



# Audit Evidence

Bob Dohrer, Audit Evidence Working Group Chair

IAASB Meeting, Toronto

Agenda Item 8–A

March 14, 2019



**International Auditing  
and Assurance  
Standards Board**

# The Interrelationship of the Current ISAs as They Relate to Audit Evidence

The following slides walk through the current ISAs  
(including extant ISA 315 (Revised)) and  
demonstrate how they are interrelated

*(For best viewing, please view electronically using the slide show function  
in MS Powerpoint)*



## ISA 200

Obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion

### ISA 315 (Revised)

Perform risk assessment procedures to provide a basis for identification and assessment of risks of material misstatement (ROMM)

ISA 240, ISA 402, ISA 540, ISA 550, ISA 570

Identify and assess ROMMs to provide basis for designing and performing further audit procedures

### ISA 450

Evaluate misstatements

### ISA 700 (Revised)

Conclude whether have obtained reasonable assurance about whether F/S are free from material misstatement

### ISA 330

- Design and implement overall responses to address assessed ROMMs at F/S level
- Design and perform further audit procedures that are responsive to assessed ROMMs at assertion level
- Audit procedures to evaluate overall presentation of the F/S

ISA 240, ISA 402, ISA 501–ISA 520, ISA 540–ISA 570, ISA 600–ISA 620, ISA 710

Evaluate whether assessment of ROMMs remain appropriate

Conclude whether sufficient appropriate audit evidence has been obtained

- If not obtained sufficient appropriate audit evidence, attempt to obtain further audit evidence, and if unable to do so, qualify or disclaim opinion

### ISA 500

Design and perform audit procedures for the purpose of obtaining sufficient appropriate audit evidence

ISA 240, ISA 402, ISA 501–ISA 520, ISA 540–ISA 580, ISA 600–ISA 620, ISA 710

Consider relevance and reliability of information to be used as audit evidence, including information from external information source

- Specific requirements regarding information prepared by management expert
- Information produced by entity – consider if sufficiently reliable, including accuracy and completeness and sufficiently precise and detailed

Modify audit procedures to resolve inconsistency in, or doubts over reliability of, audit evidence

Determine means of selecting items for testing

ISA 530





# Audit Evidence Update

March 2019

# Audit Evidence—Overall Objectives



Address Evolving Nature Of Audit Services



Emerging Tools And Techniques, Including Data Analytics



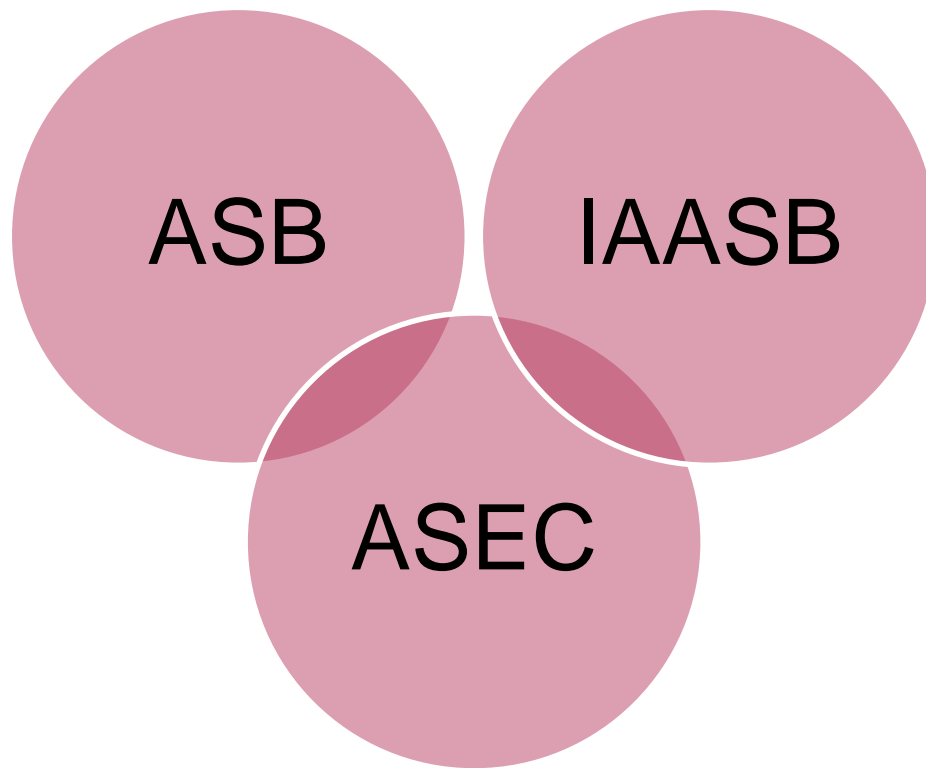
Professional Skepticism



External Information Sources

The ways that business is transacted and reporting takes place has changed and thus information evaluated by the auditor is different than in the past.

# Audit Evidence—Task Force Composition



## IAASB Connections

- Eric Turner
- Susan Jones
- Alan Young
- Hiram Hasty



# Key Proposals — Scope Section



Articulates relationship between audit evidence and other standards



Explains relationship between information obtained by the auditor and audit evidence



Includes explicit statement that this proposed standard does not establish incremental audit documentation requirements



Includes illustration of the attributes and factors relevant to audit evidence (“Cube”)

# Key Proposals—Objective

*“The objective of the auditor is to evaluate information to which audit procedures have been applied in the performance of the audit as a basis for concluding whether sufficient appropriate audit evidence has been obtained.”*

Information  
does not  
become audit  
evidence until  
procedures  
have been  
applied.

# Key Proposals—Definitions

## Appropriateness

- *The measure of the relevance and reliability of audit evidence...*

## Sufficiency

- *The measure of the persuasiveness of audit evidence...*

## Audit Evidence

- *Information to which audit procedures have been applied.*

## External Information

- *The information obtained external to the entity, including information from external information sources...*

## External Information Sources

- *An external individual or organization that provides information that has been used by the entity in preparing the financial statements...*

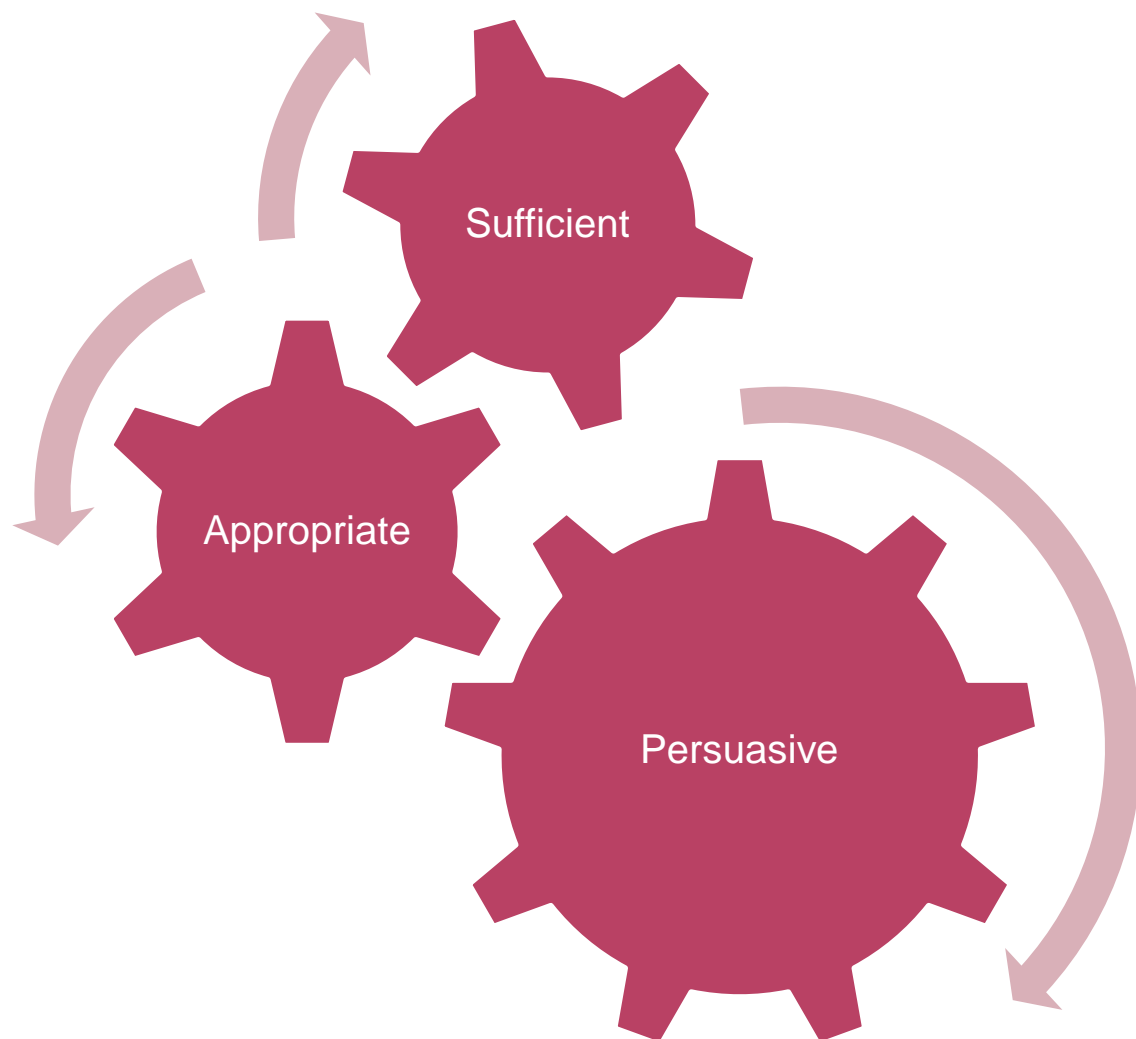
## Internal Information Sources

- *The information developed or maintained by the entity, including accounting records.*

Not focusing on  
“quantity” of audit  
evidence

Relocated EIS  
application material  
to an appendix

# Key Proposals—Definitions



*“The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency and appropriateness are integral factors in evaluating the persuasiveness of the audit evidence.”*

*“Appropriate audit evidence is sufficient (that is, persuasive) when an experienced auditor would be persuaded to draw conclusions based on consideration of the audit evidence.”*

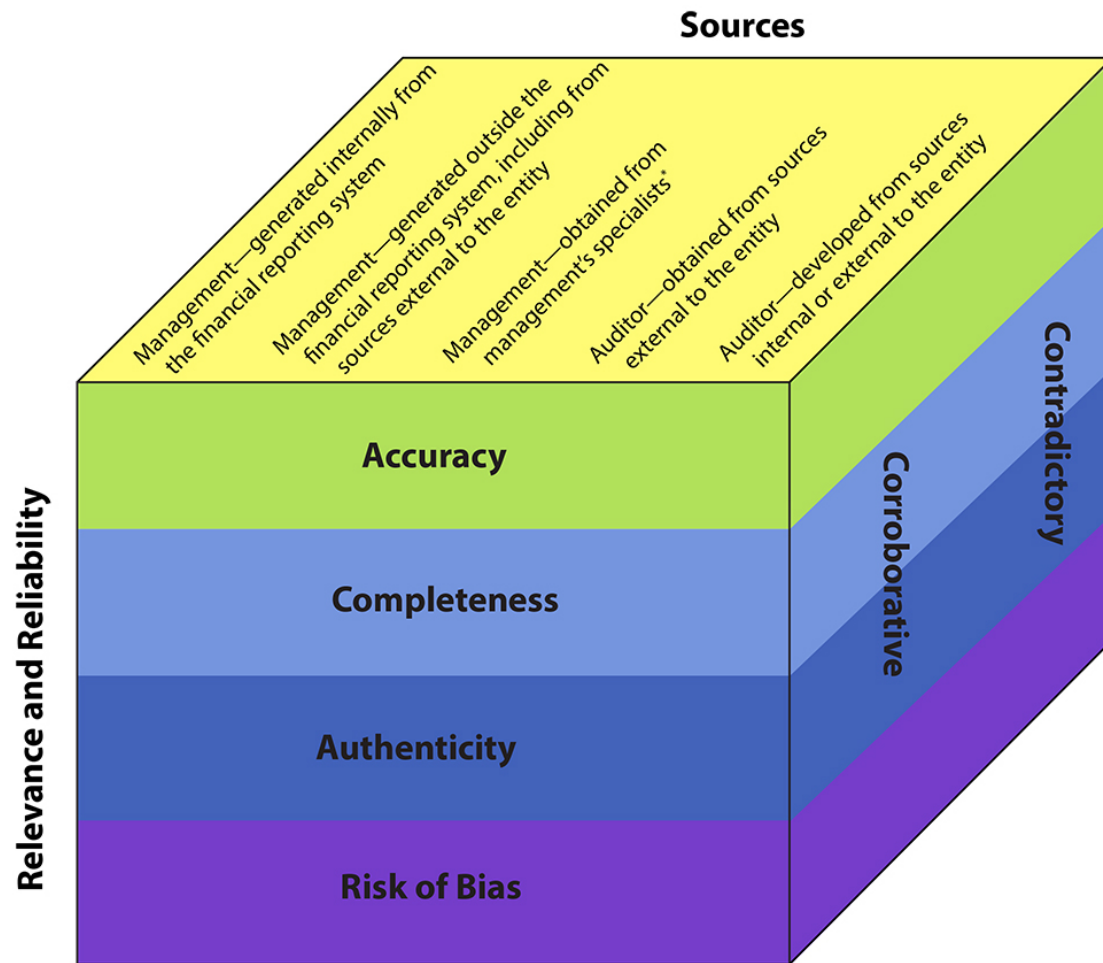
# Key Proposals

## Management Specialists

- Relocated content to another standard
- Considering new PCAOB use of specialists standard

Requirements and guidance not changed from extant at this point.

# Key Proposals—Requirements/Application Material



Illustrates that attributes are considered in the context of other attributes.

# Key Proposals—Requirements/Application Material

*“11. The auditor should evaluate information obtained as a basis for concluding whether sufficient appropriate audit evidence has been obtained by assessing its relevance and reliability in the context of the source from which it was obtained and whether the information obtained corroborates or contradicts the assertions in the financial statements as set out in paragraphs 12–14 of this standard.”*

Evaluation of  
information in AU-C  
500 while  
conclusion currently  
resides in AU-C 330

# Key Proposals—Requirements/Application Material

*“12. In evaluating information obtained in accordance with paragraph 11, the auditor should assess the relevance and reliability of the information to be used as audit evidence.”*

Relevance is the entry point, then reliability

- Accuracy
- Completeness
- Authenticity
- Risk of bias
  - By mgmt.
  - By auditor



# Key Proposals—Requirements/Application Material

*“13. In evaluating information obtained in accordance with paragraph 11, the auditor should assess the sources of information to be used as audit evidence.”*

Relative reliability is considered in the context of the source and nature of information

If contradictory information is obtained from a social media source does the inability to “verify” accuracy and completeness negate its value?

# Key Proposals—Requirements/Application Material

*“14. In evaluating information obtained in accordance with paragraph 11, the auditor should assess whether the information obtained corroborates or contradicts the assertions in the financial statements.”*

However, the auditor does not consider contradictory audit evidence in isolation, but rather as part of the auditor’s consideration of the audit evidence obtained with respect to that management assertion taken as a whole.

# Key Proposals—Requirements/Application Material

Requirement carried over from extant.

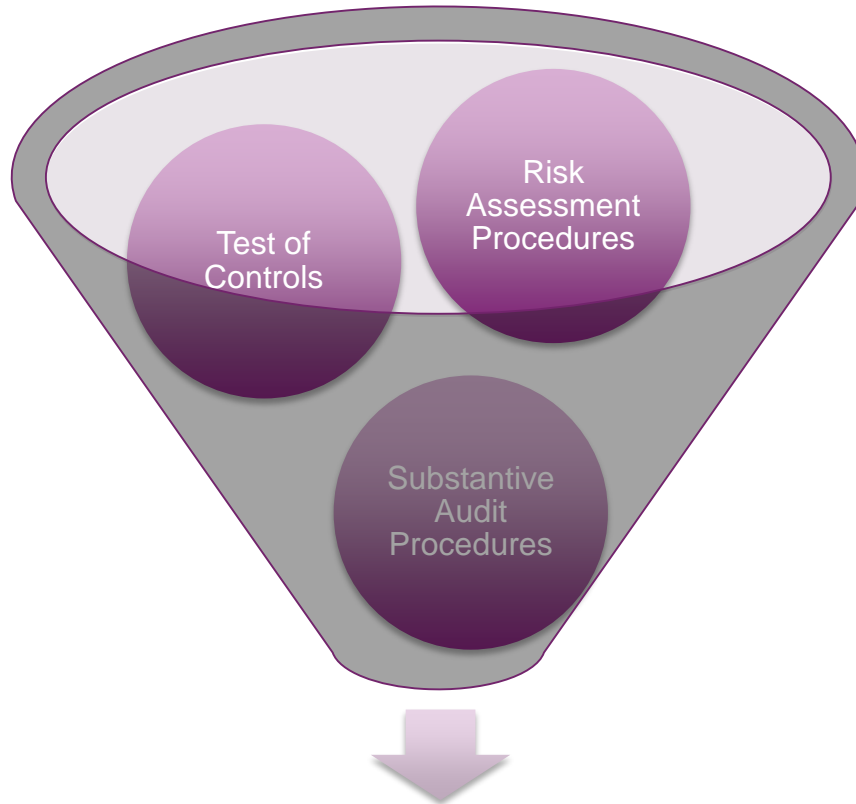
15. If

- audit evidence obtained from one source is inconsistent with that obtained from another or
- the auditor has doubts about the reliability of information to be used as audit evidence,

the auditor should determine what modifications or additions to audit procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the audit.

# Key Proposals—Audit Procedures

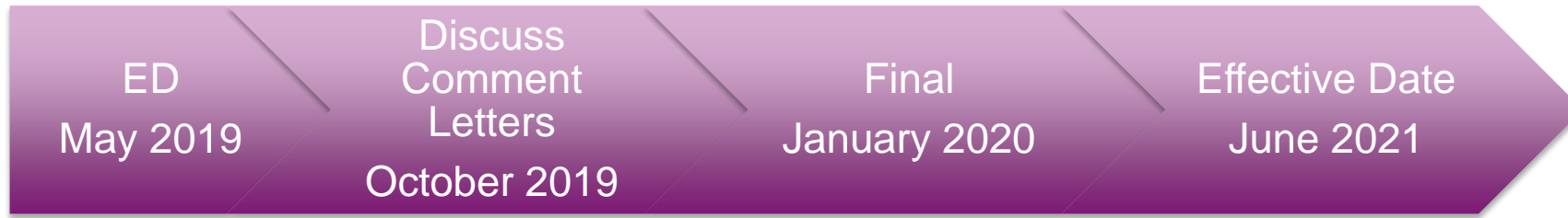
par. 16



*“The auditor may perform one or more procedures using different audit tools or techniques, including audit data analytics, visualization, or artificial intelligence in meeting objectives of the audit procedures.”*

*“In some instances, the auditor may achieve the objective of more than one type of audit procedure (for example, as both a risk assessment and further audit procedure) and may accomplish the objectives of both types of procedures simultaneously, including achieving such objectives through the use of automated tools or techniques.”*

# Next Steps



Questions?



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