

Audit Evidence – Question 6

6. Do you support the revised definition of audit evidence? In particular, do you agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it?

Q06 - Agree**2. Regulators and Audit Oversight Authorities****Botswana Accountancy Oversight Authority (BAOA)**

Yes, we support the revised definition of audit evidence, and we agree with the “input-output model” that information becomes audit evidence only after audit procedures are applied to it. The input also includes evaluating the relevance and reliability of information intended to be used as audit evidence. The output of this will be the audit evidence on which the Auditor will provide an opinion.

3. National Audit Standard Setters**Australian Auditing and Assurance Standards Board (AUASB)**

The AUASB support the revised definition of audit evidence as reflected as an “input-output model” to which audit evidence is derived, as an acknowledgement of the process rather than just the output.

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

6. We agree with the concept of evidence included in section 8 (b). In this sense, section 10 that establishes the mandatory nature of the evaluation of the information that will be used as evidence and its references to the Application Guide, make up a harmonious whole in reference to this definition.

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

We support the revised definition of audit evidence for the following reasons:

The definition is more principles-based in that it no longer seeks to cover the various sources of evidence.

The definition clarifies that information is not considered to be audit evidence unless audit procedures have been applied to the information, in particular, procedures with respect to evaluating the relevance and reliability of that information for the intended purpose of the audit procedures. This ensures that no information is drawn upon as audit evidence that has not been subject to such an evaluation, which thereby prevents information from being audit evidence when it is not sufficiently relevant and reliable.

It supports the input-output model of information to be used as audit evidence being converted into the output of audit evidence.

The wording that such information is used to draw conclusions that form the basis for the auditor's opinion and report is more precise than the wording about arriving at conclusions upon which the audit opinion is based in current ISA 500.

For the reasons noted above, we also agree with the input-output model that information can become audit evidence only after audit procedures have been applied to it.

Japanese Institute of Certified Public Accountants (JICPA)

Yes.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

We support the revised definition of audit evidence and agree with the input-output model. Stakeholders consulted agree with the change of the audit evidence definition and the input-output model

Public Accountants and Auditors Board Zimbabwe (PAAB)

PAAB agrees with the input-output model on audit evidence in the sense that for the correct audit evidence to be utilized on audit engagements the auditor before using it must first verify that it is authentic.

4. Accounting Firms

Baker Tilly International (BTI)

We agree with the revised definition of audit evidence, including the concept that “information” comprises both that provided by the entity and that obtained externally. We agree that information becomes audit evidence after audit procedures are applied to it.

Ernst & Young Global Limited (EY)

Yes, we support the revised definition of audit evidence. We agree that only information to which audit procedures are applied can become audit evidence (i.e., “input-output model”).

PKF International Limited (PKF)

We agree and support the new definition and the ‘input-output model’.

5. Public Sector Organizations

Office of the Auditor General of Canada (OAG)

Yes, we agree with the revised definition of audit evidence. We also agree with the input-output model.

Provincial Auditor of Saskatchewan (PAS)

Yes, we support the revised definition of audit evidence and agree that information is only audit evidence after audit procedures are applied to it. This is an important change.

Swedish National Audit Office (SNAO)

Yes.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

We agree with the input-output model suggesting that information can become audit evidence after being subject to auditor’s evaluation of its reliability and relevance.

Yes, we agree with the theoretical definition of audit evidence and the input-output model as prescribed in the ED-ISA 500. We also support treating information produced by the entity generally in the same way as other types of information intended to be used as audit evidence.

Botswana Institute of Chartered Accountants (BICA)

We support the revised definition of audit evidence, as it will improve the efficacy of Audit Evidence. While the definition may seem to prescribe what is being practiced, it actually makes it clear that audit procedures are key to qualification as audit evidence.

Chamber of Auditors of the Czech Republic (CA CR)

Yes.

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

Yes, we support the revised definition of audit evidence and agree with the input-output model that information can become audit evidence only after procedures are applied to it.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We support the revised definition audit evidence.

We agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it.

Federation of Accounting Professions of Thailand (FAPT)

Yes, the “input-output model” makes the nature of overall audit evidence clearer for users of the financial statements.

IFAC SMP Advisory Group (SMPAG)

We support the fact that ISA 500 (Revised) should apply to all information intended to be used as audit evidence, irrespective of its source. We also agree with the clarification that not all information is itself audit evidence. It is therefore important that the auditor’s working papers make clear which information recorded by the auditor is intended to be used as audit evidence and has been subject to audit procedures, but it should not lead to additional documentation than would already be expected to be the case.

We support the revised definition audit evidence. We agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it.

Institute of Certified Public Accountants of Uganda (ICPAU)

As indicated in the survey report below, we support the revised definition of audit evidence as it’s the performance of the audit procedures that makes the information useful to an audit engagement and thus worth being labelled as audit evidence, for example mere acquisition of a bank confirmation in itself does not qualify it as audit evidence until specific audit procedures are performed on it. Even oral representations would require to be corroborated with some sort of audit procedures before being considered as audit evidence. Therefore, we agree that information qualifies as audit evidence when audit procedures are performed on it that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report.

Institute of Chartered Accountants of Nigeria (ICAN)

Yes, we support the revised definition of audit evidence. Particularly, the “input-output model” which requires that information can only become audit evidence after audit procedures are applied to it by the auditor.

Institute of Chartered Accountants of Scotland (ICAS)

Yes, we are supportive of the revised definition of audit evidence.

Korean Institute of Certified Public Accountants (KICPA)

We support the revised definition of audit evidence, in particular the “input-output model” that information can become audit evidence only after audit procedures are applied to it.

Malaysian Institute of Accountants (MIA)

We support the revised definition of audit evidence. It clarifies that audit procedures must be performed on the information/inputs which are to be used as audit evidence. Information/inputs without the application of audit procedures remain as management assertions that are not tested/evaluated.

Malaysian Institute of Certified Public Accountants (MICPA)

We support the revised definition of audit evidence using the “input-output model”.

Pan-African Federation of Accountants (PAFA)

Yes, we support the revised definition audit evidence. We agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it.

South African Institute of Chartered Accountants (SAICA)

The ED-500 updated definition of audit evidence is: Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report.

ED-500 requires that information (i.e., the “input”) needs to be subject to audit procedures to become audit evidence (i.e., the “output”). The application material explains the concept of information intended to be used as audit evidence.

ED-500 includes a principles-based requirement to evaluate the relevance and reliability of information intended to be used as audit evidence while applying professional judgement on the applicability of the proposed attributes.

The revised definition provides a clear understanding of when information can be regarded as audit evidence and when it can be considered as part of an audit conclusion. We therefore support the definition and agree with the “input/output model”.

The proposed revisions should encourage a more active consideration by auditors about the information they intend to use as audit evidence and whether appropriate procedures were performed to the information before using it as audit evidence.

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.

Q06 - Agree with comments

2. Regulators and Audit Oversight Authorities

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

Yes, the model clarifies that auditors must subject the information they intend to use as audit evidence to audit procedures. However, we urge caution regarding how this requirement interacts with the new stand-back requirement in paragraph 13 of ED-500. Please refer to our comments in paragraphs 28-29 for further clarification.

3. National Audit Standard Setters

American Institute of Certified Public Accountants (AICPA)

As noted above, we generally agree with this approach but believe there to be circularity in terms of how the phrase “audit evidence” is defined and used in certain requirements. Our approach in developing SAS No. 142 used a similar concept, but recognized that there may not always be a discrete step between the input of information and the output of audit evidence. Rather, the information itself may be evidence, the relevance and reliability of which is evaluated in accordance with the standard itself.

SAS No. 142 explains that the nature and extent of procedures that may be required to turn information intended to be used as audit evidence into audit evidence will often vary depending on the source of the information and may range from simple to extensive audit procedures. Furthermore, the procedures that may be required to evaluate the relevance and reliability of information intended to be used as audit evidence in accordance with proposed paragraphs 9 and 10 may be the same procedures that turn that information into actual audit evidence that is then evaluated in proposed paragraph 13. Said another way, the procedures performed over the information intended to be used as audit evidence and ultimately what may become audit evidence is intertwined and may overlap. The proposed requirements do not acknowledge this overlap and therefore may cause confusion when applied. For example, when the information is a document, such as a contract, and the audit procedure to be applied is to inspect the document, it is not clear whether additional procedures are expected to be performed on the document to make it appropriate to use the information as audit evidence. In practice, additional procedures are likely performed to evaluate how the company has accounted for the contract, and so a prescriptive focus on the relevance and reliability of a single piece of information may not be necessary.

Accordingly, we believe it is necessary to revisit certain definitions and the overarching requirement in paragraph 9 to address this circularity and ensure the final standard is appropriately principles-based. Doing so will also better enable the final standard to be able to adapt to the increasing use of technology by management and the auditor. For example, the Appendix of the proposed ISA includes a section entitled “Types of Audit Procedures,” listing inspection, observation, confirmation, recalculation, analytical procedures, and inquiry. While we agree that all information intended to be used as audit evidence should be evaluated in order for it to become audit evidence, we believe there may be procedures an auditor could perform to effectively evaluate that information that may not fit neatly into the types of audit procedures listed in the Appendix of the proposed ISA.

We suggest the following:

Simplify the definition of audit evidence:

Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report.

Note: we suggest deleting “and report” for the sake of consistency within ED-500, as all other references are to the auditor’s opinion only.

Add application material to the definition:

“Audit evidence is information to which audit procedures have been applied and consists of information that corroborates or contradicts assertions in the financial statements.”

Clarify paragraph 1 to state:

“This ISA deals with the auditor’s responsibilities relating to audit evidence when designing and performing audit procedures. Such responsibilities include performing procedures to evaluate the relevance and reliability of information intended to be used as audit evidence and evaluating the audit evidence obtained.

Audit Evidence and the concept of “information intended to be used as audit evidence” (see question 6)

As noted in the Explanatory Memorandum, the proposed standard sets out a framework whereby information (the “input”) does not become audit evidence until audit procedures are applied to it (the “output”). We generally agree with this approach but perceive there to be circularity in terms of how the phrase “audit evidence” is defined and used in certain requirements. There may be instances where the only audit procedure necessary to apply to the information are the procedures required by this exposure draft (that is, procedures performed to evaluate the information for relevance and reliability). In such circumstances, the relationship between the requirements in paragraph 9 and 10 and the requirement in paragraph 13 is not sufficiently clear.

Canadian Auditing and Assurance Standards Board (AASB)

Other significant comment

First-time implementation guidance on proposed definition of audit evidence

We support the definition of “audit evidence” as “information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report.” However, as discussed in our response to question 6, during our outreach, we received several inquiries about:

the application of the proposed definition to contradictory information coming to the auditor’s attention; and
the extent of audit procedures required for information to become audit evidence.

Overall, we believe the IAASB has considered the issues noted during its drafting of the definition and has provided appropriate principles-based guidance in ED-500. We are comfortable with the proposed definition. However, these inquiries indicate that further clarity is needed, and this topic should be considered for first-time implementation guidance. The issues noted may be best addressed by providing a plain language explanation in the first-time implementation guidance issued with the final standard.

Audit Evidence definition and input/output model

We support the ‘input/output’ model used to define “audit evidence”. However, during our outreach, several issues were raised which we believe could be addressed through the IAASB’s first-time implementation guidance. These issues included:

Whether auditors will consider ‘contradictory information coming to their attention’ as audit evidence because they have not performed audit procedures on it; and

The definition may lead to a more onerous interpretation of the work required to “perform audit procedures” for the information to become audit evidence. In some cases, all that may be required is evaluating the independence of the source of the information for the auditor to use it as audit evidence.

We believe the IAASB has considered the issues, mentioned above, during its drafting of the definition. As such, we support developing first-time implementation guidance to provide further explanation of how the definition is applied in different scenarios, in particular, to the audit circumstances outlined above.

Revision to paragraph A2

It is not clear whether the auditor’s evaluation of relevance and reliability is considered “other audit procedures”. While paragraph A2 states what are “audit procedures” under the standard, and paragraph A38 provides further examples, such examples do not provide this clarity. We recommend this example be added to paragraph A2, as follows:

A2. 3rd bullet:

Other audit procedures that are performed to comply with the ISAs. For example, the auditor’s evaluation of the relevance and reliability of information intended to be used as audit evidence in accordance with this standard or evidence obtained from the acceptance or continuance of the client relationship or engagement.

Add a definition for “automated tools and techniques”

As noted in the Overall Comments (section A), we believe a definition for “automated tools and techniques” should be added to ED-500. Currently, this term is used in application material in ED-500 and in other ISAs. However, the term is not defined in the Handbook. To promote a consistent understanding of this term, especially if the IAASB agrees to add a new requirement that refers to this term, a definition is needed.

The definition could be based on the description contained on the IAASB’s Technology Focus page. It provides clarity on what automated tools and techniques are but also remains flexible as technology evolves. It states:

“What are Automated Tools and Techniques?”

Automated tools and techniques is a broad term describing the tools and techniques used by auditors in performing audit procedures. The term is deliberately broad because technologies and related audit applications will continue to evolve, such as artificial intelligence applications, robotics automation processes and others.”

If the term is not defined in the standard, at a minimum, the term should be described in the first application material paragraph where it is used.

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

We support the revised definition of audit evidence.

However, we note that there is no definition of “information” in the definition of audit evidence, even though this term is widely used in the requirements and application material in ED-500.

Furthermore, there is a less clear distinction between the extant concept of “information produced by the entity” and the other types of information.

In practice, very often, it is the audit procedure applied to the information that allows the auditor to evaluate the relevance and the reliability of the information. The evaluation of relevance and reliability is therefore not a separate exercise from the audit procedures applied to the information itself.

Moreover, we believe that in certain cases the evaluation of relevance and reliability does not need to be documented because it is not questionable. The standard does not clearly delineate where this documentation is not needed.

Hong Kong Institute of Certified Public Accountants (HKICPA)

For our comments to the “input-output model”, please refer to our responses in Question 1.

Among the stakeholders comments we received, some suggest to clarify the definition of audit evidence stating that audit evidence is used by auditors to make decisions throughout the audit process and draw conclusion. Others suggest the definition to reflect the requirement of ED-500 that audit evidence is information to which the auditor has evaluated their relevance and reliability and uses them for drawing conclusions that forms the basis for the auditor’s opinion and report.

We understand that it might be the IAASB’s intention to keep the definition compact to avoid it being overly complex and having other unintended consequences. Therefore, we would leave our stakeholders’ comment for the IAASB to consider.

Overall, we agree with the principles-based reference framework of ED-500, i.e., information (the “input”) needs to be subject to audit procedures to become audit evidence (the “output”). This framework applies to all audits without exception. It effectively strengthens the extant ISA 500, which requires the auditor to “consider” the relevance and reliability of information, while ED-500 makes it a requirement to evaluate the relevance and reliability of information intended to be used as audit evidence. We believe the framework has the potential to drive auditors to undertake a thorough thought process in identifying and assessing information intended to be used as audit evidence, thereby enhancing their judgments about audit evidence throughout the audit and enhance quality in audit engagements.

However, some of our stakeholders are conscious about the practical difficulty in applying the framework. For instance, one of the examples in paragraph A50 explains that if the information comes from a highly reputable external information source, such as a central bank of the jurisdiction, the auditor’s work effort in considering the reliability of the information may not be extensive.

In practice, for an external information published by the government or a government agency (e.g., the GDP growth rate of a certain country) without alternative source, it might be difficult for auditors to apply any concrete audit procedures to assess its attributes of reliability under paragraph A56; it is likely that the auditor could only evaluate its reliability using professional judgment. Accordingly, we seek clarification from the IAASB that

whether information in circumstances as such could be qualified as audit evidence, i.e., no concrete audit procedures but professional judgment is applied.

4. Accounting Firms

BDO International (BDO)

We support the revised definition of audit evidence and agree with the “input-output model”. The previous definition with its reference to “accounting records underlying the financial statements” and its lack of focus on auditor activities that make the information of value to the audit (i.e., performance of some type of audit procedures) appeared outdated.

The “input-output” model articulated by the IAASB in ED-500 provides for more insight into the nature of the audit evidence and, as audit procedures can be performed during the planning, execution and completion phases of the audit, it appears to align itself more closely to the workflow of an engagement. Inclusion of the definition through to the ‘report’ is also welcome.

Taken together, the IAASB’s approach further encourages auditors to consider audit evidence obtained at all stages of the audit which can lead to an appropriate mindset (particularly when inconsistent information is identified). One of the challenges of auditing in the current environment is the surplus of data and informational sources (including concerns about the validity of those sources). By making it clear that information is audit evidence “...only after audit procedures are applied to it...” some clarity is provided to auditors as to the subset of information that is intended to be used as audit evidence.

However, further guidance to define what constitutes an audit procedure in the context of applying audit procedures to information intended to be used as audit evidence, and the extent of audit procedures needed for information to become audit evidence, would be helpful to assist the auditors in drawing conclusions about whether sufficient appropriate audit evidence has been obtained. For instance, it would be helpful to provide examples to illustrate circumstance where multiple audit procedures are required to ensure sufficient appropriate audit evidence has been obtained in respect of an assertion, while in other circumstances, only one audit procedure may be adequate.

Crowe Global (CROWE)

We agree with the revised definition of “audit evidence”. However, we believe that there is a potential unintended consequence of stating that “information can become audit evidence only after audit procedures are applied to it” of a perception that the auditor has to apply audit procedures as described in the Appendix of the Proposed Standard, in order to satisfy this requirement. Our concern is increased by the content in Paragraph A34, which states “information can become audit evidence only after audit procedures are applied to it, including evaluating its relevance and reliability.” In many cases, we believe that procedures performed to evaluate the relevance and reliability of information obtained can alone be sufficient to turn it into audit evidence without applying additional audit procedures. Our recommendation is to instead utilise language requiring the auditor to “evaluate the information, taking into account the relevance and reliability, including its source, as necessary in the circumstances.”

Crowe LLP (CROWE LLP)

A: We conceptually agree with the “input-output model,” in that something must be done to information obtained in order to utilize that information as audit evidence. However, we believe that there is a potential unintended consequence of stating that “information can become audit evidence only after audit procedures are applied to it” of a perception that the auditor has to apply audit procedures as described in the Appendix of the Proposed Standard, in order to satisfy this requirement. Our concern is increased by the content in Paragraph A34, which states “information can become audit evidence only after audit procedures are applied to it, including evaluating its relevance and reliability.” In many cases, we believe that procedures performed to evaluate the relevance and reliability of information obtained can alone be sufficient to turn it into audit evidence without applying additional audit procedures. Our recommendation is to instead utilize language requiring the auditor to “evaluate the information, taking into account the relevance and reliability, including its source, as necessary in the circumstances.”

Deloitte Touche Tohmatsu Limited (DTTL)

DTTL agrees with the “input-output model” concept. However, we recommend the Board include additional application material that acknowledges that “the audit procedures that an auditor may apply” lie within a spectrum of alternatives and, therefore, should be scalable to calibrate the magnitude of the procedure in the context of the circumstances, including the nature and source of the information. Further, although the Appendix to ED-500 does not presume to be an exhaustive list of all audit procedures, it does not contemplate audit procedures that are simpler and yet adequate. For example, in certain circumstances, “consideration of relevance and reliability” may be sufficient procedures performed on information to become audit evidence. Further, DTTL recommends the application material acknowledge that the absence of information may also constitute audit evidence.

As a result, DTTL recommends that the definition of audit evidence in paragraph 7(b) include a reference to additional application material which could include the following:

AXX. The nature of the audit procedures that the auditor performs on information in order to use it as audit evidence may range from simple to extensive audit procedures. In some circumstances, such as the use of external information, the auditor’s procedures to evaluate that information would be largely focused on the relevance and reliability of the information, including the credibility of the source providing the information. In other circumstances, such as the use of information prepared by the entity, more extensive audit procedures, including tests of internal control, may be necessary to evaluate the accuracy and completeness of the information. In yet other circumstances, the absence of information may be used by the auditor as audit evidence and, accordingly, the auditor may perform procedures designed to identify whether such information existed.

DTTL observed that the Board has proposed to remove the penultimate sentence of paragraph A30 of ISA 200. Consistent with our text recommended above, related to the auditor’s consideration of the absence of information as audit evidence, we request the Board reconsider such deletion from ISA 200.

However, several of the key views expressed by the Board in the Significant Matters section of the Explanatory Memo are not fully embodied in the language of the requirements or application material and DTTL believes their inclusion could further enhance the standard, including the following key views (see the Appendix for our specific recommendations for enhancements):

Within paragraph 42 of Section 2-G of Significant Matters in the Explanatory Memo, the Board expresses their intent that the requirement within paragraph 9 reflect a “principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).” Further, within paragraphs 47 and 48 of Section 2-G, the Board emphasizes that the attributes of relevance and reliability in ED-500 are “not intended to be used as a checklist” and “not require the auditor to document the consideration of every attribute of relevance and reliability of information.” However, DTTL believes that the proposed standard should be revised to make these intensions clear and has proposed revisions in our answers to questions 6, 8, and 9 included in the Appendix.

Mazars (MZ)

We support the “input-output”, although it is not clear how it will be applied practically, and how it is scalable for smaller and less complex audits.

Although the term “information” is widely used in the requirements and application material in this ED, it not clearly defined. Further clarity is certainly also required about the meaning of the term “data” in the context of the definition of audit evidence, and whether it has the same meaning as information. The term “data” is

used approximately 16 times in ED-500, is also pervasive throughout the ISAs, including ISA 540 and ISA 520. Further clarity is thus required to assist auditors in assessing for which information / audit evidence they are required to assess the relevant attributes. This is particularly important as the requirements of paragraph 9 may lead to onerous documentation requirements, particularly in some jurisdictions depending upon regulatory interpretation.

The definition of “accounting records” in ISA 315 (Revised 2019), although not new, may cause some difficulty in the context of the proposed revisions to IED–500 where “accounting records” are mentioned as an example of “information” subject to relevance and reliability procedures. Given the use of accounting records is wide, there are concerns about the extent of work expected to evaluate relevance and reliability on some of these accounting records before using them as audit evidence.

Mo Chartered Accountants (MCA)

The revised “audit evidence” definition is more definitive on the purpose of the information but fundamentally is no different from the previous definition. Notwithstanding we support the proposed more concise definition which informs that information needs to be subject to audit procedures to take the form of audit evidence.

The input-output model does adequately reflect the starting point of audit evidence up to the point where it crystallises to come up and form the body of actual audit evidence necessary in producing a quality and correct audit opinion.

PriceWaterhouseCoopers (PwC)

We agree with the concept of the “input-output” model (audit evidence is information to which audit procedures have been applied) and, in principle, therefore support the proposed revised definition. It is, however, quite a conceptual definition and we suggest that some additional application material may be useful, which could emphasise that it is the outcome of applying audit procedures to underlying information that results in audit evidence, and that the nature, timing and extent of such procedures varies based on the source of the information and nature of the audit evidence to be derived from such information.

It would also be useful to explicitly state up front that such procedures include procedures undertaken by the auditor to evaluate the relevance and reliability of such information and, when applicable, further audit procedures to “test” such information. Depending on the nature of the information, the only procedures the auditor may need to perform to obtain audit evidence may be those necessary to evaluate the relevance and reliability of the information, for example, agreeing assumptions used by management to publicly available data published by a recognised authoritative external source. Elevating paragraph A34 and supplementing this with the matters we describe could achieve this purpose.

While we support the proposed definition, there is an inherent circularity flaw (infinite loop) in requiring, as set out in paragraph 9, audit evidence to be obtained about information intended to be used as audit evidence. We address this matter in our response to question 9, explaining our views on paragraph 9.

RSM International Limited (RSM)

Yes, we support the revised definition of audit evidence and agree with the “input-output” model.

However, it is unclear as to what is meant by “audit procedures” in this context. For example, if the auditor receives responses to an inquiry of management, what audit procedures should be applied to that information, other than evaluating its relevance and reliability ?

Does “audit procedures” incorporate the evaluation of relevance and reliability? If so, then we support it. However, it should be clarified in the definition.

5. Public Sector Organizations

U.S. Government Accountability Office (GAO)

We support the revised definition of audit evidence. We believe the level of work required to transform information into audit evidence is unclear as to what level of procedures will have to be performed to transform information obtained from a client into audit evidence. We also believe clarifying the definition of audit evidence as noted below will help improve auditors' determination of what constitutes audit evidence.

7. (b) Audit evidence – Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor's opinion and report.

6. Member Bodies and Other Professional Organizations

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

needs to more explicitly address threats to audit quality from the overconfidence bias that may be evident when applying the input – output model (see our response to Question 6),

We support the revised definition of audit evidence and the input-output model, but believe that improvements in the application material are necessary to highlight and minimise threats to audit quality from overconfidence bias.

As noted in our response to Question 5, research findings support the increased focus on process implied in the input – output model (Bell et al. 2005; Grenier 2016; Harding and Trotman 2017). While we support the revised definition of audit evidence, we also caution that unintended biases may need to be addressed in the application and other explanatory material.

The revised definition of audit evidence requires the auditor to be more actively involved in the creation of audit evidence in that they must perform procedures on the information in order for evidence to be generated. This increased involvement in the generation of audit evidence, may give rise to biased interpretation of that evidence.

Research (e.g., Smith et al. 2016; Kachelmeier and Rimkus 2022) highlights that auditors who chose to acquire information rather than have it supplied to them weigh that evidence more heavily and are more confident in their judgments. The increased and explicit involvement in transforming information into evidence, therefore, may lead to a biased interpretation of that evidence.

As we note in our response to Question 2, we are concerned that overconfidence bias has not been acknowledged in paragraph A19 and we again encourage the IAASB to consider including overconfidence bias in the discussion on biases. This would facilitate a reference back to overconfidence bias in the application and other explanatory material relating to paragraph 13 (i.e., Evaluating the Audit Evidence Obtained).

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

The input-output models together with the stand back approach will lead to an increased reliability of the audit work, but also to a greater amount of work for both the auditor and the audited entity, besides higher risks of objections to the work carried out, raised by authorities, regulators and judicial bodies.

Yes, we do, but only partially, since we have some doubts about the model. It is undeniable that it enhances the reliability of the audit evidence, but there is need to pay attention to the fact that the auditor does not have enforcing power in obtaining the information and testing it using other procedures. In addition, the input-output model could lead to a greater responsibility assigned to the auditor in obtaining audit evidence

and to the risk of objection raised by authorities, regulators, and judicial bodies. In addition, the model will require the employment of more resources both for the auditor and the audited entities and management representations may lose “weight” and value.

Finally, useful illustrations could be provided with reference to the circumstances in which there is no need to document the evaluation of the relevance and reliability of the audit evidence since it is unquestionable.

CPA Australia (CPAA)

Generally, we are supportive of the revised definition of audit evidence, and we believe the revised definition is an improvement over the extant definition. However, some of our stakeholders have expressed concern to us that the revised definition has a simplistic focus on the ‘input-output’ model, i.e., audit procedures are applied to information (the input) to arrive at conclusions (the output). We observe that gathering audit evidence is not just about undertaking audit procedures over information. For a more comprehensive definition of audit evidence, we recommend that the IAASB should expand on the definition to align it more clearly with the role of audit evidence as part of the audit process. This would include:

obtaining appropriate (relevant and reliable) information where information could include corroborating and/or contradictory information

applying effective audit procedures to the information obtained

evaluating the sufficiency of audit evidence in order for the auditor to draw conclusions that form the basis for the auditor’s opinion and report.

Institute of Chartered Accountants in England and Wales (ICAEW)

There is inherent circularity within paragraph 10 whereby in evaluating the relevance and reliability of information, the auditor is required to obtain audit evidence, but evidence is defined as information to which auditors apply audit procedures to. In order to close this loop we suggest updating paragraph 10 to state that ‘the auditor shall evaluate the accuracy and completeness of the information’.

Yes, we agree in principle with the ‘input-output model’ however, clarification is required on the definition of audit evidence to outline the scope of information for which relevant attributes would need to be considered, in accordance with the requirements. These would set out that only information, which is initially planned to be used as audit evidence, will be considered, and not all information that might theoretically exist.

Clarifying the scope of information, as referenced in the definition, will help to address concerns about potentially excessive documentation when complying with paragraph 9. These concerns have been discussed further in our response to question 8 below.

Instituto de Auditoria Independente do Brasil (IBRACON)

Yes, as the previous definition was obsolete. Regarding information in paragraph 7, the audit procedures that the auditor applies to information as audit evidence can vary from simple to extensive. For external information, the auditor mainly evaluates its relevance and reliability, including the source’s credibility. For information prepared by the entity, the auditor may need more extensive audit procedures, such as tests of internal control, to assess its accuracy and completeness. In some cases, the lack of information can also be audit evidence and the auditor may try to find out if such information existed.

Instituto Mexicano de Contadores Publicos (IMCP)

Yes, the approach that any information becomes audit evidence after applying audit procedures is appropriate.

We consider that the concepts of input and output should be explained in more detail in a guidance or explanatory material for the first year of implementation, so that it can be used as support and training material.

Nordic Federation of Public Accountants (NRF)

Yes, we support the revised definition of audit evidence and the “input-output model”.

However, we notice that with the new definition there will be even more emphasis on applying audit procedures. Paragraph A2 deals with audit procedures but that paragraph also includes references to “further” audit procedures and “other” audit procedures. Given the importance of the term, we recommend the IAASB to consider how to clarify - or even define - the term.

The Malta Institute of Accountants (TMIA)

We agree with the principle that audit evidence results from performing procedures (for example performing procedures on listings provided by the client or system generated reports).

However, clarity may be needed that certain sources of information, such as contractual agreements or external confirmations, are still subject to audit procedures for them to result in audit evidence, even if such procedures are limited to reading and reflecting on the information.

7. Individuals and Others

Thomson Reuters (TR)

We agree generally with the “input-output model” that information can become audit evidence only after audit procedures are applied to it. However, the nature of such audit procedures may need to be clarified for situations in which external audit evidence is obtained through “third party web-based platforms” or other “service providers.”

For example, such audit procedures would generally include steps necessary to ensure that the information is obtained through a process that is secure and properly controlled, as described with regard to confirmation procedures in paragraph A12 of ISA 505. It may also be beneficial for the IAASB to further define what such procedures should entail, along the lines of the guidance provided in the March 2022 PCAOB Spotlight Publication: Observations and Reminders on the Use of a Service Provider in the

Confirmation Process. (We recognize that the information referred to here is specific to confirmation procedures, whereas ISA 500 is much broader than just confirmation. These references are provided only to serve as tangible examples which may be relevant to other external information sources.)

Thomson Reuters Confirmation® maintains robust and industry-standard security controls to protect customer, company and confirming party data. Confirmation® undergoes annual SOC 1, SOC 2 and ISO 27001 examinations using premiere service providers, and controls are documented accordingly.

Q06 - Disagree

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

Definitions

While we generally agree that information becomes audit evidence once audit procedures have been applied, we believe that the definition should not be limited only to information to which audit procedures have been applied as we believe there are instances where certain information obtained, or lack of

information obtained, may be used by the auditor to draw conclusions. We also recommend the Board consider adding the concept that audit evidence consists of information that corroborates or contradicts assertions in the financial statements, to the definition of audit evidence as we believe this addition will further reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence.

Paragraphs A1 and A2 – We recommend updating the wording in these two paragraphs to more closely align to the wording in paragraph 1 as the current wording is inconsistent with the definition.

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Definitions

17. The definition of audit evidence should emphasise that it relates to all information, irrespective of the source. Although this is well explained in the explanatory memorandum and in the application material, we think this clarification is too important to be only included in the application material.

18. We believe paragraphs A1 and A2 of the ED are not fully consistent with the definition of audit evidence. Indeed, while paragraphs A1 and A2 of the ED state that audit evidence is “primarily obtained from audit procedures” or “obtained through designing and performing audit procedures”, the definition of audit evidence clearly talks about information to which audit procedures have been applied.

Financial Reporting Council (FRC)

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

We understand the logic underpinning the revised definition of audit evidence but are concerned that in some instances the application of the “input/output model” (that information can become audit evidence only after audit procedures are applied to it) could lead to an overly contrived approach to considering information. The new definition appears to encourage a mechanical, process driven approach to audit evidence rather than the application of professional judgement as to what does and does not constitute audit evidence. There is also a lack of clarity as to what does and does not constitute an “audit procedure” - for example there is no clarity on what could fall within “other audit procedures” in the third bullet point of paragraph A2, which by implication must be something other than described in the previous bullet points.

The addition of “to which audit procedures have been applied” appears to be intended to confirm explicitly that the auditor is doing something with or to information before it becomes audit evidence. However, absent any consideration of the effectiveness of the procedures and the outcome of them it potentially does not add anything of substance to the definition.

We suggest that the IAASB retains the current definition of audit evidence – information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based - and moves some of the new material on applying audit procedures to application material to aid auditors in considering audit procedures in more complex situations, where the type of audit procedure being applied is less obvious or requires greater judgement. Without this change, we are concerned that the revised text will not effectively meet UK regulatory requirements.

Whilst we understand the logic underpinning the revised definition of audit evidence, we are concerned that in some instances the application of the “input/output model”, whereby information can become audit evidence only after audit procedures are applied to it, could lead to an overly contrived approach to considering information and subsequent documentation. The new definition appears to encourage a

mechanical, process driven approach to audit evidence rather than the application of professional judgement, and we strongly suggest the IAASB retains the current definition. Without this change, we are concerned that the revised text will not effectively meet UK regulatory requirements.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Definitions

The definition of audit evidence should state that it relates to all information, irrespective of the source. While this is explained in both the explanatory memorandum and application material, this point is too important to only be in the application material.

The language in paragraphs A1 and A2 of the ED is not fully consistent with the definition of audit evidence. While paragraphs A1 and A2 of the ED state that audit evidence is “primarily obtained from audit procedures” or “obtained through designing and performing audit procedures”, the definition of audit evidence in paragraph 7 is “information to which audit procedures have been applied”.

3. National Audit Standard Setters

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

The definition of audit evidence is very theoretical, and we do not support the input-output model.

We believe that there are examples for information that can be used as audit evidence without applying additional audit procedure (e.g., for the investigation of differences from the substantive analytical procedures over payroll expense the auditor is obtaining employment contracts to corroborate the explanation of management. We believe that we do not need additional audit procedures over the employment contracts).

The new definition is too narrow and could prevent the auditor to use certain information as audit evidence. The definition if extant ISA 500 is more appropriate and understandable.

Royal Dutch Institute of Chartered Accountants (NBA)

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

The NBA is concerned about the revised definition of audit evidence, including the “input-output model” and the notion that information can only become audit evidence after audit procedures have been applied to it. The NBA emphasizes that this distinction is very theoretical, and may create challenges for auditors in its practical implementation. The NBA observes that the entry point of ‘information’ has not been defined, and that the standard lacks a requirement setting out the necessary procedure to elevate information to audit evidence. As an example, the NBA would suggest that a bank statement is relevant audit evidence to support the bank balance, but that bank statement as such is not subject to audit procedures. This would imply, following the definition of audit evidence, that such bank statement can only be considered as information. We strongly urge IAASB to reconsider the approach, and if it is retained, to explain it more clearly.

As noted in our response to question 5, the NBA would suggest to clarify that any information that would be indicative of inconsistencies, should be subjected to audit procedures, thus elevating it to audit evidence, and forming input for the assessments of paragraphs 12, 13, and 14.

Finally, the NBA is highly concerned that the expected level of documentation is not addressed at all in this standard. In certain cases, the evaluation of relevance and reliability is not questionable, and we suggest to explain that in such cases documenting the obvious would not be needed

The NBA is worried about the revised definition of audit evidence, as it seems very theoretical and it may create practical problems and questions. We explain our concern in more detail in our response to question 6.

4. Accounting Firms

Grant Thornton International Limited (GT)

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

The proposed standard sets out a framework whereby information (the “input”) needs to be subject to audit procedures to become audit evidence (the “output”). While this is generally true in an audit, it is not always the case. Audit evidence needs to encompass all information, whether obtained from audit procedures designed and performed by the auditor, or obtained from other sources, and that is used by the auditor in arriving at the conclusions on which the auditor’s opinion is based.

While we generally agree with the fundamental principles of ED-500, we are of the view that the definition of audit evidence combined with the manner in which the requirements are written creates circularity, as well as confusion, which may detract from achieving audit quality. In particular, the manner in which the concept of “information intended to be used as audit evidence” has been introduced distracts from the auditor’s responsibilities to evaluate information and the results of audit procedures to form a conclusion. The focus of the standard has become the information and not audit evidence itself.

For example, as currently drafted, ED-500 implies that the following information would need to be subject to audit procedures to establish its reliability before additional procedures are performed to turn it into audit evidence:

Information obtained to perform risk assessment analytical procedures, such as interim financial information for purposes of performing risk assessment analytical procedures. In this example, the results of the risk assessment analytical procedures provide audit evidence. However, this audit evidence has not been obtained by performing procedures on the interim financial information to turn that information into audit evidence.

All invoices inspected as part of performing a test of details or test of controls. In this example, audit evidence is obtained by inspecting source documents, not by performing procedures on the source documents to turn that information into audit evidence.

Typically, in practice, these audit procedures, to establish relevance and reliability and to turn information intended to be used as audit evidence into audit evidence, would be performed concurrently, i.e., one audit procedure could be designed to achieve two objectives. In this example, audit evidence is obtained by inspecting source documents, not by performing procedures on the source documents to turn that information into audit evidence.

Accordingly, in an audit, information may be used in, and may also be obtained from, performing audit procedures. Such information may be internal (that is, prepared by the entity) or from external information sources. We agree that the auditor needs to take into account the relevance and reliability of such

information and that the attributes facilitate the auditor’s consideration of relevance and reliability. However, the use of the phrase “intended to be” introduces unnecessary complexity in understanding the auditor’s responsibilities based on the various scenarios that may arise. This phrase infers the specific identification of information as well as the separate performance and documentation of procedures related to the relevance and reliability of such information, even though procedures may be performed concurrently to obtain sufficient appropriate audit evidence, as described in paragraph A37 of ED-500. We propose the IAASB eliminate the use of the phrase “intended to be” throughout ED-500.

Further, based on the definition of audit evidence, which indicates that audit evidence is all the information “to which audit procedures” have been applied, we believe the requirement in paragraph 14 of ED-500 might be misapplied in practice. The definition of audit evidence needs to more clearly include both information used by the auditor that is supportive and corroborative as well as contradictory. As currently written, if an auditor receives or obtains certain information but does not to perform procedures on that information to turn it into audit evidence, the requirement in paragraph 14 of ED-500 could be inappropriately viewed as not relevant, even if the information obtained is contradictory to other audit evidence. For example, while performing certain inquiries, the auditor is informed about a suspected fraud by an employee of the entity. This information may result in audit evidence that is consistent with other audit evidence, or it may result in audit evidence that is inconsistent. However, if the auditor does not perform audit procedures on that information, that information will not become audit evidence and the auditor will never make a determination of whether that audit evidence is inconsistent with other audit evidence obtained, therefore the proposed requirement in ED-500 will not be considered by the auditor.

To address the circularity that may be created by the proposed definition of audit evidence, we recommend that the definition be amended based on the description of audit evidence included in the Public Company Accounting Oversight Board (PCAOB)’s Audit Evidence standard as follows:

All the information, whether obtained from audit procedures or other sources to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report. Audit evidence consists of both information that corroborates and contradicts management’s assertions regarding the financial statements.

We do not support the definition of audit evidence in ED-500, as explained in our response to question 1 above. We are of the view that the definition of audit evidence incorrectly focuses on the information intended to be used as audit evidence and consequently this information can only be used in drawing conclusions that form the basis of the auditor’s opinion, if audit procedures are applied to it.

We are also of the view that the meaning of audit procedures will not be interpreted as intended by the standard. We understand that the intention of ED-500 is that an audit procedure can be any action performed by the auditor on information intended to be used as audit evidence. For example, comparing two pieces of information as suggested in paragraph A37. However, as detailed in the appendix to ED-500, the types of audit procedures are typically understood by auditors to be actions such as inspection, observation, confirmation and so on. If the intent of ED-500 is to include any action performed by the auditor as an audit procedure, we recommend that this is clarified, and that consideration is given to enhancing the Appendix to ED-500 in this respect.

KPMG International Limited (KPMG)

We are supportive of the requirements and application material in ED-500 regarding the evaluation of the relevance and reliability of information intended to be used as audit evidence. We consider the changes to be responsive to the significant increase in information available from external sources, as well as the

evolution in technology, and, in general, will provide a more robust framework, that supports a principles-based approach, for the auditor to evaluate the relevance and reliability of information intended to be used as audit evidence. In particular, we welcome the application material addressing the attributes of relevance and reliability, and the examples provided.

Notwithstanding the above, however, we recommend, in our response to Question 6, that the IAASB amend the definition of “audit evidence” to remove the reference to the need to apply “audit procedures”, and instead, place emphasis on the fact that the auditor needs to “evaluate” the information (by appropriately considering the source of the information and applicable attributes), which would be our strongly preferred approach, or, if the IAASB decides to retain the current definition, we would request that the IAASB provide more explicit clarification in the application material to address our concerns (including an example of an audit evidence procedure that could be applied to a response to an inquiry of management to evaluate relevance and reliability) and explicitly acknowledge that the term “audit procedure” is intended to be broader than the audit procedures currently described in ED-500 and other ISAs, i.e. inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry.

Input/Output Model and Definition of Audit Evidence

We recognise the IAASB’s intention in introducing the “input/output model” in respect of audit evidence, wherein “information intended to be used as audit evidence” is the input, which only becomes “audit evidence”, i.e., the output, once the auditor applies audit procedures to it to evaluate its relevance and reliability. We understand the IAASB’s rationale for developing this approach as an important aspect of achieving their stated objective to respond to changes in the information that is being used by auditors, including the nature and source of information, and to ensure that auditors do not use information as audit evidence without having a sufficient basis for doing so. The distinction between information and audit evidence is important, and has become more so over time, given the significant increase in sources of information, especially external sources, and types of information available.

However, whilst we welcome the IAASB’s efforts to make this distinction between information and audit evidence, we have concerns with the revised definition of audit evidence, which reflects the position that information (i.e., the input) needs to be subject to audit procedures to become audit evidence.

Firstly, whilst we agree that all information needs to be evaluated for relevance and reliability, in our view, an auditor does not necessarily need to apply “audit procedures” to information in order to evaluate whether it may be used as audit evidence. For example, when evaluating the relevance and reliability of an oral response to an inquiry of management, the auditor would not need to perform an audit procedure to consider the source of the information. Likewise, the auditor’s consideration of attributes such as credibility and accuracy would likely focus on factors such as, for example, the role and tenure of the individual in the organisation, the consistency of the response with the auditor’s expectations, and the auditor’s experience regarding the historical reliability of responses from that individual. We do not believe these considerations involve applying audit procedures to the information.

Secondly, we are concerned that, as currently drafted, the reference to “audit procedures” may result in confusion as to the work effort required to evaluate the relevance and reliability of audit evidence. Please refer to our response to Question 6, in Appendix 1 to this letter, for further details.

We believe the auditor should consider the source of the information and the attributes of relevance and reliability that are applicable, such as the information’s credibility, authenticity and its susceptibility to bias, and then use their professional judgement to determine what audit procedures, if any, are necessary to satisfy the requirements of paragraph 9 of ED-500. In certain cases, these considerations may not require

audit procedures to be performed, i.e., inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry, which are the audit procedures described in other ISAs, and in the Appendix to ED-500. In other cases, they may require the performance of audit procedures but only to certain aspects of the evaluation (e.g., comparing information to its original source). Further, such considerations may not always be applied to the information itself but may be based on the auditor's understanding from historical experience with the source of the information.

Paragraph 9 of ED-500 and related application material appear to acknowledge this, e.g., paragraph 9 itself only requires the auditor to “consider” and does not make reference to “audit procedures”. We also highlight that we consider paragraph 9 of ED-500 to be broadly equivalent to paragraph 7 of extant ISA 500, which requires the auditor to “consider the relevance and reliability of the information to be used as audit evidence, including information from an external information source”, when designing and performing audit procedures. Our understanding is that the purpose of paragraph 9 of ED-500 (and related application material) is to provide a clearer structure and framework, including the introduction of the attributes of relevance and reliability, for auditors to assist them in making their considerations of the relevance and reliability of the information to be used as audit evidence, but is not intended to establish an incremental work effort, such that “audit procedures” would always be required to be performed in making these considerations.

Paragraph 10 of ED-500 appears to build on the requirement at paragraph 9, in that it explicitly refers to obtaining audit evidence, which would necessitate the performance of audit procedures, only in respect of the specific attributes of accuracy and completeness, as distinct from the other attributes of reliability (or attributes of relevance). We believe that this also indicates, therefore, that audit procedures are not required to be performed in respect of other attributes, otherwise there would be no need to include paragraph 10 as a separate, additional requirement. Further application material also suggests that “audit procedures” are not necessarily required in respect of other attributes.

Given the above, we believe it is critically important that the IAASB provide additional clarification to avoid inconsistent interpretation, which could result in significant inconsistency in work effort and audit documentation.

We recommend, therefore, that the proposed definition be amended to remove the reference to the application of “audit procedures” and instead place emphasis on the fact that the auditor needs to “evaluate” the information (by appropriately considering the source of the information and applicable attributes), i.e. in our view, the requirement as described at paragraph 9, which is focused on such an evaluation through consideration of relevant matters and attributes is fit for purpose and appropriate, and the definition should support and align with this. The application material could then clarify that the auditor exercises professional judgment when determining the nature, timing and extent of audit procedures to evaluate the relevance and reliability of information, and we believe it is important to clarify that only certain aspects of the evaluation may require audit procedures to be performed and, in certain cases, no audit procedures may need to be performed at all.

This would be our strongly preferred approach as we consider this would be clearer; the definition would align with the objective at paragraph 6b), the requirements at paragraphs 9 and 10, and also would ensure that the concept of “audit procedures” is applied consistently throughout the ISAs as a whole. However, if the IAASB decides to retain the current definition, we would request that the IAASB provide more explicit clarification in the application material to this standard to address the concerns described above (including an example of an audit procedure that could be applied to a response to an inquiry of management to evaluate relevance and reliability) and explicitly acknowledge that the term “audit procedure” is intended to

be broader than the audit procedures currently described in ED-500 and other ISAs, i.e. inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry.

We are supportive of the definition at ED-500 paragraph 7b) in referring to audit evidence “that the auditor uses to draw conclusions that form the basis for the auditor’s opinion, and report [emphasis added]”, to align with ISA 200.A30 which refers to both the opinion and the report, as audit evidence is also critical to enable the auditor to prepare and issue the auditor’s report. We are supportive of the other references in ED-500 being only to the opinion, as in these other instances, the references are in the context of obtaining sufficient appropriate audit evidence in relation to drawing reasonable conclusions on which to base the auditor’s opinion, more specifically.

We recognise the IAASB’s intention in introducing the “input/output model” in respect of audit evidence, wherein “information intended to be used as audit evidence” is the input, which only becomes “audit evidence”, i.e., the output, once the auditor applies audit procedures to it to evaluate its relevance and reliability. We understand the IAASB’s rationale for developing this approach as an important aspect of achieving their stated objective to respond to changes in the information that is being used by auditors, including the nature and source of information, and to ensure that auditors do not use information as audit evidence without having a sufficient basis for doing so. The distinction between information and audit evidence is important, and has become more so over time, given the significant increase in sources of information, especially external sources, and types of information available.

However, whilst we welcome the IAASB’s efforts to make this distinction between information and audit evidence, we have concerns with the revised definition of audit evidence, which reflects the position that information (i.e., the input) needs to be subject to audit procedures to become audit evidence.

Firstly, whilst we agree that all information needs to be evaluated for relevance and reliability, in our view, an auditor does not necessarily need to apply “audit procedures” to information in order to evaluate whether it may be used as audit evidence. For example, when evaluating the relevance and reliability of an oral response to an inquiry of management, the auditor would not need to perform an audit procedure to consider the source of the information. Likewise, the auditor’s evaluation of attributes such as credibility and accuracy would likely focus on factors such as the role and tenure of the individual in the organisation, the consistency of the response with the auditor’s expectations and the auditor’s experience regarding the historical reliability of responses from that individual. We do not believe these considerations involve applying audit procedures to the information, i.e., these are not procedures of inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry, which are the “audit procedures” described in other ISAs, and in the Appendix to ED-500.

Secondly, we are concerned that, as currently drafted, the reference to “audit procedures” may result in confusion as to the work effort required to evaluate the relevance and reliability of audit evidence. Notwithstanding our belief that there may be instances when audit procedures do not need to be performed at all to evaluate the relevance and reliability of certain types of audit evidence, we also have concerns that application material is not sufficiently clear as to the relevant considerations when determining the nature, timing and extent of audit procedures to be performed for this purpose. For example, ED-500.A37 notes that the audit procedures to evaluate the relevance and reliability may be straight forward “(e.g. comparing the interest rate on a loan that is based on the prime rate established by a central bank of the jurisdiction to published information from the central bank).” This audit procedure would confirm the source of the information but does not necessarily address the attributes of relevance and reliability that may be applicable in the circumstances. We acknowledge that the IAASB describes, in the Explanatory Memorandum, at paragraph 42, that it does not want to create an unnecessary burden for auditors in

evaluating reliability of information and we recognise that ED-500 includes application material to clarify that the extent of procedures that would need to be performed will vary according to the circumstances and in some cases may be more in the nature of making a consideration and/or applying professional judgement. A40 notes that the auditor is not required to document the consideration of every attribute of relevance and reliability of information and A50 states “If the information comes from a highly reputable source, such as a central bank of the jurisdiction, the auditor’s work effort in considering the reliability of the information may not be extensive.” This language suggests that “audit procedures” are not necessarily required, however, we do not believe this is sufficiently clear. For example, having performed an audit procedure to compare the interest rate to published information by the central bank, is it sufficient to simply consider whether the central bank is a highly reputable external information source? We believe that this consideration may be sufficient and would not likely need the performance of audit procedures. However, we believe others could interpret the definition in ED-500 as meaning audit procedures are required to be applied to information when considering the attributes of relevance and reliability that applicable in the circumstances.

We believe the auditor should consider the source of the information and the attributes of relevance and reliability that are applicable, such as the information’s credibility, authenticity and its susceptibility to bias, and then use their professional judgement to determine what audit procedures, if any, are necessary to satisfy the requirements of paragraph 9 of ED-500. In certain cases, these considerations may not require audit procedures to be performed, i.e., inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry, which are the audit procedures described in other ISAs, and in the Appendix to ED-500. In other cases, they may require the performance of audit procedures but only to certain aspects of the evaluation (e.g., comparing information to its original source). Further, such considerations may not always be applied to the information itself, but may be based on the auditor’s understanding from historical experience with the source of the information.

Paragraph 9 of ED-500 and related application material appear to acknowledge this, e.g., paragraph 9 itself only requires the auditor to “consider” and does not make reference to “audit procedures”. We also highlight that we consider paragraph 9 of ED-500 to be broadly equivalent to paragraph 7 of extant ISA 500, which requires the auditor to “consider the relevance and reliability of the information to be used as audit evidence, including information from an external information source”, when designing and performing audit procedures. Our understanding is that the purpose of paragraph 9 of ED-500 (and related application material) is to provide a clearer structure and framework, including the introduction of the attributes of relevance and reliability, for auditors to assist them in making their considerations of the relevance and reliability of the information to be used as audit evidence, but is not intended to establish an incremental work effort, such that “audit procedures” would always be required to be performed in making these considerations.

Paragraph 10 of ED-500 appears to build on the requirement at paragraph 9, in that it explicitly refers to obtaining audit evidence, which would necessitate the performance of audit procedures, only in respect of the specific attributes of accuracy and completeness, as distinct from the other attributes of reliability (or attributes of relevance). We believe that this also indicates, therefore, that audit procedures are not required to be performed in respect of other attributes, otherwise there would be no need to include paragraph 10 as a separate, additional requirement. Further application material also suggests that “audit procedures” are not necessarily required in respect of other attributes.

Given the above, we believe it is critically important that the IAASB provide additional clarification to avoid inconsistent interpretation, which could result in unnecessary audit procedures being performed and work documented.

We recommend, therefore, that the proposed definition be amended to remove the reference to the application of “audit procedures” and instead place emphasis on the fact that the auditor needs to “evaluate” the information (by appropriately considering the source of the information and applicable attributes), i.e. in our view, the requirement as described at paragraph 9, which is focused on such an evaluation through consideration of relevant matters and attributes is fit for purpose and appropriate, and the definition should support and align with this. The application material could then clarify that the auditor exercises professional judgment when determining the nature, timing and extent of audit procedures to evaluate the relevance and reliability of information, and we believe it is important to clarify that only certain aspects of the evaluation may require audit procedures to be performed and, in certain cases, no audit procedures may need to be performed at all.

This would be our strongly preferred approach as we consider this would be clearer; the definition would align with the objective at paragraph 6b), the requirements at paragraphs 9 and 10, and also would ensure that the concept of “audit procedures” is applied consistently throughout the ISAs as a whole. However, if the IAASB decides to retain the current definition, we would request that the IAASB provide more explicit clarification in the application material to this standard to address the concerns described above (including an example of an audit procedure that could be applied to a response to an inquiry of management to evaluate relevance and reliability) and explicitly acknowledge that the term “audit procedure” is intended to be broader than the audit procedures currently described in ED-500 and other ISAs, i.e. inspection, observation, confirmation, recalculation, reperformance, analytical procedures or inquiry.

Lastly, we also highlight that we do not believe that all evidence needs to specifically corroborate or contradict assertions in the financial statements, as currently described in ED-500. For example, the fact that management refuses to respond to an inquiry is reliable, and certainly relevant to the audit, but it does not necessarily contradict particular assertions in the financial statements.

MNP LLP (MNP)

The revised definition reinforces the need to apply audit procedures to the information before the auditor can use it to form their audit opinion. However, it is not clear if the audit procedures applied are limited to those referenced in Paragraph A2 (which include risk assessment procedures, further procedures and other audit procedures required to comply with other ISAs) or if it requires additional relevance and reliability evaluation procedures.

When reading the revised definition together with Paragraph 9 it appears to imply the latter, which are additional procedures to evaluate relevance and reliability. We appreciate that the ED paragraph A37 calls out that “evaluating the relevance and reliability may be performed concurrently with the audit procedures applied to the information”. Audit procedures as referenced in A2 do not always consist of procedures to evaluate relevance and reliability, and this may be appropriate. For example, we may inquire of management or those charged with governance at various points in the engagement without necessarily adding procedures around relevant or reliability of each response.

Further, we do not support the “input-output model”. While the input-output model is a simplified way to illustrate the relationship between the information intended to be used as audit evidence and the audit evidence obtained, it is important to recognize that the evaluation of relevance and reliability is not always a linear process. An audit procedure designed to test an assertion might also be the same procedure that evaluates the relevance and reliability of the information intended to be used as audit evidence.

6. Member Bodies and Other Professional Organizations

Center for Audit Quality (CAQ)

Elements in the Explanatory Memorandum are not sufficiently incorporated into ED-500

The requirements, application material, and appendices when read in combination with the Explanatory Memorandum provide a fulsome picture of the Board's intent for the final ISA 500(R). It would be beneficial to include certain elements of the Explanatory Memorandum in the final requirements and application material to support the consistent interpretation and adoption of the final ISA 500(R). We highlight these opportunities in our responses to Q4, Q6, Q7, and Q8 below. In summary:

As stated in paragraph 42 of the Explanatory Memorandum, “[t]he IAASB’s intention was to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).” The requirements and application material within the final ISA 500(R) should be updated to clarify how the requirements are scalable.

Yes, we generally support the concept of the “input-output model” introduced in ED-500; however, we have concerns with the revised definition of audit evidence.

Consistent with paragraphs A6 and A7 of SAS 142, we believe that “[t]he nature of the audit procedures that the auditor performs to use information as audit evidence may depend on the source of the information and range from simple to extensive audit procedures” and that “[i]n some cases, the absence of information is used by the auditor and, therefore, also constitutes audit evidence.” We believe this is also consistent with the Board's view, based on paragraph 42 of the Explanatory Memorandum, which states, “The IAASB’s intention was to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).”

Paragraph 7 of ED-500 defines audit evidence as “[i]nformation, to which audit procedures have been applied...” Additionally, the Appendix of ED-500 includes a section entitled “Types of Audit Procedures,” listing inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry. While we agree that all IUAE should be evaluated in order for it to become audit evidence, we believe there may be procedures an auditor could perform to effectively evaluate IUAE that may not fit neatly into the types of audit procedures listed in the Appendix to ED-500.

Clarification of these concepts in ED-500 by incorporating language similar to that from paragraphs A6 and A7 of SAS 142 will enhance the scalability of the final ISA 500(R) without an unnecessary increase in audit effort and documentation.

Chartered Accountants Ireland (CAI)

We have significant concerns about the operability of the input output model as currently drafted in the ED. Paragraph 9 requires the auditor to assess the relevance and reliability of information intended to be used as audit evidence. Paragraph 10 requires the auditor to obtain audit evidence about certain attributes of relevance and reliability, namely completeness and accuracy. An auditor does not have audit evidence until they have applied procedures to the information so it would appear the auditor has to keep looking at sources of evidence until there is an original source that supports each level above, in all cases. This cyclical process will place a large burden on the auditor and appears contrary to the intent of the Board to allow flexibility and scalability.

We suggest that paragraph 10 should be amended to state that the auditor should obtain information about the accuracy and completeness of information to be used as audit evidence. This could be included as an additional point in paragraph 9.

Institute of Singapore Chartered Accountants (ISCA)

We do not agree with the revised definition. Our view is that not all types of information need to be subjected to audit procedures for them to become audit evidence. This is further explained below.

Differentiating between information that need to be subjected to audit procedures and those that do not

One possible approach would be to develop a framework to enable auditors to segregate information into two broad categories to distinguish the extent of work performed and documentation required:

Information which requires evaluation of relevance and reliability, including documentation

This would especially apply to audit evidence addressing fraud risks, significant risks or key audit matters.

Within this category of information, it would also be useful to clarify the extent of procedures required to be performed to transform information into audit evidence to drive consistent application of the requirement. For example, paragraph A50 provides an example which says that if the information comes from a highly reputable external information source, such as a central bank of the jurisdiction, the auditor's work effort in considering the reliability of the information may not be extensive. It would be helpful for the ED to clarify the extent of work to be performed for such circumstances.

Other situations where it may be more difficult for the auditor to assess the reliability of information include where the information is from a counterparty (and therefore not independent) or a lesser-known source, and information such as management accounts / financial information / net asset value statement that originates from an investee or data provider when auditing the fair value or impairment of investments. The application material of the standard can provide more guidance for such situations.

Information where no further audit procedures need to be applied unless there are doubts over relevance and reliability

No other documentation would be required for this category of information.

An example of information that would fall under this category would be oral responses (oral information) to an inquiry. The auditor typically evaluates attributes such as credibility and accuracy and assess factors such as the role and tenure of the individual in the organisation, the consistency of the response with the auditor's expectations and the auditor's experience regarding the historical reliability of responses from that individual. These considerations do not involve application of audit procedures to the information, i.e. these are not procedures of inspection, observation confirmation, recalculation, reperformance, analytical procedures or inquiry, which are considered audit procedures described in other ISAs, and in the Appendix to ED-500. Other examples include general-purpose information from reputable or regulated external sources and written representations from management.

Alternatively, the IAASB can consider removing the reference to audit procedures in the definition and instead make reference to paragraph 9 which requires information to be relevant and reliable.

Clarification on what constitute "inputs" and "outputs"

As defined by the ED, "input" is information that has not been subjected to audit procedures and therefore is not audit evidence. As an extension to the comment under Question 4 on the retention of data sets used in audit procedures, it would be helpful for the standard to clarify if these data sets are considered "inputs" and

the results of the analysis are considered “outputs” (i.e. audit evidence”). Such clarification would guide the form in which the data sets should be retained as audit documentation.

In addition, with reference to paragraph A41 which states that information intended to be used as audit evidence may come in different forms, including visual information, for example, obtained through physical or remote observation, it is not clear what are the procedures that can be performed on the visual information and what are the resulting outputs. It would be helpful for the standard to clarify the above example.

Wirtschaftsprüferkammer (WPK)

We do not support the input-output model.

Extant ISA 500 defines audit evidence as: “Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based...”.

ED-500 defines audit evidence as: “Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report”.

We believe that there are good practical examples for information that can be used as audit evidence without applying additional audit procedures. E.g. to address the risk that a tangible asset (e.g. an office building) shown in the balance sheet does not exist, an auditor may decide to inspect the building personally. The fact that the auditor is able to see the building and feel the building by touching it with his hands represents information that can be used as sufficient and appropriate audit evidence for the existence of that asset.

As an additional example we would like to emphasise that during the risk assessment phase of an audit, in particular when understanding the entity, its business model and its environment, the auditor will obtain a large variety of information (e.g. by performing interviews with several employees of the entity, inspecting the location where the business is performed and simply reading publicly available information about the entity) that can and will be used in practice as audit evidence in the context of the risk assessment without applying additional procedures on the relevance and reliability of the information obtained when understanding the entity.

For these reasons we believe the new definition to be too narrow and would even prevent the auditor to use the information described above to be used as audit evidence.

We would prefer to reinstate the extant definition for audit evidence.

We do not support the revised definition of audit evidence and the input-output model. We believe, that the new definition is too narrow and would rather prevent the auditor to use information as audit evidence. Therefore, we would prefer to reinstate the extant definition of audit evidence.

7. Individuals and Others

Altaf Noor Ali (ANA)

6.1 No. We find that the term information is incomplete without mention of the term ‘ data’. Both should be a part of this definition.

6.1 Data and Information are related to a point in time. The same may be different at some other point of time. It may be adjusted.

6.2 The term ‘input-output’ is not a part of the proposed ISA or application material.

6.3 We do not agree that there is no concept of irrelevant evidence. An audit evidence may be acceptable depending on what is its purpose.

The 'input-output' miss out the term 'processs' in the middle. The 'input-process-output' model aids understanding.

The use of words 'information' in the definition of audit evidence coveys an incomplete concept without 'data'. Information is a relative concept. What is information for you may not be so for us.

'Data and information' is more realistic. 'Data is the relevant facts and figures, financial and non-financial'.

Q06 - No specific comments

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

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)