

Audit Evidence – Question 3

3. What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 above)?

Q03 - Agree**2. Regulators and Audit Oversight Authorities****Botswana Accountancy Oversight Authority (BAOA)**

We do believe that the ED has an appropriate balance in terms of requirements and application material. The number of the requirement paragraphs has not changed significantly from the extant standard however the application material has been significantly enhanced as it is more detailed and has more illustrative examples to allow for easier application of the requirements.

Financial Reporting Council (FRC)

The FRC agrees that the balance between requirements and application is appropriate, given the wide range of potential sources of audit evidence. In these instances, principles orientated requirements with additional detail including in application material is the most appropriate to allow for flexible and adaptable approaches to obtaining audit evidence which can be more easily tailored to the circumstances of individual audit engagements.

We agree:

That the balance of new requirements and application material is appropriate. With the wide range of possible sources of audit evidence available it is logical to take a principles-based approach to requirements, with additional application material to support auditors in making judgements about information intended to be used as audit evidence.

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

We support the balance of requirements and application material contained in ED-500.

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

The balance of requirements and application material is appropriate.

We consider the ED to be appropriately principles based and well balanced between requirements and application material.

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

3. In general, we agree. The draft follows the current ISA 500 criteria of having few requirements paragraphs and plenty of application and other explanatory material.

Japanese Institute of Certified Public Accountants (JICPA)

We believe that the balance between requirements and application material is appropriate.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We believe that there is an appropriate balance of requirements and application material. Our stakeholders have not raised any issues in terms of the balance of requirements and application material.

Public Accountants and Auditors Board Zimbabwe (PAAB)

PAAB agrees that ED500 is balanced in that it is taking into consideration current trends and incorporating them into auditing standards thereby making them more relevant.

4. Accounting Firms

Deloitte Touche Tohmatsu Limited (DTTL)

DTTL agrees that the overall balance is appropriate, given the objective of developing a principles-based reference framework.

MNP LLP (MNP)

We believe that ED-500 has an appropriate balance of requirements and application material.

PKF International Limited (PKF)

In our view, ED-500 has an appropriate balance between requirements and application material.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAG)

We believe that ISA 500 (Revised) has an appropriate balance of requirements and application material.

Provincial Auditor of Saskatchewan (PAS)

Yes, overall, there is an appropriate balance of requirements and application material. While there is more application material than requirements, the application material more fully explains how to apply the standard.

6. Member Bodies and Other Professional Organizations

Botswana Institute of Chartered Accountants (BICA)

We agree that ED-500 has an appropriate balance of requirements and application material.

Federation of Accounting Professions of Thailand (FAPT)

The balance is appropriate.

Institute of Chartered Accountants of Nigeria (ICAN)

The requirements and responsibilities bestowed on the auditor by paragraphs 8 – 14 are well enabled by application materials provided from A15 through to A93 to enable the execution of the applied requirements and responsibilities.

Korean Institute of Certified Public Accountants (KICPA)

The KICPA believes that ED-500 has an appropriate balance, considering that ED-500 requirements capture the principles-based approach only, while sufficient practical guidance is provided by application material.

Malaysian Institute of Certified Public Accountants (MICPA)

Overall, the application material of ED-500 is helpful.

South African Institute of Chartered Accountants (SAICA)

Yes, ED- 500 has an appropriate balance. The requirements are kept short and straightforward, with several practical examples provided in the application material. This achieves a good balance between the requirements and application material.

When reading the standard, it is necessary to read the requirements of the standard including the application material for an auditor to understand and apply the revised ED. This should assist in enhancing audit quality.

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.

Q03 - Agree with comments

3. National Audit Standard Setters

Hong Kong Institute of Certified Public Accountants (HKICPA)

We agree that ED-500 has an appropriate balance of requirements and application material.

Meanwhile, please refer to our responses to Questions (4), (7), (8), (9) and (10) on areas where we suggest an enhancement or strengthening of application materials with additional examples or illustrations.

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

We believe that the nature and extent of requirements are appropriate and are in favor of the principles-based nature of the requirements. In that sense, the balance of requirements and application material is appropriate. We do believe that the extent of application material to be somewhat too long and believe that there are a number of instances of repetition that can be removed.

4. Accounting Firms

BDO International (BDO)

Overall, we believe ED-500 has an appropriate balance of requirements and application material. We are particularly supportive of the sequencing of the requirements and consequential impact that has had on the nature of the supporting Application Guidance. Starting the Application Guidance with a section dedicated to the nature of 'Audit Evidence and Audit Procedures' is particularly helpful as this ensures that auditors understand from the outset that audit evidence can apply in all stages of the engagement – including risk assessment procedures. This approach also provides greater clarity than the extant section on 'External Information Source' (which confused auditor-generated evidence with external sources and evidence from management experts).

However, we think it may be helpful to further specify that audit evidence is obtained in risk assessment procedures by updating the requirement in paragraph 8 as set out below:

“For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures, including risk assessment procedures.”

Also, we would welcome additional guidance regarding the documentation and work effort that is expected of engagement teams when evaluating the reliability of information intended to be used as audit evidence (see also our response to Question 8). Notwithstanding the overarching nature of ED-500, we do think there may be a need (through non-authoritative implementation guidance rather than Requirements or Application Guidance) to explain how to apply this standard in the context of certain situations or scenarios, including common situations and specific areas.

In respect of common situations (e.g., designing and performing purchase testing), guidance to explain audit evidence can be obtained for difference purposes from different audit procedures, for examples, audit evidence obtained:

to support risk assessment procedures;

to verify the reliability of the source of information;

to provide assurance.

Specific areas might include:

Design and performance of audit procedures and obtaining audit evidence relating to complex accounting estimates (e.g., valuation of unquoted complex financial instruments); and

Considerations when designing and performing procedures in respect of cryptocurrencies.

KPMG International Limited (KPMG)

We consider that there is an appropriate balance of requirements and application material, commensurate with the fact that this is a principles-based and foundational standard. The requirements are therefore higher-level in nature, with the application material being more detailed to provide further explanation of overarching concepts, guidance in respect of the requirements, including what they are intended to cover, and a robust framework for auditors in applying judgement when evaluating the relevance and reliability of information to be used as audit evidence and evaluating the audit evidence obtained. We believe that this will help auditors to take a robust and consistent approach, and also address scalability considerations. We also note that the relative balance of requirements and application material in ED-500 is very similar to that in the extant ISA 500 standard.

We suggest, in response to other, more specific questions, where we consider that additional clarification may be added through the inclusion of further application material or examples, to help auditors apply their judgement in a robust and consistent manner.

Mo Chartered Accountants (MCA)

The requirements essentially cover all the necessary matters related to audit evidence and the emphasis of considering ISA 330 in designing audit procedures is appropriate. Paragraph 11 should include independence and ethical requirements for management experts. The current evaluation of the skills and competences of the expert should include independence and ethical requirements to avoid familiarity and advocacy threats.

PriceWaterhouseCoopers (PwC)

The number of requirements is reasonable, addressing the primary principle-based considerations relevant to evaluating audit evidence, consistent with the extant ISA. Our comments in response to other questions address our views on the individual merits of specific requirements.

There is a significant increase in overall volume of application material, however this is not disproportionate. As explained in our comments in response to questions 2 and 8, there is likely a need for additional application material to clarify the expectations for requirements 9 and 10 of the proposed standard.

RSM International Limited (RSM)

However, in our responses to the IAASB's request for comments we make a number of suggestions for improving the drafting and adding clarity to the proposed requirements.

There are minimal requirements in ED-500 which are generally well explained by the application paragraphs, although our responses that follow do contain some recommendations for improvements to the clarity of the standard.

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.”

The IAASB should include a definition of “persuasiveness” or include additional guidance after paragraph A14. Our suggestion for the definition is “the combined measure of the appropriateness and the sufficiency of audit evidence in providing support for the conclusions that form the basis for the auditor's opinion”.

5. Public Sector Organizations

Swedish National Audit Office (SNAO)

We find the requirement level to be decent and principle based, explaining what the auditor shall do but not going into too many details about the how. Though the application material could be a bit overwhelming. But in general, understandable.

U.S. Government Accountability Office (GAO)

We believe that ED-500 has a reasonable balance of requirements and application materials. We suggest improving the clarity of the requirements, so auditors do not have to rely on the application materials to understand and fulfill the requirements.

6. Member Bodies and Other Professional Organizations

Chartered Accountants Ireland (CAI)

We believe that the overall balance is appropriate subject to the concerns raised below.

Institute of Certified Public Accountants of Uganda (ICPAU)

Besides our comments in relation to the need for additional application material in relation to evaluation of relevance and reliability of audit evidence as well as the attributes of persuasive audit evidence, we believe that the ED-500 has an appropriate balance of the requirements and application material.

Instituto de Auditoria Independente do Brasil (IBRACON)

The balance is appropriate. However, it is important to clarify that audit evidence can serve different purposes and can drive different audit procedures, by including additional examples as guidance for more complex areas and ATT.

Instituto Mexicano de Contadores Publicos (IMCP)

We consider that, in fact, there is an adequate balance; however, it is advisable to address the concepts of "input-output model", "evidence that may be contradictory" and the new "stand back" requirement more broadly in explanatory materials. (See responses to questions 6, 8 and 10).

Wirtschaftsprüferkammer (WPK)

Yes, we agree that the ED has an appropriate balance. In particular we welcome that the number of the requirement paragraphs will not significantly increase. However, some application material seems to be self-evident, for example A66, A69 and could be reconsidered in the interest of keeping the overall length of the standard at an appropriate level.

7. Individuals and Others

Altaf Noor Ali (ANA)

3.1 Yes.

There are many logical relationships in the material that can be shown by a flow-charts for better user understanding. Why such a widely available tool is not used?

A well-worth effort is required to simplify the language of the proposed ED and its application material. The ED once an ISA will be eventually translated into many other languages.

Q03 - Disagree

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Reduction of specificity in the requirements

13. Second, we do not agree with your statement that the requirements in the ED are stronger because the standard is principle-based and is applicable to all audit procedures. We believe that implementation of the proposed principles-based requirements alone will not achieve the IAASB's aims. Some of the proposed amendments will likely lead to application problems, as they do not provide sufficient direction for auditors but only high level considerations. In our view, this will lead to a lack of consistency in how the standard is applied both between auditors and across jurisdictions. It will also cause significant challenges for regulators to enforce a standard that is open to a range of interpretations. For us, the requirements need to be strengthened and more detailed in order to improve audit quality.

14. While application material, guidance and illustrations are useful, we believe that they are not a substitute for requirements. For this purpose, we have identified, in the specific comments below, a number of areas in the application material that should be mandatory in order to ensure audit quality.

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

Our view is that the balance is not appropriate. Some application material should be elevated to requirements. For example, paragraph 10 only points to two attributes – accuracy and completeness – of the reliability of audit evidence. Paragraph A56 of ED-500 lists authenticity, bias and credibility as other attributes to be considered by the auditor in considering the degree to which information intended to be used by the auditor as audit evidence is reliable. This could lead auditors to take accuracy and completeness as the only attributes of relevance and reliability that are required to be considered in terms of paragraph 9 of ED-500. We therefore recommend that authenticity, bias and credibility be elevated to requirements, in addition to accuracy and completeness.

Factors to be considered that affect the auditor's professional judgment regarding the attributes of relevance and reliability are given as examples in paragraphs A59 and A60 of ED-500. These should be considered in creating a documentation requirement in determining the attributes of relevance and reliability of audit evidence that will be tested by the auditor.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Reduction of specificity in the requirements

We do not agree with your statement that the requirements in the ED are stronger because the standard is principle-based and applicable to all audit procedures. We believe that implementation of the proposed principles-based requirements alone will not achieve the IAASB's aims. Some of the proposed amendments are likely to lead to application problems as they do not provide sufficient direction for auditors. This will lead to a lack of consistency in how the standard is applied both between auditors and across jurisdictions. It will also cause significant challenges for regulators to enforce a standard that is open to a range of interpretations. The requirements need to be strengthened and more detailed in order to improve audit quality.

While application material, guidance and illustrations are useful, they are not a substitute for requirements in the body of the standard. In this context, we have identified in this letter a number of areas in the proposed application material that should be made mandatory in order to ensure audit quality.

3. National Audit Standard Setters

American Institute of Certified Public Accountants (AICPA)

As noted in our cover letter and in our response to question 8, we have some concern that the requirements do not appropriately stand on their own; that is, their scalability and how they are intended to be applied is only understood when requirements are read in connection with application material. In addition, there are certain concepts we think need further clarification, which may require further application material. See responses to questions 4 and 6, where we recommend further application material to help clarify and drive consistency.

In addition, we note certain topics where the AICPA has provided additional application material in SAS No. 142 that may be helpful to include in the final ISA 500 (Revised). Refer to Appendix B for detailed recommendations on this point.

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB acknowledges for a principles based framework standard that the requirements cannot include all the considerations that are in the application material. The application material provides further explanation of the underlying concepts and guidance for implementing the requirements.

In ED ISA 500 the application material does seem disproportionately detailed to explain the application of 14 requirements. This is evidenced by paragraphs A35-A83 focusing primarily on evaluating and the attributes of relevance and reliability.

The AUASB suggest that the IAASB may want to consider condensing and redrafting the application material in paragraph's A53-A65 into three areas: what are the attributes of relevance and reliability, what may affect the auditors use of professional judgement in relation to relevance and reliability and some relevant examples. The existing material appears too focused on 'the extent to which' attributes may be applicable in certain circumstances rather than 'whether' they are applicable so this may also need revisiting.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

However, we have concerns about the length and the level of detail of application material and although the application material has 93 paragraphs technology is not appropriately addressed, e.g., the use of automated tools and techniques in general or data analytics as substantive procedures.

The application and other explanatory materials are too extensive, in some cases repetitive, and too much like a textbook.

Overall, we think many of the examples in the application material are too basic and just reflect common sense (e.g., in A24). We would have expected to see more useful and practice-relevant examples, e.g., when it comes to HOW to use technology as part of audit evidence.

There is also application material that either just duplicates the content in other ISA, e.g. A26, or duplicates what is in a requirement or in other application material paragraphs (i.e., A 36 compared to para 9 a-b, A46 refers to and duplicates what's in A12, A65 refers back to A37 and A67 refers back to A48).

Royal Dutch Institute of Chartered Accountants (NBA)

The NBA has concerns that ED-500's application material will not be effective in helping auditors to understand the expectations on them in terms of audit evidence. In the view of the NBA, the application material only describes various aspects of audit evidence, but it does not provide sufficient guidance to the auditor on how to deal with those aspects when performing an audit. For example, paragraphs A6-A9 intend to set out the interrelationship of the Sufficiency, Appropriateness and Persuasiveness of audit evidence. Nevertheless, these paragraphs do not meaningfully describe how this interrelationship impacts on the auditor gathering and assessing audit evidence.

The NBA expects that further guidance, in the form of non-authoritative staff guidance or implementation guidance, will be needed to explain what is expected from auditors. This indicates, in the view of the NBA, that clarity of the standard, including the balance between requirements and application material, is open for improvement. The NBA would offer the suggestion to also provide more guidance on how technology can be used in obtaining audit evidence.

4. Accounting Firms

Baker Tilly International (BTI)

In some instances application material appears to have been included as compensation for requirements, paragraph 13 being an example of this. There is too much application material. Instead the paragraph be clarified/optimised.

Our main comments are:

There is too much in application guidance

Crowe Global (CROWE)

We would like to see more requirements to provide clear practical support for auditors as to what is expected of them. Some of this can be achieved by linkages.

Ernst & Young Global Limited (EY)

We agree with the structure and nature of the requirements as these set forth a framework that will facilitate a principles-based approach when evaluating audit evidence. However, as noted in responses to subsequent questions, we do not believe the application material is as robust as it needs to be in certain areas, including:

As described in our response to Q4, we do not believe the application material has been modernized enough to reflect the effects of the advancements in entities' technologies as well as in automated tools and techniques used by auditors.

As described in our response to Q5, we believe the application material should further recognize the importance of maintaining professional skepticism and evaluating audit evidence to the auditor's responsibilities relating to fraud in an audit of the financial statements.

As described in our response to Q8, we believe the application material should better address the fundamental challenge of distinguishing between a risk assessment procedure and a substantive procedure, particularly when automated techniques are applied to entire populations of data.

As described in our response to Q9, we believe the application material should provide further clarity on the applicability of the attributes of completeness and accuracy for tests of entire populations, and information intended to be used as audit evidence from an external source and from a management's expert. We also suggest clarifications related to the scalability of the nature, timing and extent of audit procedures to evaluate relevance and reliability considering the intended purpose of the audit procedure to which the audit evidence relates.

As described in our response to Q10, while we agree with a "stand back" requirement for the evaluation of audit evidence, we believe the relationship between this stand back requirement and similar requirements in other ISAs should be clarified.

Grant Thornton International Limited (GT)

ED-500 includes only seven requirements but some 93 paragraphs of application material. According to the Complexity, Understandability, Scalability and Proportionality (CUSP) Principles and Guidelines, the purpose of application material is to support the proper application of the requirements and should not impose additional requirements. It further states that not all requirements need application material. We note that all requirements in ED-500 have multiple application material paragraphs supporting the requirement.

Whilst we appreciate one of the purposes of the application material is to explain more precisely what a requirement means or is intended to cover, the requirements themselves need to be clear on what the auditor is required to do. As such, we are of the view that the application material paragraphs are too extensive as compared to the requirement paragraphs. We therefore recommend that consideration is given to the following:

Enhancing the clarity of the existing requirement paragraphs;

Reviewing the application material for 'hidden requirements' or guidance that should be made a requirement. For example, paragraph A63 explains that the attributes of accuracy and completeness ordinarily will be applicable for information generated internally from the entity's information system. This may be considered a requirement as it creates an expectation that auditors will perform audit procedures to address these attributes when information is produced by the entity or document why such procedures have not been performed; and

Considering whether certain application material paragraphs may be better placed in an appendix. For example, guidance about the attributes of relevance and reliability is a very thorough discussion spanning some 12 application material paragraphs. Consequently, this may appear overwhelming to auditors and may result in application material later in ED-500 losing prominence or being overlooked. Whilst this guidance is helpful, it may be better to present the detailed discussion and examples relating to the attributes of relevance and reliability to an appendix.

5. Public Sector Organizations

Office of the Auditor General of Alberta (OAGA)

In our view, ED-500 continues the trend to move more and more requirements into the overarching and planning standards. ISA 315 (Revised) moved the concept of audit evidence into risk assessment. Similarly, increasing the standard to evaluate the relevance and reliability, is moving judgements that are part of execution into planning. This is not in an effective and efficient order and the IAASB should redirect the focus to the execution phases of the audit where it more appropriately belongs.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

Although ED-ISA 500 includes a short list of principles-based requirements, the application material is quite extensive and we are not sure about the necessity of all the material included. More importantly, it is unclear what changes are expected from an auditor in practice upon this revision.

The application and other explanatory material are too extensive, in some cases repetitive, and too much like a textbook. Many of the examples given are over-simplified and just reflect common sense (e.g. in A24, the examples within the bullet points of A41 – except the second one that actually includes remote observations). Instead, we would have liked to see more useful examples, such as how to use technological tools in order to obtain information to be used as audit evidence.

In addition, certain application material either just duplicates the content of other ISAs, for example paragraph A26; or another part of the ED-ISA 500 itself; for example, paragraph A36 repeats requirements from paragraph 9; paragraph A46 refers to and duplicates paragraph A12, A65 refers back to A37, and A67 refers back to A48.

Center for Audit Quality (CAQ)

We believe that certain of the requirements, in seeking to address the objectives of ED-500 and the identified key public interest issues, are not sufficiently clear without consideration of the application material. For example, the paragraphs in ED-500 relevant to adaptability and scalability (see the table in Section 2-A of the Explanatory Memorandum) all refer to the application material. We understand that the application material is designed to provide “further explanation of the underlying concepts and guidance for implementing the requirements, including, as necessary, explaining what the requirements mean or intend to cover.” However, each requirement must also be able to stand alone to meet the objectives of the final ISA 500(R). The application material is quite extensive, such that auditors may not apply the requirements and application material consistently in a way that meets the Board’s stated objectives. See our responses to Q6, Q7, Q8, and Q9 below.

Chamber of Auditors of the Czech Republic (CA CR)

We believe that the application material is too extensive and includes too many cross-referencing (paragraph A46 refers to and duplicates paragraph A12, A65 refers back to A37, and A67 refers back to A48). Many examples are very simple and just reflect a common sense (A24, A41, A47, A70 etc.) On the other hand, we are missing specific examples on scalability and application of the requirements when using automated tools and techniques.

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

As also noted in our response to Q1, we do welcome the proposed standard’s short length, and this was particularly welcomed by our stakeholders. However, we do note that this does then result in lengthy application material. This is a concern in certain jurisdictions, such as Australia, where there is legislative enforceability which can result in the application material paragraphs potentially becoming de facto requirements. This in turn is likely to push firms to develop checklist approaches which is not necessarily beneficial for audit quality. We therefore suggest the IAASB consider moving some of the application material into non-authoritative guidance to avoid this issue.

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

3 – As already pointed out, the application material is extensive and very detailed, thus supporting the quite concise requirements. However, we believe that some requirements could have been further developed, in particular, those dealing with the results obtained from automated procedures and the related automation bias.

ED-500 comprises a concise “Requirements” section, and an extensive “Application and other explanatory material” section.

CPA Australia (CPAA)

While noting that ED-500 should ensure the continuation of a principle-based standard, some of our stakeholders have raised concerns about the balance between requirements and application material (AM). For example, some key concepts such as ‘attribute of the relevance of information’ and ‘reliability of information’ in the AM could be moved to requirements or included as part of the definition of ‘Appropriateness’. Additionally, concern has been raised that some of the material in AM could lead to a checklist-based approach. To avoid this, we suggest moving some of the more granular guidance included in AM (e.g., reference to automation bias in paragraphs A22 and A33) to an appendix or non-authoritative implementation material.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We have some concerns over the balance of requirements and application material.

While we do not consider there should be more requirements, nor that any application material should be elevated to requirements, overall the volume of application material to the requirements seems disproportionate with 93 paragraphs (up from 68 in the extant standard) for seven requirements.

While the requirements are concise and easy to comprehend, much of the application material is repetitive, with lots of detailed descriptions and explanations for what is in other standards, and reads like a reference book. We fear SMPs will fail to focus on what is important. That said, much of the material is useful. Hence, we suggest it either be housed in a separate guidance document or else made more concise.

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)

Overall, the volume of application material to the requirements seems disproportionate with 93 paragraphs (up from 68 in the extant standard) for 7 requirements. The requirements are short and easily digestible, but we would strongly encourage the Board to consider whether some of the application material could be repackaged as separate guidance outside of the standard (e.g., the examples) or shortened and made more concise. Duplication of material in other ISAs should also be avoided, as we observe some repetitiveness, long introductions to some paragraphs, as well as explanations for what is in other standards. In addition, some of the application material reads more like an audit theory textbook, which is useful, but may not be necessary to include in the standard (for example, what observation and confirmation means in the Appendix). We are concerned that it will be difficult for practitioners to focus on what is important and the application material may not meet the intended purpose because of the high volume.

Note, we do not consider that there is application material that should be elevated to requirements.

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.

Institute of Chartered Accountants of Scotland (ICAS)

We have concerns that there has been a significant increase in application material. Whilst it does include some useful content there is considerable repetition and we question the value of this approach. We would have preferred an approach that had a more specific focus on how auditors can utilise technology to obtain information to be used as audit evidence.

Malaysian Institute of Accountants (MIA)

We believe that there is a good amount of application material explaining the objective of the requirements and how to meet those requirements. However, please see our response to Question 7.

In addition, we would urge the Board to consider whether some of the existing application materials (93 paragraphs [A1 to A93] for only 7 actual requirements per the standard) could be re-packaged as separate guidance outside of the standard or shortened and made more concise (there are some repetitions, e.g., A19 and A43, A21 and A51 regarding information from multiple sources and dealing with biases). This will enable practitioners to focus on what is important rather than wading through a high volume of application materials.

Nordic Federation of Public Accountants (NRF)

As stated above, we are very supportive of the limited number of requirements and the principles-based approach.

ED-500 includes much more application material than current ISA 500. In our view the application material could be more distinct, i.e., many paragraphs are quite lengthy due to long introductions with references to either other paragraphs in the same standard or to other standards.

Another challenge results from the volume of cross-references to other standards. We are not convinced that this way of drafting clarifies the relationship between ED-500 and other ISAs. Further, cross-references to other standards makes it challenging to understand how this will impact what the auditor is expected to document.

Many application material paragraphs include duplications of what is in other standards (e.g. A26) or of what is in the adjacent requirements or in other application material (e.g. A36 compared to 9 a-b, A46 refers to and duplicates what is in A12, A65 refers back to A37 and A67 refers back to A48).

To some extent the drafting of the application material seems to have similarities to a textbook approach. Although such information is useful, we suggest presenting it in another document, for example, in the Basis for Conclusion. That way, the length of the standard could be reduced, while the information would still be published.

Finally, we believe the IAASB could consider further enhancing the examples since some of them are quite basic and obvious and will not add valuable directions to the auditors.

However, ED-500 is much longer than extant ISA 500. In our view a sharper and more distinct structure with fewer cross-references would enhance the clarity of the standard and make it more manageable.

Pan-African Federation of Accountants (PAFA)

It is our view that, while the requirements are short and understandable, the volume of application material to the requirements seems disproportionate. We are concerned the high volume of the application material may create difficulties for auditors in identifying what is important thus resulting in it failing to meet its intended purpose.

Q03 - Neither agree nor disagree

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

Although it is useful to have broad principles in the auditing standards that apply to a variety of circumstances, particularly given that auditors are using a greater variety of sources of information in their audits, we also believe that having prescriptive procedures is also warranted in certain circumstances.

International Organization of Securities Commission (IOSCO)

In addition, while we believe linking to other standards is appropriate (rather than repeating the same requirements in various standards), such linking should be meaningful. As such, we have provided recommendations where we believe there are opportunities for improvements in this area.

Considering the importance of audit evidence in the execution of high quality audits, we are supportive of the IAASB's approach to retain the principles-based approach. While we acknowledge the Board's effort in providing additional guidance and examples in the "Application and Other Explanatory Material", we believe further guidance and examples are fundamental in supporting a clear understanding of the principles-based requirements. We elaborate on this in more detail below.

4. Accounting Firms

Mazars (MZ)

As with other recent changes to the auditing standards, the extent of application material is longer than previous versions with 91 application material paragraphs for a standard with only 14 requirements; however, we do note that the application material does include useful information/examples.

As expressed elsewhere, we are concerned about regulator interpretations, and it is not unusual for regulators to assess application material as equivalent to requirements in the standards. For example, in this instance, despite the guidance in para. A40, we are concerned that some regulators might interpret the standard to require documentation of all attributes for audit evidence, including assessment of those that are not relevant. Further guidance may be necessary to clarify whether documentation is necessary to support why the other (or certain other) attributes were not considered to be applicable in the circumstances. Consider the example: Based on the exercise of professional judgment (para. A53), the auditor considers that three attributes (e.g., accuracy, completeness and bias) are applicable in the circumstances in meeting the intended purpose of the audit procedure. The questions that arise include:

Is there an expectation for the auditor to document why other or certain other attributes were not deemed applicable in the circumstances? We don't believe the guidance in para. A40 addresses this question.

In the same example, if the auditor identified fraud indicators during the audit, is there an expectation that the "authenticity" attribute is always applicable in the circumstances?

Also see our comments elsewhere for suggestions in relation to the application material.

6. Member Bodies and Other Professional Organizations

Institute of Chartered Accountants in England and Wales (ICAEW)

The proportion of application material compared to the requirement has increased from the extant ISA, however the application material does include useful interpretations and examples. Please see paragraphs

17, 20, 21 and 25 for specific suggestions on the inclusion and exclusion of items within the requirements and application material.

The Malta Institute of Accountants (TMIA)

The application material gives guidance and examples of how the auditor should address the requirements. One might consider including examples related to the use of technology as part of the audit evidence.

Q03 - No specific comments

4. Accounting Firms

Crowe LLP (CROWE LLP)

6. Member Bodies and Other Professional Organizations

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

We limit our comments to the questions for which we are of the view that the extant research literature may meaningfully contribute. Specifically, we comment on Questions 1, 2, 5, 6, 9, 10 and 11.

Institute of Internal Auditors (IIA)

Institute of Singapore Chartered Accountants (ISCA)

7. Individuals and Others

Shuichiro Tsumagari (ST)

Thomson Reuters (TR)