Highlights of June 2022 Board Discussion

- Board was broadly supportive of the objectives, definitions and requirements
- Relevance and reliability of information – separate requirement to obtain audit evidence about accuracy and completeness when applicable
- Clarified the requirement about the auditor’s actions to resolve doubts about relevance and reliability
- Clarifications to the application material, including
  - The auditor’s responsibility to design and perform audit procedures in a manner that is not biased applies to all audit procedures
  - Meaning of “information intended to be used as audit evidence”
  - Evaluation of relevance and reliability may be done concurrently with audit procedures applied
Since June 2022

- Five virtual meetings
- Coordination activities, including with the IESBA
- Feedback from CAG
  - Broadly supportive of proposals
  - Although supportive of principles-based approach to address technology, strong support for the development of non-authoritative guidance
  - Strong support for proposals to reinforce the auditor’s exercise of professional skepticism, including:
    - Designing and performing audit procedures in a manner that is not biased
    - Evaluating audit evidence obtained (stand-back requirement)
Recap of Public Interest Issues

- Responding to **changes in the information** that is being used by auditors, including the nature and source of the information;
- Modernizing and supporting a principles-based standard that recognizes the **evolution in technology**; and
- Fostering the maintenance of **professional skepticism** when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence (SAAE)
Expected Effects on Auditor Behavior

A collection of proposed changes that together positively impact auditor behavior

- Requirement to evaluate relevance and reliability of information, irrespective of the source of the information
- Focus on considering which attributes of relevance and reliability are applicable in the circumstances
- Linkage between audit evidence and quality management at the engagement level
- Consideration of auditor bias and potential barriers to exercise of professional skepticism
- Audit evidence derives from any ISA audit procedure for purposes of obtaining SAAE
- Clarifying that Information has to be subject to an audit procedure before it becomes audit evidence
- Focusing on the outcome of an audit procedure when evaluating SAAE as opposed to the type of audit procedure
- Further probing in relation to the work of management expert
- Introducing a new “stand-back” requirement
  - Evaluate whether the audit evidence obtained meets the intended purpose of the audit procedures
  - Consider all audit evidence obtained, regardless of whether it corroborates or contradicts assertions in financial statements
- Modernization of standard to assist auditors with changes in technology
Introduction – Scope and Relationship with Other ISAs

- Streamlined and clarified the relationship with other ISAs, including the auditor’s exercise of professional judgment and professional skepticism in accordance with ISA 200
- Streamlined related application material, including performing consistency checks of terminology (throughout the standard)

### Relevant Paragraphs in Agenda Item 2–B

<table>
<thead>
<tr>
<th>Paragraphs</th>
<th>Application Material</th>
<th>Definitions</th>
<th>Other</th>
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<td>1–4</td>
<td>A1–A12</td>
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Matter for IAASB Consideration

Relevant Paragraphs in Agenda Item 2–B

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</table>

Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B.
Objectives

• Proposal to delete the reference to “and report” in paragraph 6(a)
• Task Force view
  o SAAE supports the auditor’s opinion (reasonable assurance) – ISA 200 paragraph 5
  o Audit evidence is a broader term and supports the auditor’s opinion and report – ISA 200 paragraph A30
Matter for IAASB Consideration

Relevant Paragraphs in Agenda Item 2–B

<table>
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<th>Paragraph</th>
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Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the objectives in Agenda Item 2–B, including with respect to the Task Force view as discussed in Section B.1 of the Issues Paper (Agenda Item 2).
Definitions

Relevant Paragraphs in Agenda Item 2–B

<table>
<thead>
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<th>Requirement</th>
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<td>A13–A14</td>
<td>7</td>
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- **Audit evidence**
  - No proposed changes to the definition
  - Proposal to retain the use of the term “opinion and report” (consistent with paragraph A30 of ISA 200)

- **Appropriateness and sufficiency of audit evidence**
  - Deleted the term “and report” in both definitions, as concepts are used in the context of SAAE
  - Clarified application material to explain how additional audit evidence may be obtained (sufficiency)
Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B, including with respect to the matters discussed in Section B.1 of the Issues Paper (Agenda Item 2).
Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

### Relevant Paragraphs in Agenda Item 2–B

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<tr>
<td>8</td>
<td>A15–A33</td>
<td>n/a</td>
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- Since the June turnaround, no further changes to the requirement
- Proposals to enhance and streamline application material, including:
  - Highlighting the need to assess the appropriateness of inputs and algorithms when using automated tools and techniques
  - Clarifying and explaining the circumstances in which the auditor may consider it appropriate to apply an audit procedure to an entire population
  - Adding guidance on the use of automated tools and techniques to select specific items for testing
Matter for IAASB Consideration

**Relevant Paragraphs in Agenda Item 2–B**

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**Question 1:**

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraph above in *Agenda Item 2–B*. 
Information Intended to be Used as Audit Evidence

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<tr>
<td>9</td>
<td>A34–A61</td>
<td>n/a</td>
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- Since the June turnaround, no further changes to the requirement
- Proposals to clarify application material, including
  - Explaining that the auditor’s inability to obtain SAAE is a scope limitation – definitive statement
  - Deleting the description of accounting records, given proposed conforming amendment
  - Explaining that the intended purpose of the audit procedure will affect the auditor’s professional judgment about the attributes of relevance and reliability that are applicable in the circumstances
Matter for IAASB Consideration

Relevant Paragraphs in Agenda Item 2–B

<table>
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Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B.
Information Intended to be Used as Audit Evidence

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<td>10</td>
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- Editorial changes to address perceived circularity with paragraph 9, including linking the requirement more directly with paragraph 9(b)
- Proposals to reorganize and clarify application material relating to the attributes of accuracy and completeness, including explaining
  - That the source of information may affect whether the attributes are applicable in the circumstances
  - That these attributes ordinarily will be applicable for information generated internally (entity’s information system)
  - How the intended purpose of the audit procedure relates to whether these attributes are applicable
Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 2–B

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<td>A62–A64</td>
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**Question 1:**

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B.
Information Intended to be Used as Audit Evidence Prepared by a Management’s Expert

### Relevant Paragraphs in Agenda Item 2–B

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<td>A65–A77</td>
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- Proposed change to the application material
  - Relocation of guidance relating to “whether the information prepared by the management’s expert has been appropriately reflected in the financial statements” – moved to paragraph A76 of **Agenda Item 2–B**
Matter for IAASB Consideration

Relevant Paragraphs in Agenda Item 2–B

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**Question 1:**

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in *Agenda Item 2–B*. 
Doubts About the Relevance or Reliability of Information

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<tbody>
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<td>12</td>
<td>A78–A82</td>
<td>n/a</td>
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- Clarifying the meaning of references to “the matter” in the requirement
- Proposed change to the application material
  - Paragraph A78 – editorial change to align with the terminology used in paragraph A54 of Agenda Item 2–B (“period of time to which the information relates”)
Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 2–B

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**Question 1:**

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 2–B**.
Evaluate the Audit Evidence Obtained – Stand-Back

Relevant Paragraphs in Agenda Item 2–B

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<td>13</td>
<td>A83–A87</td>
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- Since the June turnaround, no further changes to the requirement
- Proposed changes to the application material, including guidance to address
  - Risks of material misstatement at the financial statement level
  - What the auditor is expected to do if the evaluation in accordance with paragraph 13(a) indicates that the audit evidence obtained does not meet the intended purpose of the audit procedures
Matter for IAASB Consideration

Relevant Paragraphs in Agenda Item 2–B

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Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B.
Evaluate the Audit Evidence Obtained – Inconsistencies

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<tr>
<td>14</td>
<td>A88–A92</td>
<td>n/a</td>
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</table>

- Since the June turnaround, no further changes to the requirement
- Proposed changes to the application material were mainly editorial in nature, other than moving the example into the body of paragraph A89 of Agenda Item 2-B
Question 1:
The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in Agenda Item 2–B.
Appendix – Matter for IAASB Consideration

Question 1:
The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the **Appendix** in **Agenda Item 2–B**.
Conforming and Consequential Amendments

- Paragraph A26 of ISA 330
  - Proposal to delete “relevant” to align with paragraph 13(b) of Agenda Item 2-B
  - Task Force view – no concept of “irrelevant audit evidence”

- Deleting (or reversing) prior proposed conforming amendments related to paragraph 13 of ISA 315 (Revised 2019 and paragraph 18 of ISA 540 (Revised)
  - No longer necessary given the wording of paragraph 8 of Agenda Item 2–B as agreed by the Board in June 2022
Conforming and Consequential Amendments – Matter for IAASB Consideration

**Question 2:**

The IAASB is asked for its views on the proposed conforming and consequential amendments, as presented in *Agenda Item 2–D*, including with respect to the matter discussed in Section C.1 of the Issues Paper (relating to paragraph 26 of ISA 330).
Other Matters

- Exposure period
- Proposed implementation period

Question 3:
The IAASB is asked for its views on the above matters.
Question 4:
The IAASB is asked whether there are any matters, other than those noted in paragraph 37 of the Issues Paper, that should be addressed in the Explanatory Memorandum to the exposure draft of proposed ISA 500 (Revised).