

Responses to ED-315¹
Comments on 'Sufficient and Appropriate Audit Evidence'
NVivo Report 10A
(FOR REFERENCE)

01. Basel

Recommendations in general and for paragraphs 17 and 18 of ED-315

We would recommend that the "requirements" section of the standard explicitly recognize the need for the auditor to exercise professional skepticism. The Explanatory Memorandum highlights six paragraphs within the application material that deal with professional skepticism. However, there is no explicit reference to professional skepticism within the requirements themselves. Adding narrative to the requirements would serve to reinforce the importance of professional skepticism and establish a standard that more strongly promotes audit quality, and would also be consistent with ISA 540 (Revised), which includes narrative in the standard. For example, paragraph 34 of ISA 540 (Revised) highlights that, when evaluating information, all information corroborative or contradictory should be taken into account. A specific section in the "requirements" section of ED-315 headed "professional skepticism", similar to ISA 200, would give the issue even more prominence.

Specifically, we believe paragraphs 17 and 18 of ED-315 (including the related application material) should be supplemented with additional wording that supports the appropriate exercise of professional skepticism while performing procedures to understand an entity and its environment, its financial reporting framework, and its system of internal control as a basis for identifying and assessing the risks of material misstatement.

07. IOSCO

- We support the Board's stated objective within paragraph 15 of the Paper that "the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the: financial statement and assertion levels thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement."
- However, paragraph 27 of the Explanatory Memorandum states what appears to be an expanded objective by stating that "the IAASB has explained that the purpose of performing risk assessment procedures is to obtain sufficient appropriate audit evidence [emphasis added] as the basis for the identification and assessment of the risks of material misstatement." This is repeated in paragraph 36 of the Explanatory Memorandum and also included in paragraph 17 of ISA 315 (Revised).
- While we support the Board's stated intention to emphasize the need for professional skepticism during the risk assessment process, as stated in paragraph 27 of the Explanatory Memorandum, we question whether using the term "sufficient appropriate audit evidence" to discuss the purpose or objective of risk assessment procedures might cause confusion with how that term is used with regards to the relevance and reliability of audit evidence needed to support the audit opinion. We are also concerned that this presents limitations on the scalability of ISA 315 (Revised) and may result in auditors expending unnecessary resources in obtaining audit evidence to support risk assessment decisions that may not require significant judgment that could be focused elsewhere in the audit.

¹ Exposure Draft International Standard on Auditing 315, *Identifying and Assessing Risks of Material Misstatement*

09. UK Financial Reporting Council

Overall, we are strongly supportive of the aims of the IAASB as reflected in the explanatory memorandum in enhancing and providing for a more robust risk assessment process that will support the auditor efforts in achieving high quality audits. Whilst there are many proposals that we would like to see retained when the revised standard is finalised, we are particularly supportive of:

- The emphasis in ED-315 paragraph 17 that the purpose of performing risk assessment procedures is to *obtain sufficient appropriate audit evidence* as the basis for the identification and assessment of the risks of material misstatement. This clarifies that performing risk assessment procedures provides audit evidence in accordance with ISA 500. This should remind auditors to exercise professional scepticism in planning and performing risk assessment procedures to obtain such audit evidence including through considering, and questioning as appropriate, the sufficiency and appropriateness of the audit evidence obtained in light of the circumstances, as the basis for the identification and assessment of the risks of material misstatement.

11. Australian A&A Standards Board

The AUASB is supportive of the principle of obtaining an appropriate base of evidence for risk assessment. However we do not support using the term “sufficient appropriate audit evidence” in paragraph 17 of the ED. This term is commonly associated with drawing conclusions on the evidence collected on the financial statements as a whole, and not during the risk identification and assessment phase. We consider the use of this term in ED 315 is inconsistent with the current definition of audit evidence in ISA 200. We encourage the IAASB to consider if paragraph 17 is appropriate, and the impact this has on ISA 200. If retained in the standard, we also recommend that further guidance is required to explain how this term is to be interpreted in the circumstances of ED 315, and what are the associated documentation requirements.

12. Canadian AASB

We also support the reference to “sufficient appropriate audit evidence” (paragraph 17) to provide the basis for the identification and assessment of the risks of material misstatement. We believe this reference will encourage the exercise of professional skepticism because it reinforces the need for the auditor to consider whether inquiry-based procedures will provide the evidence they need to support the risk assessment.

13. CNCC-CSOEC

- The exercise of professional skepticism, as well as the requirement to assess and obtain sufficient and appropriate audit evidence, are key underlying concepts in auditing. In paragraph 17, the IAASB explains that the purpose of performing risk assessment procedures is to obtain sufficient appropriate audit evidence as the basis for the identification and assessment of the risks of material misstatement. We do not believe that the requirement to obtain sufficient and appropriate audit evidence is within the scope of this project, nor do we believe it is necessary or helpful, and we do not believe it will change behavior. We even believe such a requirement (that consist in obtaining evidence on audit evidence) is confusing and not necessary. It may create unintended consequences as to the scope of some requirements in ISA 500 (Audit Evidence), especially with respect to the requirements to relevance and reliability of audit evidence (ISA 500 para. 7).

- The table included on pages 34/35 of appendix 1 to the explanatory memorandum to ED-315 is particularly useful.

14. Hong Kong Institute of CPAs

In general, we are supportive for the auditor to obtain "sufficient appropriate audit evidence" through the performance of risk assessment procedures. We believe this would give auditors a better basis for the identification and assessment of the risks of material misstatement.

15. IDW

We do not support the change for the auditor to obtain sufficient appropriate audit evidence through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement, because the term sufficient appropriate evidence as currently used in the ISAs and all other IAASB assurance standard is associated with the evidence that the auditor obtains to reduce audit risk to an acceptably low (reasonable assurance engagements) or acceptable (limited assurance engagements) level – not to perform a risk assessment, which results in an assessment of the level of the risk of material misstatement. It would have sufficed to have the auditor "obtain an *appropriate basis* through the performance of risk assessment procedures for the identification and assessment of the risks of material misstatement", since the word "appropriate" in the English language would cover both kind and amount (unless paired with "sufficient" as in the phrase "sufficient appropriate audit evidence" as used in the ISAs). We are not convinced that the terminology used in this requirement will have any impact on the exercise of professional skepticism.

16. Japanese Institute of Certified Public Accountants

We do not support the change to paragraph 17. We are concerned that:

- The exercise of professional skepticism would not be enhanced merely by adding the phrase "sufficient appropriate audit evidence."
- The reference to the term "sufficient appropriate audit evidence" in paragraph 17 may lead to confusion about it may suggest "sufficient appropriate audit evidence" when evaluating audit evidence at the assertion level. The following sentence, "Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion," may also cause the same confusion.
- The phrase "...the (a) basis for ..." is generally used in other paragraphs of ED-315 (e.g., paragraphs 15, 23, 47 and A47, A89, A108, A118 and A129), without mentioning "sufficient appropriate audit evidence." We understand that it is used to describe that the aim of the requirement is to obtain "the basis for" the next step in the audit process, which should also apply in paragraph 17. Therefore, we are concerned that the proposed change of paragraph 17 creates unintended inconsistency with the texts of other requirements.
- Paragraph 17 appears to be lengthy and complicated as it is structured as follows: "The auditor shall....to obtain an understanding of ...to obtain sufficient appropriate audit evidence as the basis for...". Therefore, we propose the following revision:

The auditor shall design and perform risk assessment procedures to obtain an understanding of:
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- (a) The entity and its environment in accordance with paragraph 23(a);
 - (b) The applicable financial reporting framework in accordance with paragraph 23(b); and
 - (c) The entity's system of internal control in accordance with paragraphs 25–44
- ~~to obtain a sufficient appropriate audit evidence~~ as an appropriate basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.

17. Malaysian Institute of Accountants

Regarding the proposed change for the auditor to obtain 'sufficient appropriate audit evidence', it should be noted that the term 'audit evidence' is defined in the Glossary of Terms as "information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information". Linking the risk assessment procedures performed to sufficient appropriate audit evidence may contradict the definition of 'audit evidence'. Accordingly, we propose to replace the term 'audit evidence' with 'information'.

19. National Board of Accountants (Tanzania)

We also support the proposed change for the auditor to obtain 'sufficient appropriate audit evidence' through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement, we as well believe this clarification will further encourage professional skepticism

20. NZ Auditing and Assurance Standards Board

- The NZAuASB does not support the proposed change in paragraph 17 of ED-315 for the auditor to 'obtain appropriate sufficient audit evidence' through the performance of risk assessment procedures to provide the basis for identification and assessment of the risks of material misstatement. As stated in paragraph 2 of ED-315, the overall objective of the auditor in conducting an audit of the financial statements includes obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptably low level. This objective is consistent with the definition of audit evidence as "Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information."
- Requiring auditors to obtain appropriate sufficient audit evidence as the basis for their risk identification process is inconsistent with the existing definition of audit evidence and why it is obtained. The NZAuASB believes that appropriate documentation of the required understanding in paragraph 17 more accurately describes what can be reasonably expected from an auditor in relation to performing a risk assessment process. Consequently, the NZAuASB suggests deleting the words as indicated:

"The auditor shall design and perform risk assessment procedures to obtain an understanding of:

- The entity and its environment
- The applicable financial reporting framework

- o The entity's system of internal control

~~To obtain sufficient appropriate audit evidence~~ as the basis for the identification and assessment of the risks of material misstatement at the financial statement and assertion levels. Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion.”

21. Altaf Noor Ali Chartered Accountants

Yes. We support exercise of professional skepticism throughout the audit and obtaining sufficient appropriate audit evidence. We welcome the clarification on professional skepticism.

22. BDO International

With respect to the term ‘sufficient appropriate audit evidence’ regarding the performance of risk assessment procedures, we believe this may be a less effective change for encouraging professional skepticism. In fact, when used in relation to risk assessment, we find it to be very confusing. We believe that the term sufficient appropriate audit evidence generally relates to obtaining assurance to support the audit opinion and it implies a level of work that goes beyond what should be expected for risk identification and assessment. We suggest removing the need to obtain sufficient appropriate audit evidence from the paragraphs related to risk identification and assessment.

23. Baker Tilly LLP (US)

We do not support this proposed change. We believe that if the auditor's risk assessment procedures (i.e. inquiry, analytical procedures, observation and inspection) are properly performed, a sufficient basis for the identification and assessment of the risks of material misstatement will have been obtained and requiring a further evaluation of the sufficiency and appropriateness of the audit evidence obtained would not be necessary. We recommend removing the terms sufficient and appropriate and instead adding guidance indicating that the risk assessment procedures performed should be commensurate with the expected level of the risk of material misstatement in a given audit area. For example, if the level of risk of material misstatement is expected to be high, the more likely it would be for the auditor's risk assessment procedures to include inspection and / or a combination of risk assessment procedures as opposed to inquiry alone.

24. Crowe International

Obtaining “sufficient appropriate audit evidence” makes sense and provides a clear objective for process. This should encourage the exercise of professional scepticism and enhancement of audit quality.

25. Deloitte

DTTL believes that the more robust requirements and appropriately detailed guidance for the risk assessment process in ED-315 provides for a better basis to develop effective audit responses. This emphasis on risk assessment in turn reinforces the underlying concept of being professionally skeptical.

26. EY Global Limited

No, we do not support the proposed change for the auditor to obtain ‘sufficient appropriate audit evidence’ through the performance of risk assessment procedures. We believe that this implies that the auditor needs to evaluate whether ‘sufficient appropriate audit evidence’ has been obtained in respect of the risk

assessment procedures, whereas sufficient appropriate audit evidence needs to be evaluated on all audit evidence obtained, to determine the auditor's opinion on the financial statements.

27. Grant Thornton

We support the intention of including a requirement to obtain “sufficient appropriate audit evidence” to provide the basis for the audit opinion by appropriately identifying, assessing, and responding to the risks of material misstatement, however we do not support the use of the term “sufficient appropriate audit evidence” in the context of risk assessment procedures alone. In particular, it is unclear what the consequences may be when complying with the requirements of ISA 500, *Audit Evidence*, where sufficient appropriate audit evidence is used in the context of obtaining reasonable assurance that the risk of an inappropriate opinion being issued has been reduced to an acceptably low level.

Further, the ISAs define sufficiency (of audit evidence) as “the measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.” If the sufficiency of audit evidence is affected by the assessment of the risks of material misstatement, it seems somewhat circular to use this as a basis for the identification and assessment of the risks of material misstatement.

28. KPMG IFRG Limited

- With regard to the proposal to include a requirement in paragraph 17 for the auditor “to obtain sufficient appropriate audit evidence as a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels”, we recognise the IAASB’s intention to give greater emphasis to risk identification and assessment as a fundamental part of the audit, on which the auditor’s responses are premised, and we agree this is an important enhancement, which will establish a clearer link between the understanding of the entity’s system of internal control obtained, the risks of material misstatement identified and assessed, and the auditor’s responses, by requiring the auditor to specifically consider whether he/she has obtained sufficient understanding to identify and assess the risks of material misstatement at the financial statement and the assertion level. An auditor will need to exercise professional scepticism in making this determination. In addition to driving a more robust approach from the auditor, we also believe this helps with scalability, as an auditor of a small/ less complex entity should be able to determine that they have sufficient and appropriate understanding relatively quickly, and by performing fewer/ less comprehensive audit procedures.
- Notwithstanding the above, we note that the terminology “sufficient appropriate audit evidence” is understood in a broader context and accordingly we believe this concept may cause confusion when applied to the separate “steps” in an individual ISA.
- Accordingly, to avoid any potential confusion, we suggest that the IAASB may consider using alternative terminology to “evidence”, such as “information”, and also consider including a description of the risk assessment procedures such as “sufficiently thorough in order to provide a reasonable basis for ...”.
- In addition, in light of the key objective of improving the application of professional scepticism during an audit, we recommend that the IAASB remove the “standback” requirement in ISA 330.18 as we believe that the placement of a requirement to validate, and even override, the risk assessment at a relatively advanced stage of the audit, as well as the specific language used, i.e. “irrespective of [the

risk identification and assessment procedures performed]” may serve to reduce the emphasis on the risk identification and assessment process as a critical part of the audit process and, furthermore, may undermine the objective of the IAASB to underscore the importance of professional scepticism during this phase.

29. MNP

In practice, the application of professional skepticism by engagement teams throughout an audit has proven to be difficult. We think that the added robustness of ED-315 will be the real driver behind the exercise of professional skepticism. More specifically, the stand-back requirement will force auditors to take a step back and assess whether the risk assessment results make sense in light of the in-depth understanding of the entity and its environment. In addition, the risk assessment procedures are revised to be more evidence based rather than inquiry alone. As such, we believe that it is the requirements in ED-315 that will result in the exercise of professional skepticism rather than the professional skepticism-specific guidance added to ED-315.

However, we found paragraph 27 of the explanatory memorandum a bit confusing and are concerned that application of the requirements of paragraph 17 of ED-315 may prove to be somewhat challenging. Inherent risks are often identified through consideration of numerous factors, including the risk assessment procedures outlined, and converging into an overall assessment based on the auditor's judgment. We believe practitioners may find it difficult to link the various risks identified to evidence obtained through the performance of the risk assessment procedures.

30. PwC International

- We support reinforcing the importance of maintaining professional scepticism in performing risk assessment procedures and in identifying and assessing risks of material misstatement. We do not, however, support the change in paragraph 17 to obtain “sufficient appropriate audit evidence” as the basis for the identification and assessment of risks of material misstatement as it creates an open-ended judgement. Seeking to have the auditor question whether their basis is sufficient is well intentioned and a principle we support. However, linking this to the concept of sufficient appropriate audit evidence is, in our view, problematic as drafted.
- The concept of “sufficient appropriate audit evidence” in the ISAs defines the threshold of evidence needed on which to form a conclusion or opinion. It is a concept that requires context. For example, ISA 500 explains that “reasonable assurance” is achieved when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk to an acceptably low level (audit risk being a well-defined and understood term in the auditing profession). We also acknowledge that ISA 500 states that audit evidence is obtained from performing risk assessment procedures. However, ISA 500 does not set a threshold for a level of audit evidence from such procedures, in the way in which the concept is applied to forming an opinion. Therefore, we believe this is an inappropriate extension of the concept to the risk assessment procedures. As such, with respect to ISA 315 either the standard needs to define the threshold, or it needs to articulate how much evidence is enough by being explicit in the requirements about the procedures the auditor must perform in order to have obtained sufficient appropriate audit evidence. As drafted, the threshold is undefined, judgmental and, therefore, open to differing interpretation. We believe the previous wording in extant ISA 315 remains appropriate, with the requirements in the ISA clearly defining the nature and scope of understanding that provides that basis. The sufficiency and appropriateness of evidence to support the risk assessment is also

relevant to IAASB's upcoming audit evidence project. The IAASB may wish to consider deferring this proposed change pending a more holistic consideration of the concept of the sufficiency and appropriateness of evidence as part of the ISA 500 project, including how it relates to risk assessment. A conforming amendment can then be made to ISA 315 as part of that project if necessary.

- The specificity of the revised requirements on understanding the entity, its environment and the financial reporting framework are useful in focusing the auditor on what is important to understand in informing their risk assessment and will, we believe, aid professional scepticism. However, the overall complexity of the standard could inadvertently undermine the intended reinforcement of the importance of professional scepticism due to auditors focusing on seeking to understand and comply with the requirements, rather than standing back and applying a questioning mind based on their enhanced understanding.

31. RSM International

- The concept of having "sufficient appropriate audit evidence" to support risk assessment is in danger of creating circularity where there is already a need to obtain "sufficient appropriate audit evidence" in response to risk assessment.
- We also see a lack of clarity on what is intended by obtaining "sufficient appropriate audit evidence" during risk assessment procedures. Is it simply reinforcing that all risk-assessments have to be documented and grounded in facts? Is it just a clarification regarding the importance of documentation? Or is it introducing a requirement for unspecified new procedures?
- Specifically, we are concerned that the reference in paragraph 17 to obtaining "sufficient appropriate audit evidence" in relation to the entity's system of internal control will be confused with the use of the term "sufficient" as used throughout other ISA sections, including ISA 500, which defines sufficiency of audit evidence as "the measure of quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of risks of material misstatement and also by the quality of such audit evidence." We recommend removing the reference to "sufficient appropriate audit evidence" and state that the auditor should perform the required procedures "as the basis for the identification..."

33. Office of the Auditor-General of Canada

- Yes, we believe professional skepticism is adequately addressed.
- However, we do not support the proposed change for the auditor to obtain "sufficient appropriate audit evidence" through the performance of risk assessment procedures. ED paragraph 17 properly states that risk assessment procedures, by themselves do not provide sufficient appropriate audit evidence on which to base the audit opinion. Therefore, we find it unnecessary and potentially confusing to refer to sufficient appropriate audit evidence as an outcome of risk assessment.

35. US Government Accountability Office

We believe that the proposals sufficiently support the appropriate exercise of professional skepticism throughout the risk identification and assessment process, and we support the proposed change for the auditor to obtain "sufficient appropriate audit evidence" to provide the basis for identifying and assessing

risks of material misstatement. We believe that this clarification will further encourage auditors to exercise professional skepticism.

36. Swedish National Audit Office

Yes, we believe that the proposal sufficiently supports the exercise of professional skepticism throughout the risk identification and assessment process.

38. ACCA-CAANZ (Global)

We recognise that the introduction of 'sufficient appropriate audit evidence' in ED-315 is an attempt to align with the guidance paragraph A10 of ISA 500 which mentions that evidence can be obtained through risk assessment procedures. However, the use of ISA 500 terminology creates a concern that the documentation requirements of ISA 500 are intended for risk assessment procedures under ED-315. It seems the purpose of 'sufficient appropriate audit evidence' is to ensure that auditors perform sufficient procedures and document them appropriately in order to support their risk assessments. This could be stated in simpler language without referring to the terminology of audit evidence explicitly to achieve the same desired result.

39. Accountancy Europe

- We appreciate the IAASB's intention stated in the Explanatory Memorandum to ED-315 that the revision of the standard was done in the spirit of adding more clarity rather than to change the risk identification and assessment model. However, this requirement to obtain sufficient and appropriate audit evidence adds confusion to the standard. Indeed, obtaining sufficient and appropriate audit evidence from the early stages of the audit is premature and seems circular as a requirement and not realistic or practical.
- As highlighted above, the risk identification and assessment process is a key iterative process at the early stages of the audit engagement strategy. Auditing is an iterative process and requiring auditors to assess whether the audit evidence obtained during an early stage in the life of an audit engagement is sufficient and appropriate seems to suggest the requirement to obtain audit evidence on the audit evidence obtained at this stage. We highlight that the iterative process of risk identification and assessment process does not mean that the standard should be circular in its requirements.

40. AICPA (USA)

- Response: Given that paragraph 5(e) of ISA 500, *Audit Evidence*, states that sufficiency is affected by the auditor's assessment of the risks of material misstatement, we do not believe the concept of "sufficient appropriate audit evidence" is an appropriate requirement with respect to the auditor's responsibilities for the risk assessment process. While we acknowledge that risk assessment procedures do provide audit evidence, we believe it is difficult to conceptualize and implement a notion of "sufficient appropriate audit evidence" at this stage of the audit as it is a concept specific to evaluating the responses to the identified risks.
- In addition, the inclusion of the notion of sufficient and appropriate audit evidence in ISA 315 may have unintended consequences. We note that in ISA 500, the concept of "appropriateness" encompasses both relevance and reliability. Determining reliability often requires the auditor to

perform audit procedures, such as testing for completeness and accuracy, to evaluate the information to be used as audit evidence. Therefore, introducing the concept of appropriateness as part of risk assessment might suggest that the auditor would be required to perform specific procedures to test the completeness and accuracy of the information being used for risk assessment purposes. We do not believe that such deeper work effort is necessary in many circumstances and therefore may not be appropriate at the risk assessment stage of the audit. Instead, we recommend that the IAASB consider the approach set forth in the Public Company Accounting Oversight Board (PCAOB) standards, that the objective of the assessment of risks of material misstatement is to obtain an understanding to provide a *reasonable basis* to enable the auditor to identify and assess the risks of material misstatements and to design further audit procedures that are appropriately responsive to those risks.

41. Center for Audit Quality

We do not support the reference in paragraph 17 to obtaining “sufficient and appropriate audit evidence”, particularly in relation to the entity’s system of internal control, as the basis for the identification and assessment of risks of material misstatement. This creates an open-ended judgment and could represent a significant change in practice in circumstances where auditors intend to perform a more substantive audit. While performing risk assessment procedures does provide evidence and we support prompting the auditor to question whether their basis is sufficient, we believe the approach in extant ISA 315 (Revised) is preferable. The purpose of the auditor’s risk assessment is to design an appropriate response, thereby obtaining sufficient appropriate audit evidence to support the auditor’s opinion on the financial statements taken as a whole. The approach in extant ISA 315 (Revised) could be strengthened by updating paragraph 17 in the Exposure Draft to read as follows: “...to obtain **a sufficient appropriate audit evidence as the basis understanding to provide a reasonable basis for** identification and assessment of risks of material misstatement at the financial statement and assertion levels, **and designing further audit procedures...**”

42. Chartered Institute of Public Finance & Accountancy

CIPFA agrees that the risk assessment process is part of the overall audit process of gathering sufficient appropriate audit evidence. The proposed revisions provide clarification, but in line with our other comments, we are not sure this will significantly affect the degree of scepticism exercised by auditors.

43. CPA Australia

We do not support the use of the term ‘sufficient appropriate audit evidence’ in this context. It is used in the suite of auditing standards to mean the audit evidence necessary to support the auditor’s opinion and report on the financial report. That is not the relevant meaning in the risk assessment process. We do not consider that this encourages professional scepticism but instead may cause confusion regarding the intention of the requirement in paragraph 17. We recommend deleting this term from paragraph 17 so that it reads simply: “The auditor shall design and perform risk assessment procedures to obtain an understanding of (a)... (b) ...and (c)... as the basis for the identification and assessment of risk...”. Including this term in relation to risk assessment does not encourage professional scepticism, but is simply at odds with the premise that risk assessment procedures alone do not provide sufficient appropriate audit evidence.

46. Fed of Prof Council of Economic Sciences (Argentina)

We believe that the change is convenient, since with them the performance of risk assessment procedures will allow sufficient and adequate audit evidence to be obtained as a basis for the identification and evaluation of the risks of material misstatements in order to lay the foundations for planning the procedures additional audits and emphasizes the need for professional skepticism to obtain and evaluate this audit evidence.

47. FSR Danske Revisorer (Denmark)

- We do not support that the auditor is required to obtain "sufficient and appropriate audit evidence" through the performance of risk assessment procedures to provide a basis for the identification and assessment of the risks of material misstatement. This is because the ISAs define this as a threshold of evidence needed to form an opinion on the financial statements, which would create confusion as to the extent of procedures needed to be performed to identify and assess the risk of material misstatement.
- The concept of "sufficient and appropriate audit evidence" creates complexity in the standard and does also not support the scalability that is needed for audits of small and less complex entities, as one would be forced to perform walk-throughs and test of design and implementation of controls related to all processes, before sufficient and appropriate audit evidence is obtained.
- In general, obtaining sufficient and appropriate audit evidence at an early stage of the audit seems premature as the risk assessment is an iterative process. The requirement is, therefore, in our opinion not realistic or practical.

48. Interamerican accounting association (South America)

Regarding the proposed changes, yes, we fully support that the auditor should obtain sufficient appropriate audit evidence by all means available to him, in particular, through risk identification and assessment procedures, which alone are not sufficient for such obtaining of appropriate evidence, but linked to other procedures, such as nouns. Regarding that this proposed

49. Instituto dos Auditores Independentes do Brazil

In relation to the use of the term 'sufficient appropriate audit evidence', we believe that the use of the word 'appropriate' is enough to cover the concept of sufficiency.

51. Institute of Chartered Accountants in England and Wales

- We note in our answer to Q1 above, that our outreach highlighted a belief that the proposed new requirement for 'sufficient, appropriate evidence' to support the risk assessment, is unnecessary and circular. It will result in auditors expending resources on documenting why they have not done something. Others think it should be distinguished from the extant requirement relating to audit evidence more generally by using a construction such as 'appropriate evidence to support', or 'a reasonable basis for', the risk assessment.
- References to the need to deal appropriately with inconsistent and contradictory information (such as paragraphs A19 and A44) represent progress, but there is no requirement covering this. We note

with interest the discussion on the issue in the context of ISA 540 on estimates, and we look forward to further consideration of this issue in IAASB's forthcoming audit evidence project.

53. Institute of Chartered Accountants of Pakistan

We are supportive of the principle of obtaining an appropriate base of evidence for risk assessment. However, we note that the term "sufficient appropriate audit evidence" (used in paragraph 17 of ED 315) is associated with drawing conclusions on the evidence collected on the financial statements as a whole and not during the risk identification and assessment phase. We have also noted that using this term in the proposed revised standard is inconsistent with the definition of audit evidence in ISA 200. Accordingly, we believe the IAASB need to consider if paragraph 17 is appropriate, and its impact on ISA 200.

55. Institute of Chartered Accountants (Zimbabwe)

We support the proposed changes regarding the use of risk assessment procedures to provide evidence which then serves as the basis for the identification and assessment of risks of material misstatement.

57. Institute of Public Accountants

The IPA supports the requirement to obtain sufficient appropriate audit evidence to support risk assessment. The IPA notes that the planning sections of audit file are often based on questionnaire and form-completion based largely on management representation, and as such the IPA welcomes the clarification that sufficient appropriate audit evidence needs to be obtained to facilitate risk assessment and response.

59. Malaysian Institute of CPAs

In relation to the proposed change in Para 17 for the auditor to obtain "sufficient, appropriate audit evidence", we are of the view linking the risk assessments procedures performed to the concept of sufficient appropriate audit evidence is not appropriate. The standard needs to be explicit in defining the threshold or how much evidence is enough in the procedures the auditors must perform to have obtained sufficient appropriate audit evidence to avoid differing interpretation.

61. PAFA

While it is clear to see how the proposals as well the specific reference to obtaining "sufficient appropriate audit evidence" through the performance of risk assessment procedures support and can enhance the exercise of professional skepticism, it is not clear how the clarification will encourage professional skepticism.

62. SAICA (South Africa)

- SAICA agrees with the amendment in paragraph 17 to obtain sufficient appropriate audit evidence (SAAE) as the basis for identifying and assessing risks of material misstatement. This aligns with the guidance material in ISA 500.A10 which states that audit evidence to draw reasonable conclusions on which to base the auditor's opinion is obtained by performing risk assessment procedures and further audit procedures. The risk identification and assessment process is foundational to the risk-based approach that underlie an audit that is planned and performed in accordance with the ISAs and it is almost unthinkable that the auditor would not have sufficient appropriate audit evidence as the basis for the identification and assessment of the risks of material misstatement.

- However, our outreach did indicate that it is not clear to readers how the insertion of the words ‘to obtain sufficient appropriate audit evidence’ encourages professional skepticism. It should be described in the application material how professional skepticism is encouraged.
- Another concern that was raised was whether this amendment implies that additional documentation is required of the risk assessment procedures performed. We believe it is appropriate for the auditor to document, for example, the basis for assessing inherent risk at a certain level for relevant assertions. In SAICA’s view this does not necessarily imply specific *additional* documentation. The basis for such assessment (the information obtained up to the point before identification and assessment) may already have been documented (i.e. is apparent) from the normal “understanding” and other planning working papers that the auditor would have obtained or prepared, which culminate in the auditor’s determinations or assessments in terms of the requirements in paragraphs 45 to 52 of ED-ISA 315. In this context, audit evidence is a collective term that refers to all the information used by the auditor in arriving at the auditor’s determinations or assessments. The concern raised pertaining documentation may stem from a lack of clarity around the interpretation of ‘sufficient appropriate audit evidence’ in the context of risk assessment procedures.
- A related matter which we were not able to interrogate adequately owing to time constraints, but which we believe the IAASB should be aware of, is whether so-called ‘negative’ documentation is required, or alternatively would be called for when, for example, an audit file is subject to inspection. For example, documented evidence why an assertion about a class of transaction, account balance or disclosure is not a relevant assertion.

63. SMPC

We do not believe that the new requirement for ‘sufficient, appropriate audit evidence’ (para. 17) is helpful in this context to support the identification and assessment of risks of material misstatement at the financial statement and assertion levels. The term is borrowed from requirements concerning the qualitative characteristics of audit evidence more generally and the need to obtain ‘evidence about evidence’ is more circular than iterative. More importantly, it will likely encourage regulators to encourage auditors to expend unnecessary time and effort documenting why they have not done something. We suggest that additional consideration is also given to what the IAASB and audit regulators will expect to see in terms of the documentation of professional skepticism, as this remains a challenge for practitioners, SMPs or otherwise.

65. Chartered Accountants Academy (Zimbabwe)

Yes, we support the proposed changes regarding the use of risk assessment procedures to provide evidence which then serves as the basis for the identification and assessment of risks of material misstatement. The clarification will further increase professional scepticism, this is because risk assessment procedures only give audit evidence and judgement, i.e. professional scepticism, to come up with the sufficient appropriate evidence.

67. Lynessa Dias

The proposed change to obtain ‘sufficient appropriate audit evidence’ as a matter of the auditor’s professional judgement to form the basis for the assessment of risks of material misstatement will encourage professional skepticism in the identification and assessment process. Professional skepticism not only improves audit performance, it also helps develop and create documentary evidence, as well as an audit trail to support the audit approach and opinion.

70. S Dianne Azoor Hughes (Australia)

- The use of the term 'sufficient appropriate audit evidence' in the context of risk assessment procedures requires more guidance. Currently auditors document the risk assessment procedures that have been carried out.
 - Does a requirement for 'sufficient appropriate audit evidence' indicate that something beyond documentation of risk assessment procedures is needed?
 - If management information is used for preliminary analysis, does this new requirement indicate that management information will not comprise 'sufficient appropriate evidence' unless it is first verified?
 - Similarly, do sources for industry or competitor information need to be verified before used to assess risk?
 - Will auditors expect a different type of information from management or those charged with governance as a consequence of this change?
- If the use of this term is intended to 'raise the bar' in the quality of matters documented as risk assessment procedures, then this matter needs both debate and guidance. In particular, the change in terminology should not impact on the way directors and management operate.