

# Agenda Item 5-D

## Disposition of Present Tense

Para	<u>Existing Present Tense Statements</u>	Change to “shall”	New Para	Rationale and Comments
	<b>Concept of Audit Evidence</b>			
5	The auditor obtains some audit evidence by testing the accounting records, for example, through analysis and review, reperforming procedures followed in the financial reporting process, and reconciling related types and applications of the same information....	Y	7	
	...However, because accounting records alone do not provide sufficient audit evidence on which to base an audit opinion on the financial statements, the auditor obtains other audit evidence.	Y	7	
	<b>Sufficient Appropriate Audit Evidence</b>			
10	However, the auditor considers the reliability of the information to be used as audit evidence for example, photocopies, facsimiles, filmed, digitized or other electronic documents, including consideration of controls over their preparation and maintenance where relevant.	Y	8 9	
12	...when audit evidence obtained from one source is inconsistent with that obtained from another, the auditor determines what additional audit procedures are necessary to resolve the inconsistency.	Y	10	
13	The auditor considers the relationship between the cost of obtaining audit evidence and the usefulness of the information obtained. However, the matter of difficulty or expense involved is not in itself a valid basis for omitting an audit procedure for which there is no alternative.	N	-	See accompanying mapping of deletions for paragraph references. Apart from the requirement to exercise professional skepticism (ISA 200.12), the other present tense elements of these sentences have not been elevated to “shall” because they are subsumed in overarching requirements related to assessing risks and obtaining sufficient appropriate audit evidence. If evidence were omitted on the basis of cost, or if the auditor were satisfied with evidence that was less than persuasive, risk would not be reduced to an acceptably low level and sufficient appropriate audit evidence would not have been obtained. These concepts are discussed in ISA 200.
14	...the auditor ordinarily finds it necessary to rely on audit evidence that is persuasive rather than conclusive; however, to obtain reasonable assurance, the auditor is not satisfied with audit evidence that is less than persuasive. The auditor uses professional judgment and exercises professional skepticism in evaluating the quantity and quality of audit evidence, and thus its sufficiency and appropriateness, to support the audit opinion.	N N	- -	
	<b>The Use of Assertions in Obtaining Audit Evidence</b>			
16	The auditor uses assertions in assessing risks by considering the different types of potential	N	-	Included as a requirement (reworded) in ISA 315.24(b)

	misstatements that may occur, and thereby designing audit procedures that are responsive to the assessed risks.			coupled with 315.4(a).
	<b>Audit Procedures for Obtaining Audit Evidence</b>			
19	The auditor obtains audit evidence to draw reasonable conclusions on which to base the audit opinion by performing audit procedures to: (a) Obtain an understanding of the entity and its environment, including its internal control, to assess the risks of material misstatement at the financial statement and assertion levels (audit procedures performed for this purpose are referred to in the ISAs as “risk assessment procedures”); (b) When necessary or when the auditor has determined to do so, test the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level (audit procedures performed for this purpose are referred to in the ISAs as “tests of controls”); and (c) Detect material misstatements at the assertion level (audit procedures performed for this purpose are referred to in the ISAs as “substantive procedures” and include tests of details of classes of transactions, account balances, and disclosures and substantive analytical procedures).	N	A4	Included as a requirement (reworded), in:  Redrafted ISA 315.03  Redrafted ISA 330.08  Redrafted ISA 330.20
20	The auditor always performs risk assessment procedures to provide a satisfactory basis for the assessment of risks at the financial statement and assertion levels. Risk assessment procedures by themselves do not provide sufficient appropriate audit evidence on which to base the audit opinion, however, and are supplemented by further audit procedures in the form of tests of controls, when necessary, and substantive procedures.	N	-	Included as a requirement (reworded) in ISA 315.5.
21	Tests of controls are necessary in two circumstances. When the auditor’s risk assessment includes an expectation of the operating effectiveness of controls, the auditor is required to test those controls to support the risk assessment. In addition, when substantive procedures alone do not provide sufficient appropriate audit evidence, the auditor is required to perform tests of controls to obtain audit evidence about their operating effectiveness.	N	-	Included as a requirement (reworded) in ISA 330.8.
22	The auditor plans and performs substantive procedures to be responsive to the related assessment of the risks of material misstatement, which includes the results of tests of controls, if any. (The auditor’s risk assessment is judgmental, however, and may not be sufficiently precise to identify all risks of material misstatement....) Therefore, substantive procedures for material classes of transactions, account balances, and disclosures are always required to obtain sufficient	N	-	Included as a requirement (reworded) in ISA 330.4(a), .17(c), and .20, and ISAs 200 (which will discuss the inherent limitations of an audit)

	appropriate audit evidence.			
23	The auditor uses one or more types of audit procedures described in paragraphs 26-38 below.	Y	6	
	<b>Inquiry</b>			
32	The auditor performs audit procedures in addition to the use of inquiry to obtain sufficient appropriate audit evidence.	Y	6	

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