framework to be robust, whilst also being scalable to different types of entity, risks, and types and sources of information that may be used as audit evidence. However, we have certain concerns and related recommendations regarding aspects of the framework, including to:

Address the interrelationships between attributes of reliability and provide greater clarity/guidance as to how considerations of an attribute, e.g. credibility, may assist the auditor in considering other applicable attributes, such as completeness and accuracy;

Include examples of information from external information sources for which it may be appropriate to obtain audit evidence about the attributes of accuracy and completeness;

Clarify the “entry point” to paragraph 10, in respect of when it is necessary to obtain audit evidence about the attributes of accuracy and completeness of information from external information sources;

Provide greater clarity regarding the difference in work effort envisaged by paragraph 10, i.e., regarding the incremental steps the auditor would need to take to address the explicit requirement in paragraph 10 to obtain audit evidence when the attributes of accuracy and completeness are applicable, in addition to the “considerations” required by paragraph 9, in certain circumstances.

Please refer to our detailed responses to the questions posed by the IAASB, in particular, Questions 8 and 9, in Appendix 1 to this letter for further details.

We understand that the proposed revisions in ED-500 are intended to address certain key public interest issues, as described below, and in doing so, are intended to collectively lead to enhanced auditor judgements when obtaining and evaluating audit evidence:

Responding to changes in the information that is being used by auditors, including the nature and source of information;

Modernising and supporting a principles-based standard that recognises the evolution in technology; and

Fostering the maintenance of professional skepticism when making judgements about information to be used as evidence, and sufficient appropriate audit evidence.

We believe the revisions to the standard, collectively, will help lead to enhanced auditor judgements when evaluating the relevance and reliability of information intended to be used as audit evidence, and in evaluating the audit evidence obtained. In particular, we believe the principles-based approach to making this evaluation, as described in our response to Question 1, is appropriate, and the application material is, in general, sufficiently detailed to explain the concepts and requirements, and what these are intended to address, clearly. We are also supportive of the framework to assist auditors in making such judgements, in particular, the development of the attributes of relevance and reliability, with the further guidance in terms of assessing these attributes. Overall, we consider this framework to be robust, whilst also being scalable to different types of entity, risks, and types and sources of information that may be used as audit evidence. We set out certain concerns regarding aspects of the framework, and our related recommendations to address these issues, in our responses to other questions posed by the IAASB, in particular, Questions 8 and 9.



We also consider the material related to management's experts to be clear and helpful and we welcome the positioning of this such that it builds on the core requirement to evaluate the relevance and reliability of information intended to be used as audit evidence.

We believe that the changes made in respect of emphasising the importance of professional skepticism, as described below in our response to question 5, below, will help to drive auditor behaviour that keeps such considerations front of mind when evaluating relevance and reliability of audit evidence, and in evaluating whether sufficient appropriate audit evidence has been obtained.

We set out further comments in relation to the changes made in our responses to the specific questions below, which address these aspects individually, and we provide recommendations to address our concerns.

### **Mazars (MZ)**

We believe that the standards will lead to enhanced judgement in evaluating audit evidence, particularly in relation to the relevant attributes. However, we are concerned about scalability. Revised ISAs are increasingly focussed on larger/more complex and listed/PIE audits and, as a result, are increasingly difficult to apply to smaller, less complex engagements.

We note that "information" is not defined in the standard, and it may be helpful to provide a definition.

We support removing the distinction between internal and external audit evidence (including IPE) from the revised standard and assessing all audit evidence against relevant attributes (however, see our comments elsewhere on the accuracy and completeness of external information).

### **PriceWaterhouseCoopers (PwC)**

We believe that the proposed changes in ED-500, when considered collectively, aim to emphasise the importance of exercising professional scepticism and applying professional judgement when evaluating the sufficiency and appropriateness of audit evidence obtained by auditors. We support these aims.

The outcomes intended by the more granular requirements addressing consideration of the source of information and the attributes of relevance and reliability (specifically the intent of the revisions from paragraphs 9 and 10) are likely already best practice behaviour in high-quality audits. Audit teams delivering high-quality audits exercise professional scepticism in deciding what procedures are appropriate in the circumstances to evaluate information. Such judgements are based on the auditor's risk assessment and involve applying a questioning mindset and critically evaluating the information received, including consideration of the source of the information and its relevance to the planned audit procedures to be performed.

Seeking to embed these best practices through revisions to the standard should help to promote consideration of the source and attributes of information that is planned to be used as audit evidence.

While we support, in principle, the proposed change to evaluate the relevance and reliability of all information intended to be used as audit evidence, whether from sources internal or external to the entity, it is important to acknowledge the inherent limitations that may exist on the auditor's ability to obtain evidence about attributes of information obtained from sources external to the entity. We agree that is appropriate to ensure sufficient focus is given to the relevance and reliability of information obtained from external sources. However, we believe that changes are needed to ensure that the proposed requirements are operable and that there is sufficient principle-based guidance to support auditors in making consistent professional judgements about the work effort that is appropriate in the circumstances, guarding against the risk of a



“checklist approach” interpretation to complying with the requirement. We further address this matter in our response to question 8.

Paragraph 9(b) requires the auditor to consider the attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures, and paragraph 10 requires the auditor to obtain audit evidence about the accuracy and completeness of the information. We believe these two requirements lack sufficient clarity to support consistent and appropriate auditor judgements for three reasons:

The risk of inconsistent understanding of the intent of the phrase “the intended purpose of the audit procedures”, as explained in our response to question 1(b);

Insufficient guidance on how to judge “applicable in the circumstances” in the context of paragraph 9(b), as explained in our response to question 8; and

Perceived mixed messaging about how auditors are expected to comply with paragraph 10 with respect to information obtained from sources external to the entity in circumstances when the auditor has no access to that source, as explained in our response to question 9.

We believe these three reasons also give rise to uncertainty about what auditors will be expected to document about their consideration of the attributes of relevance and reliability of information that are applicable in the circumstances. Providing additional clarity around the judgements described above would also serve to bring further clarity around the required documentation, helping to avoid perceptions of an excessive documentation burden that could act as a potential barrier to making informed and reasonable judgements and potentially detract from audit quality.

### **RSM International Limited (RSM)**

ED-500 provides valuable clarification of the concepts of relevance, reliability, appropriateness and sufficiency of evidence.

The revisions provide a more practicable framework on which to base judgements and will lead to more thought as to the sufficiency and appropriateness of the audit evidence and, if applied properly, a consequential “mindset” change by auditors.

However, in our opinion a documentation section should be included to remove the uncertainty in respect of the requirements in this area. For example, paragraph 9 of ED-500 states that the auditor “shall evaluate the relevance and reliability of information intended to be used as audit evidence”; clarification of the intended documentation expected for this evaluation would enhance the understandability and application of the requirements.

Having said this, we do not believe that the intent of the standard is to require extensive documentation of the auditor’s consideration of each individual item used as audit evidence. It would be helpful to have this point explicitly clarified within the standard.

## **5. Public Sector Organizations**

### **Swedish National Audit Office (SNAO)**

We believe that the ED-500 in general will lead to enhanced judgements when obtaining and evaluating audit evidence. Though we would like to raise our concern about a few issues which we have commented below.

## **U.S. Government Accountability Office (GAO)**

We believe that the revisions proposed in ED-500 will improve auditor judgment when obtaining and evaluating audit evidence. The revisions individually may need to be clearer to ensure that auditors will understand and be able to document the procedures they perform on evidence appropriately. We provide recommendations for clarification in our responses to other questions.

## **6. Member Bodies and Other Professional Organizations**

### **Accountancy Europe (AE)**

The requirement for evaluating the relevance and reliability of information intended to be used as audit evidence is clear. It also makes sense that information constitutes audit evidence only after being subject to auditor's evaluation.

One challenge for the auditor will be how to document the evaluation of each piece of audit evidence. The relevance and reliability of the audit evidence will be very straightforward for some types of information whereas it might be quite complicated for others. It is important to ensure that work effort is concentrated on what is really needed and we agree with the paragraph A40 that the auditor should not be expected to document the consideration of every attribute of relevance and reliability (see also our response to question 9).

In many cases, audit procedures applied to certain information could allow the auditor to concurrently evaluate the relevance and the reliability of the information. The evaluation is therefore not going to be a separate exercise. In such cases, the auditor should not be required to have additional documentation with respect to evaluation and this should be specified in ED-ISA 500.

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

should employ more appropriate work-effort verbs to prescribe requirements and recognise additional biases that may negatively impact the auditor's generation and evaluation of evidence (see our response to Question 2),

While we are of the view that the proposed revisions in ED-500 will lead to enhanced auditor judgments when obtaining and evaluating evidence, we believe that further improvements are possible in terms of the work-effort verbs employed and the breadth with which potential biases are covered.

We are of the view that the proposed revisions in ED-500 will lead to enhanced auditor judgments when obtaining and evaluating audit evidence, but believe that there are opportunities to further improve the proposed standard. In particular, we are concerned with some of the work-effort verbs employed in the standard, and the incomplete coverage of biases that can potentially negatively impact on the effective generation and evaluation of evidence.

With reference to the work-effort verbs employed to prescribe requirements, we note research that different instructional verbs can impact an auditor's judgment processes (Stepankova et al. 2022) and the spectrum of work effort implied by different verbs as outlined in the IAASB Drafting Principles and Guidelines.

We agree with the use of 'evaluate' and 'determine' in that they suggest an appropriately high level of work effort, but question the use of 'consider' in paragraphs 9, 10, 13 and 14 in that it implies a lower level of work effort than that which would appear necessary by the work being described. For example, is it appropriate for the auditor to merely 'consider' (a mid-level work effort verb analogous to 'reflect upon') the source of information and the attributes of relevance and reliability? We believe that 'evaluate' more effectively reflects

the required work effort and would motivate auditor behaviour that is more commensurate with the importance of the tasks being performed.

We are also concerned by the incomplete coverage of biases that may negatively impact the auditor's generation and evaluation of evidence. Paragraph 8(a) requires auditors to design and perform audit procedures to obtain audit evidence such that evidence is neither biased toward evidence that is corroborative or contradictory. To support this requirement, paragraph A19 speaks of a number of biases, an awareness of which may mitigate threats to audit quality (i.e., confirmation bias, anchoring bias, availability bias and automation bias). We believe that this list is incomplete and encourage the IAASB to expand the coverage of biases in the proposed standard.

The auditing literature is replete with research highlighting the impact of biases on auditor judgments (see Knapp and Knapp 2012 for a concise summary of cognitive biases impacting audit engagements). Some important biases not currently discussed in the proposed standard include overconfidence bias, hindsight bias, averaging bias, and representativeness bias. In particular, we believe that overconfidence bias is likely to have a significant impact on the evaluation of evidence (e.g., Pincus 1991). Similarly, we note research highlighting the impact of an averaging bias when auditors evaluate a combination of contradictory and confirmatory evidence items (Lambert and Peytcheva 2020).

We are also concerned that the current coverage of automation bias in paragraphs A22 and A23, which focusses on the overreliance of information from automated systems, does not acknowledge the possibility of algorithm aversion/apprehension which leads to an under-reliance on information from automated systems (e.g., Commerford et al. 2022). We encourage the IAASB to provide a more balanced coverage of automation biases in the application and other explanatory material.

#### **Center for Audit Quality (CAQ)**

We believe that the changes proposed in ED-500 to address the identified key public interest issues included in the table in Section 2-A of the Explanatory Memorandum appear to meet these objectives – particularly to the extent that auditors are not already appropriately considering those key public interest areas. However, we believe that the way some of these changes are proposed in ED-500 may lead to diversity in interpretation and application of the final ISA 500(R), along with increased work effort and unnecessary audit documentation, without significantly changing auditor behavior or providing a commensurate benefit to audit quality. See our response to Q8 below.

#### **Chamber of Auditors of the Czech Republic (CA CR)**

As noted in our response above we believe that the enhanced definition of audit evidence and more detailed guidance on evaluation relevance and reliability of information provide more robust base to apply professional scepticism and avoid bias.

One challenge for the auditor will be how to prove and document the evaluation of each piece of audit evidence/information. We believe that current wording could lead to overdocumentation in practice. It needs to be ensured that the auditor's effort and documentation is concentrated on areas where it is really needed. Paragraph A40 notes that the auditor is not expected to document consideration for every attribute of relevance and reliability, however there is no example of scalability. Furthermore, we believe that there could be situations where the audit procedure itself proves the reliability of the information and therefore no additional documentation is needed. This should be clearly stated in ED-ISA 500, for example in the form of examples in the application part.

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

The proposed revisions in ED-500 are likely to lead to a change in behaviour particularly when it comes to responding to changes in the information that is being used by auditors, including the nature and source of the information, a key public interest issue. However, as noted in response to Q4 below, the IAASB should go beyond what is currently proposed in the standard in terms of modernising and supporting a principles-based standard that recognises the evolution in technology.

### **Institute of Chartered Accountants in England and Wales (ICAEW)**

Yes, the proposals will lead to enhanced auditor judgement when considering the relevant attributes of information intended to be used as audit evidence. However, please see our response to question 9 outlining our concerns over obtaining audit evidence over accuracy and completeness specifically.

### **Institute of Chartered Accountants of Scotland (ICAS)**

When considered collectively we believe the proposed revisions will likely lead to enhanced judgements when obtaining and evaluating audit evidence. However, we are not convinced that the standard is a significant improvement on the extant ISA 500.

### **Instituto Mexicano de Contadores Publicos (IMCP)**

We consider that the proposed revisions will help to better understand and evaluate the audit evidence obtained; however, we do not consider it to be a significant improvement, given that the scope of the ED do not cover specific guidance or requirements on the use of technology. We consider that it is a relevant issue as the use of automated tools and techniques is increasing; therefore, we suggest the development of specific standards or guides regarding the use of technology to obtain audit evidence (see response to question 4).

### **Malaysian Institute of Accountants (MIA)**

The proposed revisions in ED-500 are timely given the increased usage of technology not only by management and management's experts but also auditors in generating information intended to be used as audit evidence as well as performing audit procedures. A principles-based approach is necessary especially given the evolving business environment.

Once this standard is finalised, an area the Board can seriously consider is to prepare a summary and explanation of changes that clearly include the issues the Board is seeking to address through the revised standard, the practical implications for auditors and what they are expected to do differently.

Once the proposals are finalised, we would strongly recommend that the Board prepare a short summary and explanation of the changes, which includes the practical implications for the auditors and what they are expected to do differently in practice, going forward. This would be very useful to standard setters and Professional Accountancy Organisations like us in serving our members.

### **Pan-African Federation of Accountants (PAFA)**

We believe that the proposed revisions will result in enhanced auditor judgments when obtaining audit evidence and evaluating it. However, we are concerned about the volume of changes and number of cross references, as well as the level of examples which we believe will ultimately just lead to more documentation and not substantially change or enhance auditor behaviour when obtaining and evaluating audit evidence, especially for those who conduct fairly simple audits of uncomplicated entities.

### **South African Institute of Chartered Accountants (SAICA)**

Yes, we are of the view that the proposed revisions will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. The revised approach will assist in highlighting some of the subconscious considerations and judgements applied by auditors in considering information to be used as audit evidence.

Some of the public interest issues raised during the development of ED-500 related to the form, content and extent of audit documentation when performing the auditor's evaluation of the relevance and reliability of information intended to be used as audit evidence.

ED-500 does not include guidance or good practices on how to document auditor judgement. We are of the view that there is an opportunity to include principle-based considerations to enhance the auditor's ability in documenting their professional judgement or an inclusion of good practices that auditors can consider in resolving doubt when applying judgement to ensure appropriate and sufficient documentation.

It is not always clear how the auditor can articulate their professional judgement in their documentation to allow another experienced auditor to come to the same conclusion, due to the subjective nature of judgement.

We therefore recommend that the IAASB provide clarity on the application material of ED-500 with regards to, what should the auditor consider when documenting their professional judgement or practical example of what best practice documentation one would include when applying professional judgement.

By allowing the auditor to apply their judgement when considering the criteria that affect relevance and reliability, may enhance audit quality.

### **The Malta Institute of Accountants (TMIA)**

The ED-500 is emphasising certain concepts and providing more detail and examples compared to extant ISA 500, which assists the auditor in concluding whether sufficient, appropriate and persuasive audit evidence was obtained. The ED-500 could potentially be enhanced by including more information and examples with respect to the evaluation of audit evidence, including the documentation required in this regard, potentially explaining how different situations necessitate different levels of documentation.

### **Wirtschaftsprüferkammer (WPK)**

To avoid such an unnecessarily complicated approach in practice we suggest to clarify in the standard that additional information obtained for purposes of evaluating the relevance and reliability of information to be used as audit evidence is not subject to the same complex evaluation process as the information obtained in the first place.

At least we would expect that this topic is described in the application material to paragraph 9 and 10 including practice examples how this could be resolved in practice.

We welcome the increased clarity provided by paragraph 9 and 10 for the auditor's thought process when evaluating information to be used as audit evidence.

However, we would like to point out the following difficulties that will arise when applying paragraphs 9 and 10 in practice:

When assessing the relevance and reliability of information (paragraph 9), it is required to consider whether attributes of relevance and reliability are applicable. If this is the case (and we believe this will be often the case), paragraph 10 requires the auditor to obtain additional audit evidence about the accuracy and completeness of the information.

In other words, to enable the auditor to use information as audit evidence, for this purpose, further information must be obtained, which, however, would then again be considered as audit evidence and would therefore also have to be assessed again for relevance and reliability. This iteration makes obtaining audit evidence unnecessarily complicated and may result in a “vicious circle” of obtaining information, evaluating information, obtain additional information for the purpose of evaluating audit evidence etc.

## **Q02 - Disagree**

### **2. Regulators and Audit Oversight Authorities**

#### **Committee of European Auditing Oversight Bodies (CEAOB)**

Professional judgment and professional scepticism to be further emphasised

15. Finally, we think that focusing on professional judgment and professional scepticism only in the introduction section and in the application and other explanatory material is

insufficient and that the ED should also address what professional judgment and professional scepticism in the context of audit evidence entail.

16. We thus strongly urge the IAASB to reinforce the requirements as proposed in the specific comments below.

#### **Irish Auditing and Accounting Supervisory Authority (IAASA)**

Professional judgment and professional scepticism to be further emphasised

Focusing on professional judgment and professional scepticism in the introduction section and the application and other explanatory material is insufficient. The body of the ED should also address what professional judgment and professional scepticism entail in the context of audit evidence.

We thus strongly urge the IAASB to reinforce the requirements in the standard, as proposed in the “specific comments” section below.

### **3. National Audit Standard Setters**

#### **Japanese Institute of Certified Public Accountants (JICPA)**

Refer to our comments on Question 8 below.

We believe it is important that additional explanations of the background and the IAASB’s intention be provided as follows within and outside the ED-500, so that 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:

Furthermore, ED-500 should explain in application materials why a principles-based approach to both internal and external sources of information is needed, and should also explain scalability, particularly in assessing the relevance and reliability of external sources of information. Such additional explanation would help auditors better understand the intention of ED-500 and avoid unnecessary burdens against principles-based approach and the scalability. This approach is similar to application materials in ISA 315 (Revised 2019) “Identifying and Assessing the Risks of Material Misstatement” that explain “why” the requirements are needed, such as paragraph A14 which explains “Why Obtaining Audit evidence in an Unbiased Manner is Important.”

In addition, we suggest that the underlined content of paragraphs 42 and 47 of Section 2-G of the Explanatory Memorandum (herein shown as below) should be included as a guidance in the application



materials of ED-500. While paragraph A40 of ED-500 states, "this ISA does not require the auditor to document the consideration of every attribute of relevance and reliability of information," the underlined contents in paragraphs 42 and 47 of Section 2-G are not described in detail in the requirements or application materials of ED-500. We are anxious that the way of thinking shown in paragraphs 42 and 47 of Section 2-G might not be sufficiently understood by auditors, resulting in unnecessary burdens on auditors, such as the use of the attributes in ED-500 as a checklist.

#### **Royal Dutch Institute of Chartered Accountants (NBA)**

As noted in our response to question 1(a), we have a concern that the principles as laid down in this ED are too high-level, and that auditors will struggle to understand how to implement the requirements in their audits. We are therefore not sure whether auditor judgements will actually be enhanced.

Furthermore, a key concern emerges with respect to the expected level of documentation, which is not set out in the standard. The NBA urges IAASB to set out in the standard how the various requirements can be documented.

We would like to bring the following key items to your attention, and ask your careful consideration of these items:

The NBA wonders whether ED-500 as currently drafted will sufficiently guide auditors in making determinations about audit evidence. The concern is that the principles set in ED-500 are too high-level, and that auditors will have significant difficulty understanding what is expected of them, both in terms of work effort and in terms of documentation.

#### **4. Accounting Firms**

##### **Grant Thornton International Limited (GT)**

We question whether the proposed revisions in ED-500 will collectively lead to enhanced auditor judgments or changes in practice when obtaining and evaluating audit evidence. In particular, we have the following concerns regarding the proposed revisions:

Responding to changes in the information that is being used by auditors, including the nature and the source of the information – we are of the view that the reliability attributes of completeness and accuracy of information need to be more closely linked with the auditor's consideration of the reliability of information produced by the entity. We have elaborated on this in our response to question 8.

Modernizing and supporting a principles-based standard that recognizes the evolution in technology – we are of the view that the amendments to the standard have fallen short of the needs of the profession in this area with regard to understanding the different types of ATT, and specifically ADA, and how they may be used in an audit. We have elaborated on this further in our response to question 4.

Fostering the maintenance of professional skepticism when making judgments about information intended to be used as audit evidence and sufficient appropriate audit evidence – we support the revisions made throughout ED-500 to add examples about the application of professional judgment in areas such as, evaluating whether information is to be considered as external information source, or when assessing the attributes of relevance and reliability, and are of the view that these proposed amendments will enhance auditor judgments in these areas. However, it is important to distinguish between information produced by the entity and external information sources as it is fundamental to the nature and extent of audit procedures performed to obtain audit evidence. We are of the view that the benefit of including these additional examples is somewhat diluted by relocating the description of an external information source from the



definitions to application material and by the proposed amendments to the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence.

## 6. Member Bodies and Other Professional Organizations

### Chartered Accountants Ireland (CAI)

We note the Board’s stated intent to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the circumstances (i.e., is scalable). We have raised some concern as noted in the responses to this consultation, where we believe further clarification is needed to help promote enhanced auditor judgements for example in the area of risk assessment and when obtaining and evaluating audit evidence, to allow the standard to be appropriately scalable.

### European Federation of Accountants and Auditors for SMEs (EFEAA)

We recognize the need for the IAASB to address the public interest issues raised, in particular modernizing the standard to reflect technological change.

We are concerned, however, that the revised standard might result in more documentation and not substantially change SMP auditor behavior since many SMPs audit less complex entities (LCE) that have simple accounting policies and are unlikely to test the boundaries on accounting treatments.

We are not aware of any major deficiencies with the extant standard and yet the number of changes and volume of new material are considerable. Much of the new application material either duplicates material in other ISAs or repeats material elsewhere in the ISA. The standard now reads like a reference manual. We suggest that on finalisation of the standard that the Board help SMPs implement it by way of an explanation of the changes and how these changes are expected to modify auditor behavior.

### IFAC SMP Advisory Group (SMPAG)

We acknowledge the need for the IAASB to address the public interest issues raised, in particular modernizing the standard to recognize the evolution in technology. However, there are concerns that it will ultimately just lead to more documentation and not substantially change or enhance SMP auditor behavior when obtaining and evaluating audit evidence. This is because many SMPs audit relatively straightforward and uncomplicated SMEs – those which are selling goods or services, that have simple accounting policies and are unlikely to push the boundaries on accounting treatments.

We are concerned about the volume of changes and number of cross references, as well as the level of examples, which in some instances could be considered as too basic and just reflecting common sense. For example, the bullets in A24 and A41 (except the second bullet that includes remote observations). We would encourage the Board to consider including more useful examples, such as how technology is used as part of obtaining audit evidence.

There is also application material that either just duplicates the content in other ISAs (e.g., A26) or replicates what is in a requirement or in other application material paragraphs (e.g., A46 refers to and duplicates A12 and A65 refers back to A37 and A67 back to A48). We suggest the Board reconsider this textbook approach to focus ISA 500 (Revised) on key matters.

In our opinion, once the proposals are finalized, the Board should prepare a summary and explanation of the changes and clearly include the problems the Board is seeking to address, the practical implications for auditors and what they are expected to do differently. This will be very useful to assist with communicating the impact to SMPs.

We are concerned about the number of changes proposed, the volume and nature of some of the application material and the numerous cross references to other ISAs. We believe that there could have been stronger evidence presented on what specific problems the Board is aiming to solve (i.e., what is going wrong in practice) and how the changes will have an impact on auditors' behavior, including clarity on documentation. Once the proposals are finalized, we recommend that the Board prepare a short summary and explanation of the changes, which includes the practical implications for SMPs and what they are expected to do differently in practice. This would also be extremely useful to Professional Accountancy Organizations and their members, as well as other stakeholders.

#### **Instituto de Auditoria Independente do Brasil (IBRACON)**

There is a concern around the extent of documentation. Thus, we would like to suggest that an emphasis on professional judgment should be made, especially when considering the use of ATT.

In addition, paragraph 9(b) of ED-500 is not clear around what the auditors need to consider 'given the intended purpose of the audit procedures' to evaluate the attributes of relevance and reliability.

#### **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.

ED-500 includes lots of revisions of different characters. The application material has become quite voluminous, and we believe a sharper structure with fewer cross-references would make the standard more manageable. When finalizing this project, we think it would be helpful if the IAASB could summarize and explain what revisions are expected to lead to a changed audit behavior.

We believe ED-500 could be further clarified in terms of how the evaluation of audit evidence should be documented since there is a concern that lack of clarity will lead to over-documentation.

## **4 – Q02 - Neither agree nor disagree**

### **2. Regulators and Audit Oversight Authorities**

#### **Financial Reporting Council (FRC)**

The extant version of ISA 500, paragraph 6, contains a strong, positive requirement that "The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence." This paragraph is frequently cited in enforcement cases in the UK and "appropriate in the circumstances" is a key enforcement tool that is applied when auditors have not designed and performed audit procedures in an appropriate manner when obtaining sufficient appropriate audit evidence.

In the proposed ED 500, the equivalent paragraph is paragraph 8, which expands on extant paragraph 6. However, in expanding extant paragraph 6, the critical phrase "appropriate in the circumstance" (for the purpose of obtaining sufficient appropriate audit evidence) has been lost. In this regard we feel strongly that extant paragraph 6 should be reinstated.

We continue to support the emphasis on the auditor's responsibility to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative, or towards excluding audit evidence that may be contradictory. However, as the emphasis on the nature, timing and extent of those procedures being designed and performed to meet the intended purpose is explained very well in paragraph A25, we do not feel it is necessary to repeat this point in the requirement.

Accordingly, we offer the following alternative approach to paragraph 8 to address our concerns:

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

New8. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

8A. For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall In designing and performing audit procedures in accordance with paragraph NEW8, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative, or towards excluding audit evidence that may be contradictory: (Ref. Para. A15–A18)

(b) The nature, timing and extent of which are appropriate in the circumstances to provide audit evidence to meet the intended purpose of those audit procedures. (Ref. Para. A24–A33)

We are unclear how paragraph 8 interacts with the requirements in ISA 315 and ISA 330. In particular, audit procedures must be designed to appropriately identify and assess risks as well as respond to the assessed risks of material misstatement and as such the brief references in the application material in our view, are not sufficient. We therefore suggest that the IAASB expand on the application material to make it clearer that paragraph 8 relates to all audit procedures, i.e. audit procedures designed and performed in planning and performing the audit engagement.

## 4. Accounting Firms

### Mo Chartered Accountants (MCA)

Emphasis that use of technology does not negate from the requirement to adopt professional scepticism and auditor judgement.

Automation bias should be avoided and it will be critical that in spite of the benefits and efficiency of technology it is not fool-proof and thus maybe fallible, for example if the selection for a certain population is done on a wrong characteristic or in a manner that will not achieve the intended objective and thus not constitute sufficient appropriate evidence. Here, reviewers in the audit team are the first line of defence and need to ensure that such use of technology is appropriate and persuasive.

Judgment and professional scepticism are intrinsic traits of any auditor but the extent to which this is used needs to be extended due to biases inherently prevalent in our thoughts and experiences. When assessing relevance, reliability and ensuring that evidence is persuasive professional scepticism is key. For example, regarding estimates and assumption, where a market does exist to obtain the input variable for the underlying transactions and balances the auditor will place reliance on management's best estimates. Notwithstanding the lack of available evidence, a sceptical mind is required including using sound judgment to determine the rationale of managements view (earnings management or bonus tied to profit or other metrics) which can then either be corroborated and or contradicted and should no adjustments be made then consideration of the impact on the audit report should be assessed.

## 6. Member Bodies and Other Professional Organizations

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

2 – If, on one hand, applying the input-output principle to the audit evidence is expected to lead to an improvement of the audit results, on the other, the fact that the information may become audit evidence only when subject to audit procedures requires more work and generates higher risks that the audit work is called into question, since every information included in the working papers and used by the auditor as audit

evidence shall be evaluated. For these reasons, we suggest introducing in the standard a greater diversification and scalability of the evaluating activities to be carried out by the auditor based on the different nature of the audit evidence used. For example, bank statements or other documents from third parties that should be tested, or the objections (i.e. due to the lack of additional testing procedures on the acquisition of documents) that could be made to the auditor by authorities, regulators and judicial bodies.

## **5 – Q02 - No specific comments**

### **1. Monitoring Group**

**International Forum of Independent Audit Regulators (IFIAR)**

**International Organization of Securities Commission (IOSCO)**

### **4. Accounting Firms**

**Crowe LLP (CROWE LLP)**

### **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:

### **6. Member Bodies and Other Professional Organizations**

**Institute of Internal Auditors (IIA)**

### **7. Individuals and Others**

**Shuichiro Tsumagari (ST)**

**Thomson Reuters (TR)**