

Audit Evidence – Question 7

7. Does the application material appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence?

Q07 - Agree

2. Regulators and Audit Oversight Authorities

Botswana Accountancy Oversight Authority (BAOA)

Yes, the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence. It has also gone further to give examples of factors that affect the sufficiency, appropriateness and persuasiveness of audit evidence.

3. National Audit Standard Setters

American Institute of Certified Public Accountants (AICPA)

Yes.

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

We believe the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

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

- Includes for the first time the interrelationship between the sufficiency, adequacy and persuasiveness of audit evidence

a) We consider that it provides an adequate framework where the following aspects stand out, among others:

4. Accounting Firms

Crowe Global (CROWE)

The application material does appropriately describe the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

Ernst & Young Global Limited (EY)

Yes, we believe that the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence is appropriately described in the application material.

Mo Chartered Accountants (MCA)

The depth with which these three aspects are discussed is adequate and appropriate. The 3 items are interwoven and require discussion in the same vein hence this was helpful. Further the risk response aspect and persuasiveness is explained clearly.

PKF International Limited (PKF)

In our view, the application material appropriately supports the interrelationship described above.

5. Public Sector Organizations

Provincial Auditor of Saskatchewan (PAS)

Yes, A6 to A9 appropriately describe the interrelationship and reference to other applicable ISAs.

U.S. Government Accountability Office (GAO)

We believe that the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

6. Member Bodies and Other Professional Organizations

Chamber of Auditors of the Czech Republic (CA CR)

Yes.

Chartered Accountants Ireland (CAI)

The application material in the draft standard does appropriately describe the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

European Federation of Accountants and Auditors for SMEs (EFEAA)

We believe the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

Federation of Accounting Professions of Thailand (FAPT)

Yes, it does.

Institute of Chartered Accountants of Nigeria (ICAN)

Yes, the application material has appropriately described the interrelationship existing between appropriateness and persuasiveness of audit evidence as captured in paragraphs A13 and A14.

Instituto Mexicano de Contadores Publicos (IMCP)

Yes, we consider that the application material describes appropriately the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

Korean Institute of Certified Public Accountants (KICPA)

In our opinion, paragraph A6 of ED-500 appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

Malaysian Institute of Certified Public Accountants (MICPA)

The application material is helpful and clearly explains the interrelationship of the sufficiency, appropriateness, and persuasiveness of 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.

Wirtschaftsprüferkammer (WPK)

Yes, the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

Q07 - Agree with comments

1. Monitoring Group

International Organization of Securities Commission (IOSCO)

Definitions

Evaluating Information Intended to Be Used as Audit Evidence

While we agree that sufficiency and appropriateness are the foundational aspects of audit evidence, we believe both these aspects should be evaluated for information intended to be used as audit evidence and a complete discussion of both aspects should appear in the requirements and application material. Specifically, we note the auditor's requirements to evaluate the relevance and reliability, or appropriateness, of information intended to be used as audit evidence. However, the auditor does not have a related requirement to evaluate the sufficiency of information intended to be used as audit evidence. Additionally, we recommend the Board consider whether the definitions of appropriateness and sufficiency within paragraph 7 should be narrowed to audit evidence or broadened to information intended to be used as audit evidence.

We are supportive of the IAASB's decision to introduce the concept of persuasiveness in ED 500 given the auditor's responsibility to obtain more persuasive audit evidence the higher the auditor's assessment of risk in accordance with ISA 330. We would, however, recommend including a definition of 'persuasiveness' to the standard and expanding on the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence within the application material.

2. Regulators and Audit Oversight Authorities

Financial Reporting Council (FRC)

We agree that the application material generally describes the interrelatedness of sufficient, appropriate and persuasiveness appropriately, for example paragraphs A6 and A9 are clear and helpful. We do however believe that additional material should be included that either defines persuasiveness in the context of the ISAs or provides additional guidance on how this factor should be considered.

This is because the concept is discussed in the same context, and sometimes with equal weighting, as sufficiency and appropriateness (as discussed in paragraph 28 of the explanatory memorandum accompanying the proposed ISA) but it is not defined in the same way. The IAASB should consider how they might add additional clarity to the concept of persuasiveness.

3. National Audit Standard Setters

Australian Auditing and Assurance Standards Board (AUASB)

The AUASB notes that "persuasiveness" of audit evidence is neither used in the requirements (only referenced in the application material) nor explicitly defined in ED ISA 500. The concept of persuasiveness is used in ISA 330 as only one of the factors used to consider "sufficiency and appropriateness". The AUASB suggest it may be more useful for auditors to either remove the concept from ED ISA 500 as the

terms sufficiency (quantity) and appropriateness (quality) of audit evidence are well understood, or include it in requirement 8 and define the term in ED ISA 500.

The AUASB support that the definitions in 7(a) and 7(d) of appropriateness and sufficiency, and the application material in A5-A14 appropriately describes the interrelationship of sufficiency and appropriateness of audit evidence.

Austrian Chamber of Tax Advisors and Public Accountants (KSW)

We believe the application material in A6 appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. However, it should be made clear that if information is not appropriate as audit evidence it makes no sense to consider its sufficiency.

Canadian Auditing and Assurance Standards Board (AASB)

We support retaining the concepts of “sufficiency” and “appropriateness” and agree with bringing in the concept of “persuasiveness”.

As part of the Canadian Exposure Draft, we shared a diagram illustrating key concepts from ED-500 and their interrelationship. We received very positive feedback on this diagram, with further suggestions for improvement. A majority of the participants in our outreach recommended including a diagram in the implementation guidance issued with the final standard as it can be a valuable tool for auditors to understand the standard.

We suggest the IAASB consider including a diagram as part of the first-time implementation guidance issued with ISA 500 (Revised).

Hong Kong Institute of Certified Public Accountants (HKICPA)

To emphasize the linkage between the relevance and reliability of the information intended to be used as audit evidence and the appropriateness of audit evidence, hence the persuasiveness of audit evidence. This would assist auditors to obtain a holistic view that the timing, nature and extent of the evaluation in paragraph 9 is directly attributable to the achievement of obtaining appropriate and persuasive audit evidence.

To develop application materials on the attributes of authenticity, bias and credibility to the reliability of information intended to be used as audit evidence.

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

Paragraph A13 of ED-500 describes that the appropriateness (i.e., the quality) of audit evidence is affected by the relevance and reliability of information intended to be used as audit evidence, as well as the effectiveness of the design of audit procedures applied to the information and the auditor’s application of those audit procedures.

Paragraph 9 sets out the requirement to evaluate the relevance and reliability of information intended to be used as audit evidence, supplemented by paragraphs A35 to A47 and A53 to A62.

We note that ED-500 does not establish an explicit linkage between the relevance and reliability of the information intended to be used as audit evidence and the appropriateness of audit evidence, hence the persuasiveness of audit evidence. While paragraph A13 implies that relevance and reliability of information would attribute to the persuasiveness of audit evidence, paragraphs A35 to A47 and A53 to A62 do not demonstrate any linkage on how the considerations of relevance and reliability would enhance the

appropriateness hence the persuasiveness of audit evidence. As currently drafted, information that is more relevant and

reliable points to high quality information hence indicates more persuasiveness. The linkage to appropriateness and sufficiency seems to be missing. We therefore suggest the IAASB to consider strengthening their linkage and/or restructuring the flow of application materials to clarify the interrelationship between relevance and reliability of information intended to be used as audit evidence, appropriateness of audit evidence and hence the persuasiveness. This would assist auditors to obtain a holistic view that the timing, nature and extent of the evaluation in paragraph 9 is directly attributable to the achievement of obtaining appropriate and persuasive audit evidence.

New Zealand Auditing and Assurance Standards Board (NZAuASB)

The application material appropriately describes the interrelationship. We do note that the persuasiveness of audit evidence is not defined but do not consider it necessary for such a definition to be included in the standard. However, we do note that persuasiveness is only included in the application material, and not the requirements section. The IAASB should consider introducing this concept within the requirements section, rather than introduce this new concept just within the application material.

Public Accountants and Auditors Board Zimbabwe (PAAB)

PAAB agrees that the application material for ED500 appropriately describes the three critical facets of audit evidence and even further enhances them with its new requirements i.e., stated in the answers above.

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

Royal Dutch Institute of Chartered Accountants (NBA)

While the NBA agrees with the application material and how it describes the interrelationship between sufficiency, appropriateness and persuasiveness of audit evidence, the NBA also suggests that ED-500 should better explain what is expected from the auditor in terms of persuasiveness of audit evidence. This is especially relevant since sufficiency and appropriateness are defined and form part of the Objective of ED-500, while persuasiveness is solely explained in the application material. More specifically, the explanation material states that sufficiency and appropriateness together affect the persuasiveness, without explaining how these three factors are interrelated, nor explaining how persuasiveness affect the auditors procedures on evidence.

4. Accounting Firms

BDO International (BDO)

As set out in ED-500, in our view, the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. Inclusion of the concept of persuasiveness within the content is a welcome improvement on the extant standard and the content set out in ED-500.A6-A9 should assist auditors' understanding of the interrelationship of these concepts. We particularly support inclusion of the link to fraud or error considerations and the consequential impact this is likely to have on the need for 'more' persuasive evidence.

We suggest that the IAASB further clarifies the concept of persuasive audit evidence in the application material by providing new examples (similar to the fraud or error example) and demonstrating the need to increase persuasiveness (or at least consider it) given the presence of certain factors. This will help auditors

understanding of the concept of persuasive audit evidence and the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence as well as lead to increased consistency of application by auditors.

Crowe LLP (CROWE LLP)

A: Yes. However, as stated in our response to Q1 above, we believe that the final standard should be explicit that the auditor is not required to categorize or classify each audit procedure in order to make conclusions about the persuasiveness of audit evidence.

A: Consistent with a principles-based standard, we believe the auditor should focus on evaluating the persuasiveness of audit evidence and the appropriateness of audit procedures. To achieve that, we believe there should be less focus in the auditing standards on the categorization and classification of audit procedures. One audit procedure can satisfy more than one objective and have more than one intended purpose. As an example, we believe that a properly designed audit data analytic can be both a risk assessment and substantive audit procedure. While paragraph 36 in the Explanatory Memorandum of the Proposed Standard states “The IAASB is of the view that it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances (i.e., whether the audit procedures are appropriately designed to achieve their intended purpose, and have been effectively applied by the auditor) rather than the type of audit procedure (i.e., in which “category” the audit procedure falls).” We recommend that this view be more explicitly reflected within the Proposed Standard and application guidance, with appropriate references to ISA 330. We believe that conforming amendments should be made to ISA 330 to clarify that as the auditor determines their response to assessed risks of material misstatement, it is not necessary to categorize the planned audit procedures. These amendments should be clear that an audit procedure can satisfy more than one objective and have more than one intended purpose.

Grant Thornton International Limited (GT)

We support the inclusion of application material to describe the interrelationship of sufficiency, appropriateness, and persuasiveness of audit evidence and the way in which application material describes of these concepts. However, we recommend reconsideration of the organisation of ED-500 as follows:

Paragraph A5 of ED-500 includes discussion about concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330. This is actually considered in ED-500 in paragraph 13, not paragraph 2 (with which this application material paragraph is associated). Further it is somewhat duplicative of the application material included in paragraph A85, which is associated with paragraph 13.

Paragraphs A6 – A9 discuss the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence, yet the appropriateness of audit evidence and the sufficiency of audit evidence are not discussed until paragraphs A13 and A14.

Consideration of the organisation of the application material in this area may help to streamline the application material and address the imbalance of application material compared to requirements.

KPMG International Limited (KPMG)

We are supportive of the introduction of additional material into ED- 500 to address the question of “how much audit evidence is enough?”, given the significant increase in information sources in recent years, including as a result of technological advances, and the linkage to the concept of “persuasiveness” to help address this uncertainty. We note that the concept of “persuasiveness” is already described in other ISAs, e.g., ISA 330, which requires, at paragraph 7b), the auditor to obtain more persuasive audit evidence the higher the auditor’s assessment of risk, and describes the relationship of persuasiveness to sufficiency and

appropriateness. We recommend that the IAASB describe this concept also in ED-500, since this is the overarching standard on audit evidence.

We support the IAASB's decision to retain the concepts of sufficiency and appropriateness as defined in the extant standard, for clarity and ease of use, as these are fundamental concepts, which are well understood and are not considered to be broken. We welcome the inclusion of additional application material in ED-500 that is based on application material in the extant standard, which focuses on the interrelationship of these concepts, and their relationship to persuasiveness, for example, at A6, and also at A13, which describes that information that is more relevant and reliable ordinarily is of a higher quality and, therefore, may provide more persuasive audit evidence. It also explains how the concept relates to sufficiency, with further application material expanding on this interrelationship, and how matters such as the source of the information, and the attributes of relevance and reliability, that are applicable in the circumstances, affect persuasiveness and therefore sufficiency of audit evidence.

We also consider that this material describing the interrelationship will better support the auditor in fulfilling the requirements of ED-500 at paragraphs 8b) and 9b), which refer to the intended purpose of the audit procedures, as well as requirements to address doubts about the relevance or reliability of information intended to be used as audit evidence, and in considering inconsistent audit evidence when evaluating the audit evidence obtained, i.e. that inconsistencies in audit evidence may make this less persuasive, and the auditor may need to obtain additional audit evidence.

MNP LLP (MNP)

Overall, we believe the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

We identified that both paragraphs A13 (regarding appropriateness of audit evidence) and A14 (regarding sufficiency of audit evidence) have sentences explaining that increasing the quantity of audit evidence may not provide more persuasive audit evidence. We recommend that this sentence be removed from A13 as that paragraph is pertaining to the appropriateness (quality) of audit evidence and not the sufficiency (quantity).

PriceWaterhouseCoopers (PwC)

We believe that the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence is appropriately described. We believe the final two sentences of paragraph A13 should be relocated to paragraph A14 as they address the sufficiency (quantity) of evidence rather than appropriateness.

5. Public Sector Organizations

Swedish National Audit Office (SNAO)

Application material

A8. We would suggest deleting A8 as it seems a bit redundant and does not contribute to explain the interrelationship between these three terms. You have already stated that higher risk needs more pervasive audit evidence in the previous paragraph.

A9 states a number of examples which could affect the sufficiency and appropriateness of the audit evidence such as

the information intended to be used as audit evidence, including the auditor’s consideration of the attributes of relevance and reliability of the information as explained in paragraphs A48–A49

whether the information is from a single source or may be needed from multiple sources

whether there is inconsistency between the audit evidence.

We are not quite sure how this paragraph should be interpreted. Is the purpose of the paragraph to give examples of situations where the evidence may be doubtful or?

Swedish National Audit Office would like to congratulate IAASB for great work done reviewing the standard. In general, we agree with the suggestions presented. Below you will find our more detailed comments on the questions you have raised.

6. Member Bodies and Other Professional Organizations

Accountancy Europe (AE)

Yes, the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence in paragraph A6. It should also be clarified that there is no need to consider the sufficiency of information in cases where the auditor concludes that the information is not appropriate.

We would also support the IAASB working on a definition of persuasiveness in the context of the ISAs, to ensure a common understanding by all stakeholders.

Botswana Institute of Chartered Accountants (BICA)

The application material does appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. However, a guiding definition of ‘persuasiveness’ should be considered as this will act as departure point when another auditor would be equally satisfied that the evidence is sufficiently persuasive.

Center for Audit Quality (CAQ)

Yes, we generally believe that the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence. Specifically, we support the Board’s introduction of the concept of “persuasiveness” in ED-500 when concluding whether sufficient appropriate audit evidence has been obtained. For example, it is our understanding that when using audit data analytics, auditors spend significant time considering the classification and categorization of audit procedures and we believe that it is more important to determine whether sufficient appropriate audit evidence has been obtained. We believe that shifting the focus to the “persuasiveness” of the audit evidence, and away from the classification or categorization of such audit evidence, could improve audit quality (consistent with discussion in paragraph 36 of the Explanatory Memorandum). However, we believe that additional clarity should be provided in the final ISA 500(R).

The use of the phrase “to meet the intended purpose of the (those) audit procedure(s)” in certain requirements and throughout the application material may lead to inconsistent interpretation and application of the final ISA 500(R) and lead to increased audit effort and documentation without a commensurate benefit to audit quality. As discussed above and in our response to Q4, an audit procedure may meet multiple intended purposes. Further, risk assessment and evidence gathering are iterative processes. As such, an audit procedure may initially meet one intended purpose, and upon further consideration an auditor may conclude that the audit procedure meets one or more other intended purposes, not considered at the

initial outset of said audit procedure. The final ISA 500(R) should clarify that the phrase “to meet the intended purpose of the (those) audit procedure(s)” may contemplate multiple purposes that either are known or possible at the outset of the procedure to avoid the need for duplicative documentation if the auditor determines such audit procedures serve multiple purposes. We believe such clarity could be achieved by removing the word “intended” from the aforementioned phrase throughout the final ISA 500(R).

Paragraphs A6 through A9 of ED-500 discuss the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence; however, the application material does not discuss how this interrelationship is considered until paragraphs A13 and A14 of ED-500. We suggest the Board consider moving the content in paragraphs A6 through A9 of ED-500 to a new paragraph after paragraphs A13 and A14 in the final ISA 500(R) to keep the explanation of appropriateness and sufficiency (and their interrelationship) in one place. This will promote enhanced clarity of the final ISA 500(R).

Paragraph A14 of ED-500 discusses the sufficiency of audit evidence, stating, with respect to the quantity of audit evidence needed, “the higher the quality, the less [audit evidence] may be required.” The appropriateness of audit evidence is a measure of quality which is addressed in paragraph A13 of ED-500, providing factors to consider and links those quality factors to the concept of persuasiveness. It may be clearer for paragraphs A13 and A14 to separately discuss the factors impacting the appropriateness (i.e., quality) and sufficiency (i.e., quantity) of audit evidence, respectively, and then add a new paragraph providing guidance on the interrelationship between quality and quantity in contributing to persuasiveness (see above relating to relocating paragraphs A6 through A9). Including a graphic depiction of these concepts in the application material may also enhance auditors’ understanding that “increasing the quantity of audit evidence by performing the same type of audit procedures may not provide more persuasive audit evidence in all circumstances” and “obtaining more audit evidence, however, may not compensate for its poor quality.”

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

7 - Yes. We found particularly useful the example in ED-500, A.17, on the interrelationship between the type of audit procedures and their value as audit evidence and the example in A.24 about the persuasiveness of the audit evidence obtained through the audit procedures designed and performed by the auditor. So, it becomes more and more important to define the right combination of procedures to be performed.

Also, the paragraph on the Automation Bias is very useful, and we believe it could be successfully incorporated in the “Requirements” section of the standard.

CPA Australia (CPAA)

The AM appropriately describes this interrelationship. We note that the concept of persuasiveness of audit evidence is in both ISA 200 and ISA 330. We are of the view that introducing the concept of persuasiveness into ISA 500 (paragraph A13) is appropriate and would better align with other ISAs. However, we recommend elevating the concept of persuasiveness of audit evidence to the requirements section, rather than being merely within the AM section.

IFAC SMP Advisory Group (SMPAG)

We refer to our response to question 5 above, and note that the IAASB did not support including a definition of “persuasiveness” in the standard. We suggest that this is given further consideration due to the differences in interpretation of what this word means by practitioners from different countries. In addition, in A13 on the appropriateness of audit evidence, an example could be helpful to explain as there was some confusion about what this means in practice. It is also unclear whether the effectiveness of the design of an

audit procedure is expected to be documented (i.e., does this require the auditor to justify e.g., sample sizes or sampling methodology applied?).

It is in assessing the “persuasiveness” of audit evidence where the auditor will apply professional skepticism, so we believe a definition would be helpful. In addition, the definition of professional skepticism in ISA 200 refers to a critical assessment of audit evidence without explaining exactly [we believe it is the persuasiveness] what about the audit evidence is to be critically assessed, so a conforming amendment to ISA 200 would be helpful.

We acknowledge paragraph A6 in particular, which links persuasiveness to sufficiency and appropriateness. However, the fact that ED ISA 500 contains separate definitions of appropriateness and sufficiency each in the context “of audit evidence” is potentially misleading and misaligned with the statement in paragraph A14. The auditor’s evaluation of the sufficiency of audit evidence is interrelated to its appropriateness, because – as explained in the last sentence of A14: obtaining more audit evidence cannot compensate for its poor quality. We suggest the definitions be phrased to be provided in the context of sufficient, appropriate audit evidence.

Institute of Certified Public Accountants of Uganda (ICPAU)

We believe that the application material appropriately describes the interrelationship of the sufficiency and appropriateness of audit evidence. We are however of the view that additional material is necessary to enable auditors appreciate the characteristics of persuasive audit evidence. This would further support the use of professional scepticism in the process of obtaining audit evidence.

Instituto de Auditoria Independente do Brasil (IBRACON)

Yes. However, the concept of persuasiveness should be included in paragraph 7 of ED-500 to have the appropriate linkage to AM and assure the consistency of application by auditors.

Malaysian Institute of Accountants (MIA)

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

South African Institute of Chartered Accountants (SAICA)

Yes, the application material appropriately describes the interrelationship of sufficiency and appropriateness of audit evidence.

ISA 330 par 7(b) requires an auditor to obtain more persuasive audit evidence the higher the auditor’s assessment of risk of material misstatement. ED-500 introduces the concept of persuasiveness but not a definition of the term.

ED- 500 has additional application material (paragraphs A6-A9 of ED-500) to explain the interrelationship of these concepts, including factors that may affect the sufficiency and appropriateness of audit evidence, and therefore its persuasiveness.

We are of the view that this leaves a gap of inconsistent application of the principle based considerations of persuasiveness due to subjective interpretation of the application material which may lead to inconsistency.

We suggest that the IAASB clarifies the concept of persuasive audit evidence in the application material by including the examples of good practice and elaborating on the concept of persuasiveness and further indicating the purpose of this concept as part of the application material.

This will help the auditor to understand the concept of persuasive audit evidence and ensure consistency amongst auditors. The auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by several factors, including the persuasiveness of the audit evidence.

The Malta Institute of Accountants (TMIA)

A definition of persuasiveness in the context of ISAs would be useful.

7. Individuals and Others

Altaf Noor Ali (ANA)

7.1 Yes.

7.2 'Sufficiency and appropriateness together affects the persuasiveness of audit evidence.'

7.3 Persuasiveness of the audit evidence is a factor of what constitutes a sufficient appropriate audit evidence.

7.4 The above statements are about two different ways of looking at the concept rather than conflicting. However, we recommend more clarity here.

Q07 - Disagree

2. Regulators and Audit Oversight Authorities

Committee of European Auditing Oversight Bodies (CEAOB)

Information Intended to Be Used as Audit Evidence

21. We consider the concept of "persuasiveness" as extremely important. Explaining the concept and its interrelationship with the sufficiency and appropriateness of audit evidence only in the application materials is insufficient. Assessment of the persuasiveness of audit evidence should be required as it is the case for relevance and reliability.

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

We are concerned that the IAASB has not defined the term "persuasiveness" in ED-500 (in the context of its ISAs), despite the aim to reduce uncertainty for auditors. The application material for ED-500 and conforming amendments to ISA 330 use the term "persuasiveness" in certain contexts that require further clarification. Therefore defining the term, or alternatively, including examples of what would be considered persuasive audit evidence will be beneficial.

A definition of "persuasiveness" will be useful for auditors to understand how it is used in the context of the standard, and it will also clarify the link between persuasiveness, appropriateness and sufficiency.

The meaning of paragraph A13 in ED-500 could be unclear to auditors, as it may be misinterpreted. It suggests that more relevant and reliable information is of higher quality and could be more persuasive as audit evidence. However, it then goes on to state that if audit evidence is more persuasive, the auditor may determine that it is sufficient for supporting the conclusions that form the basis of their opinion. This could be confusing because relevance and reliability are linked to quality, while sufficiency is linked to quantity. To

address this, we recommend that the IAASB provides clarity in A13 and considers defining persuasive audit evidence, or provides more examples in the application material to promote consistency among auditors.

In paragraphs A3 and A17 of ED-500, the term “persuasiveness” is used in reference to the use of automated tools and techniques in auditing. While the use of these can enhance the persuasiveness of audit evidence, it is important for the IAASB to specify that the opposite may also be true, if auditors fail to adequately evaluate the relevance and reliability of information input into the automated tools, or if they neglect to appropriately test exceptions or outliers identified by the automated tools and techniques. Without additional context or clarification, the suggestion that the use of automated tools and techniques can yield more persuasive audit evidence may worsen automation bias and reduce audit quality.

In paragraph A19 of ISA 330, the term “persuasiveness” is used in reference to obtaining information from an external source. It would be helpful for auditors to have a better understanding of what makes external information more appropriate and therefore more persuasive. Examples would be useful in clarifying when external information is more persuasive than IPE.

Irish Auditing and Accounting Supervisory Authority (IAASA)

Information Intended to Be Used as Audit Evidence

The concept of “persuasiveness” is extremely important. Explaining this concept and its interrelationship with the sufficiency and appropriateness of audit evidence in the application material only is insufficient. Assessment of the persuasiveness of audit evidence should be required as it is the case for relevance and reliability.

3. National Audit Standard Setters

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

Before we address the application material relating to the interrelationship between sufficiency, appropriateness and persuasiveness of audit evidence, we would like to provide our views on the definitions of sufficiency and appropriateness, which have an impact on the content of the application material. We believe that the relationship between sufficiency and appropriateness of audit evidence is not appropriately reflected in the definitions of sufficiency and appropriateness of audit evidence. In line with the application material in paragraph A14 in the Draft, which states that obtaining more audit evidence may not compensate for its poor quality (i.e., appropriateness), we note that it is almost pointless to speak of the sufficiency of audit evidence when that evidence is not appropriate. It sends the wrong message to practitioners when the definition of sufficiency is not attached to the appropriateness of evidence. For these reasons we believe that the definition of sufficiency should be changed to read: “Sufficiency (of appropriate audit evidence) – The measure of the quantity of appropriate audit evidence in providing support for the conclusions...”. The related application material would need to be augmented accordingly. These changes do not imply that the term of art “sufficient appropriate audit evidence” needs to be changed in any way.

In this vein, we believe that more than just a description of the relationship between the persuasiveness of audit evidence and its sufficiency and appropriateness is needed because the term “persuasiveness” is central to requirements set forth in, for example, ISAs 330 and 540. Given the central importance of the requirements using the concept of persuasiveness and therefore in line with the CUSP principles, we believe that the concept of persuasiveness needs to be clarified by means of a definition. We believe that the proposed related application material in paragraph A6 (“sufficiency and appropriateness together affect the persuasiveness of audit evidence”) provides an appropriate basis for such a definition but needs further clarification. We suggest the following definition: “Persuasiveness (of audit evidence) – The combined

sufficiency and appropriateness of audit evidence. Audit evidence is persuasive in a particular circumstance when it is appropriate and sufficient.” The related application material would need to be adjusted accordingly. This definition would lead auditors to understanding exactly what is meant by persuasiveness when they are applying the noted requirements and related application material.

Japanese Institute of Certified Public Accountants (JICPA)

We consider the explanation of the interrelationships in paragraphs A5 and A6 are unclear in light of the following points.

The last sentence of paragraph A5 states that "the auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by a number of factors, including the persuasiveness of the audit evidence." On the other hand, paragraph A6 states that "Sufficiency and appropriateness together affect the persuasiveness of audit evidence." It seems that explanations are circulating each other in these two paragraphs.

We believe the term "persuasiveness of audit evidence" is used from two perspectives: (1) the persuasiveness "considered necessary by the auditor" as a result of risk assessment, and (2) the persuasiveness "provided by audit evidence" obtained after the audit procedures are performed. Clarifying the explanation by using these two perspectives would help to resolve the above circulation and to better explain the interrelationship between sufficiency, appropriateness, and persuasiveness. In other words, paragraph A5 could clarify the relationship by explaining the persuasiveness, which the auditor considered necessary as a result of risk assessment (i.e., (1) above), affects the auditor's determination as to what constitutes sufficient appropriate audit evidence. On the other hand, paragraph A6 could clarify the relationship from the perspective of (2) above by explaining the sufficiency (quantitative measure) and appropriateness (qualitative measure) of audit evidence, which are obtained as a result of performing audit procedures, affects the persuasiveness provided by the audit evidence. Furthermore, we would suggest deleting "taking into account the assessed risks of material misstatement and relevant assertions" in paragraph A6 to make the relationship clearer. This phrase is based on the perspective (1) above; however, the relationship is not clear if it is explained from both perspectives (1) and (2) together at the same time.

4. Accounting Firms

Baker Tilly International (BTI)

The core concept of persuasiveness should be a defined term, and should be mentioned in the requirements section of ED 500. The description in the application material may be enhanced by the inclusion of a diagram illustrating the relationship with sufficiency and appropriateness, particularly the concept that increasing the quantity of audit evidence does not necessarily result in more persuasive evidence.

Deloitte Touche Tohmatsu Limited (DTTL)

DTTL does not believe that the application material is clear in describing the interrelationship. A number of paragraphs within application guidance where "persuasive" or "persuasiveness" are used are contradictory. For example, within paragraph A5, the relative persuasiveness of the evidence is considered a factor in concluding if sufficient appropriate evidence has been obtained:

“As explained in ISA 330, the auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by a number of factors, including the persuasiveness of the audit evidence.”

However, paragraph A6 states that sufficiency and appropriateness are factors that equate to a resulting degree of persuasiveness:

“Sufficiency and appropriateness together affect the persuasiveness of audit evidence, taking into account the assessed risks of material misstatement and relevant assertions.”

DTTL does not believe that it is necessary to include application material seeking to describe the interrelationship between these three concepts within the proposed standard. The use of “persuasiveness” within established requirements and application material in ISA 200, ISA 315, and ISA 330 are understood to have separate meanings within the context of the respective guidance. We recommend that these application material paragraphs (A5 and A6 of ED-500) be removed from the proposed standard.

Mazars (MZ)

No, we do not believe that this interrelationship is clear. As noted in our introductory comments, we are concerned about “when is enough audit evidence really enough?” For example, while we support the IAASB’s intention to develop principles-based requirements that is capable of demonstrating the varying degree of work effort needed in the particular circumstances, we are not convinced that the application material meets this objective.

The concept of persuasiveness is important and potentially very useful to auditors understanding of whether they have obtained sufficient appropriate audit evidence.. We would suggest an amendment to paragraph 8(b) to include reference to designing and performing audit procedures to obtain persuasive audit evidence. In doing so, it may also be useful to define the concept of the persuasiveness of audit evidence.

Furthermore, a graphical representation of the relationship/correlation between appropriateness and sufficiency in achieving persuasiveness would be helpful to explain the interrelationship, either in application material or in supporting implementation guidance.

Even if we support (see above our answer to question 2) removing the distinction between internal and external audit evidence, IAASB should nevertheless consider whether greater focus could be given to the persuasiveness of the audit evidence rather than reliance/reliability in all cases. There are some instances (for example, bank confirmations, legal letters, supplier statements) where external evidence will clearly be of higher quality than internal evidence and would therefore be more persuasive. It would be helpful if the standard could draw out this distinction of a “subset” of evidence where directly obtained third party external evidence will be better. The extent of documentation required in these instances would also be reduced.

RSM International Limited (RSM)

In overall terms we do not think that the drafting in this area is clearly laid out in ED-500. For example:

The section headed “Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence” (A6-A9) states that sufficiency and appropriateness together affect the persuasiveness of audit evidence but does not elaborate as to how this happens until paragraphs A13-14. We suggest that that the content in A6 and A9 should be moved to before A13 and 14, so as to keep the explanation of appropriateness and sufficiency is one place.

A14 states, in respect of the quantity of evidence needed, “the higher the quality, the less may be required”. Appropriateness is a measure of quality, so it is necessary to explain the factors that increase quality. A13 adequately addresses this but then goes on to talk about persuasiveness. For us, it would appear more logical for A13 to describe the factors that increase the quality. A14 could then explain how quantity can be increased with guidance on the interrelationship with persuasiveness in the next paragraph.

The correlation between appropriateness and sufficiency in achieving persuasiveness could also be illustrated by adding a graph depicting the concepts included in A13 and A14. For example, the bottom left of the graph would be evidence that is not very persuasive, whereas top right would be very persuasive. This would demonstrate the application of the guidance, currently in A13 and A14 which states that “increasing the quantity of audit evidence by performing the same type of audit procedures may not provide more persuasive audit evidence in all circumstances” (A13) and “Obtaining more audit evidence, however, may not compensate for its poor quality”. (A14).

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

5. Public Sector Organizations

Office of the Auditor General of Canada (OAG)

No, the application material under Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence does not appropriately describes the interrelationship between the three concepts.

Paragraph A5 refers to ISA 330 paragraph A62. However, in A62 the concept of persuasiveness is not mentioned nor can it be reasonably inferred, which could lead to misinterpretation. Perhaps the application material should have referred to ISA 330, A64, which includes the mention of persuasiveness.

Paragraph A6 states that sufficiency and appropriateness of audit evidence are interrelated and together affect the persuasiveness of audit evidence. The term “affect” seems too general and may lead to different interpretations. This paragraph could be removed.

Paragraph A7 states that ISA 330 requires the auditor to obtain more persuasive audit evidence the higher the assessment of risk. Examples of how this can be achieved or references to other ISAs would be useful as noted in ISA 701 A12: “When obtaining more persuasive audit evidence because of a higher assessment of risk, the auditor may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining corroborating evidence from a number of independent sources”.

Paragraph A8 states that results of audit procedures may result in a revised risk assessment in accordance with ISA 315, thus more persuasive audit evidence may be needed. This statement does not describe the interrelationship between the three stated concepts. This paragraph could be removed.

Paragraph A9 does not describe the interrelationship between the three elements, rather it lists factors that affect the separate elements of persuasiveness, namely sufficiency and appropriateness. Examples provided in bullet one and three are repeated content from previous application material. This paragraph could be removed.

We encourage the Board to consider referencing paragraph A13 under Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence as it explains some of the characteristics of the interrelationship between the three concepts. In addition, providing more context, examples and a definition of persuasiveness would be useful to the users of the standard.

6. Member Bodies and Other Professional Organizations

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

Interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence

In our view the application material does not appropriately describe the interrelationship between sufficiency, appropriateness, and persuasiveness of audit evidence. We therefore suggest incorporating persuasiveness within the definitions section of ED-500 to help clarify the interrelationship with sufficiency and appropriateness. It may be necessary to provide further guidance on the interrelationship between ISA 500 and 330 to assist practitioners to implement the new standard.

No, in our view the application material does not appropriately describe the interrelationship between sufficiency, appropriateness and persuasiveness of audit evidence.

Our stakeholders noted that persuasiveness is only used in the application material and not in the requirements. Furthermore, we are sceptical as to why persuasiveness is singled out when it is only one of the characteristics that ISA 330 refers to. We therefore suggest incorporating persuasiveness within the definitions section of ED-500 to help clarify the interrelationship with sufficiency and appropriateness.

Furthermore, it would be helpful to describe the interrelationship of sufficiency, appropriateness and persuasiveness using a graph.

Institute of Chartered Accountants in England and Wales (ICAEW)

No, this is not appropriately described within the application material. Persuasiveness should be included within the definitions. In order to meet CUSP guidelines, the concept of persuasiveness should also be included within the requirements. We suggest adding this to paragraph 8(b) to state that procedures should be designed and performed that are appropriate in the circumstances to obtain persuasive audit evidence.

The concept of the interrelationships between sufficiency, appropriateness and persuasiveness in paragraphs A13 and A14 should have more prominence and be included within the introduction to the standard.

It would be beneficial to include a graph showing the correlation between appropriateness and sufficiency in achieving persuasiveness, which would explain the interrelationship more clearly. Supporting implementation guidance may be a good location for this graph.

Institute of Chartered Accountants of Scotland (ICAS)

No, we believe there is scope for greater clarification to more appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. Therefore, we believe that the application material should be enhanced to better inform the user of the interrelationship between these respective concepts.

Nordic Federation of Public Accountants (NRF)

The process of obtaining and evaluating audit evidence is described using several attributes and terms. To some extent this risks getting circular. The description of the interrelationship between on one hand the sufficiency and appropriateness of audit evidence and on the other hand its persuasiveness, is still a bit unclear. In paragraph A5 the persuasiveness of the audit evidence is included in what constitutes sufficient appropriate audit evidence. However, this interrelationship seems to be described differently in paragraph

A9, which implies that the persuasiveness of audit evidence is the sum of sufficient and appropriate audit evidence.

We wonder what A7 and A8 add to what is already included in ISA 330, and especially how this application material addresses the interrelationship between sufficiency, appropriateness and persuasiveness of audit evidence.

It is also a bit unclear how “persuasiveness of audit evidence” differs from “quality of audit evidence”.

Given these concerns and if the concept of persuasiveness ought to remain in the standard, the understanding of the concept would in our view benefit from being explained in a separate definition.

Pan-African Federation of Accountants (PAFA)

We have noted that the term “persuasiveness” has not been defined in the standard and are concerned that this may lead to different interpretation and disparity in practice. We suggest that this is given further consideration due to the differences in interpretation of what this word means by practitioners from different countries. We recommend that the Board provide clarity in A13 and consider defining persuasive audit evidence or provide more examples in the application material to promote consistency among auditors.

Q07 - Neither agree nor disagree

1. Monitoring Group

International Forum of Independent Audit Regulators (IFIAR)

Persuasiveness of audit evidence

The following are examples in the application material to ED-500 and the conforming amendments to ISA 330 where the term persuasiveness has been used that will require additional clarification in ED-500 or ISA 330 (i.e., through further conforming amendments) or both:

Paragraphs A3 and A17 of ED-500 make reference to the term persuasiveness within the context of the use of automated tools and techniques (ATT). Although we agree that the use of ATT may allow auditors to obtain more persuasive audit evidence, we believe that it is important for the IAASB to provide more examples to illustrate the point. The suggestion that the use of ATT could yield more persuasive audit evidence without additional context or clarification may exacerbate automation bias and, accordingly, lead to a deterioration in audit quality.

Paragraph A19 of ISA 330 makes a reference to persuasiveness within the context of obtaining information from an external information source. It would be helpful to auditors to understand what is meant by information from an external information source being more appropriate and, therefore, more persuasive. Auditors would benefit from the addition of practical examples in the application material to clarify when external information may yield more persuasive audit evidence than IPE.

Q07 - No specific comments

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

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

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

Institute of Internal Auditors (IIA)

Institute of Singapore Chartered Accountants (ISCA)

7. Individuals and Others

Shuichiro Tsumagari (ST)

Thomson Reuters (TR)