

Supplement 1 to Agenda Item 1 (For Reference)

Analysis of the Extent to Which the ISAs, Including Extant ISA 500,¹ Currently Deal with the Core Requirements Related to Obtaining Sufficient Appropriate Audit Evidence (as Discussed in Section D of Agenda Item 1)

Note: The AETF's views in the table below relates to the AETF's overall indication about whether there are opportunities to enhance or improve the requirements, in particular to clarify the interrelationship of the requirements or their applicability to all audit procedures.

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|--|---|
| 1. | The auditor shall plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. | ISA 200: ³ <ul style="list-style-type: none"> Paragraph 15: The auditor shall plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated. |
| 2. | The auditor shall exercise professional judgment in planning and performing an audit of financial statements. | ISA 200: <ul style="list-style-type: none"> Paragraph 16: The auditor shall exercise professional judgment in planning and performing an audit of financial statements. |
| 3. | To obtain reasonable assurance, the auditor shall 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 200: <ul style="list-style-type: none"> Paragraph 17: To obtain reasonable assurance, the auditor shall 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 |

¹ ISA 500, *Audit Evidence*

² The requirement number corresponds with the number of the core requirements as presented in paragraph 77 **Section D** of **Agenda Item 1**.

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|---|
| | | <ul style="list-style-type: none"> • Paragraph 18: The auditor shall comply with all ISAs relevant to the audit. An ISA is relevant to the audit when the ISA is in effect and the circumstances addressed by the ISA exist. • Paragraph 21: To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant ISAs in planning and performing the audit, having regard to the interrelationships among the ISAs, to: <ul style="list-style-type: none"> (a) Determine whether any audit procedures in addition to those required by the ISAs are necessary in pursuance of the objectives stated in the ISAs; and (b) Evaluate whether sufficient appropriate audit evidence has been obtained. • Paragraph A72 includes: The auditor is responsible for determining the audit procedures necessary to fulfill the requirements of the ISAs and to achieve its objectives. In the circumstances of an engagement, there may be particular matters that require the auditor to perform audit procedures in addition to those required by the ISAs to meet the objectives specified in the ISAs. • Paragraph A73 includes: The auditor is required to use the objectives to evaluate whether sufficient appropriate audit evidence has been obtained in the context of the overall objectives of the auditor. If as a result the auditor concludes that the audit evidence is not sufficient and appropriate, then the auditor may follow one or more of the following approaches to meeting the requirement of paragraph 21(b): <ul style="list-style-type: none"> (a) Evaluate whether further relevant audit evidence has been, or will be, obtained as a result of complying with other ISAs; (b) Extend the work performed in applying one or more requirements; or (c) Perform other procedures judged by the auditor to be necessary in the circumstances. |

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|---|
| | | <p>ISA 315 (Revised 2019):⁴</p> <ul style="list-style-type: none"> Paragraph 13: The auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for: <ul style="list-style-type: none"> (a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and (b) The design of further audit procedures in accordance with ISA 330. <p>The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</p> <p>ISA 330:⁵</p> <ul style="list-style-type: none"> Paragraph 5: The auditor shall design and implement overall responses to address the assessed risks of material misstatement at the financial statement level. Paragraph 6: The auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed risks of material misstatement at the assertion level. Paragraph 8: The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls if: <ul style="list-style-type: none"> (a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or |

⁴ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁵ ISA 330. *The Auditor's Responses to Assessed Risks*

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|---|---|
| | | (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. |
| 4. | (a) The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. | <p>ISA 315 (Revised 2019):</p> <ul style="list-style-type: none"> Paragraph 13: The auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for: <ul style="list-style-type: none"> (a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and (b) The design of further audit procedures in accordance with ISA 330. <p>The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</p> <p>ISA 330:</p> <ul style="list-style-type: none"> Paragraph 8: The auditor shall design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of relevant controls if: <ul style="list-style-type: none"> (a) The auditor's assessment of risks of material misstatement at the assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing and extent of substantive procedures); or (b) Substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. |

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|---|--|
| | | <p>ISA 500:</p> <ul style="list-style-type: none"> Paragraph 6: The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence |
| 4. | (b) The auditor shall design and perform audit procedures in a manner that does not result in audit evidence that is biased towards corroborating the assertions in the financial statements or towards contradicting the assertions in the financial statements. | <p>ISA 315 (Revised 2019):</p> <ul style="list-style-type: none"> Paragraph 13: The auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for: <ul style="list-style-type: none"> (a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and (b) The design of further audit procedures in accordance with ISA 330. <p>The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</p> <p>ISA 540:⁶</p> <ul style="list-style-type: none"> Paragraph 18: As required by ISA 330,⁷ the auditor's further audit procedures shall be responsive to the assessed risks of material misstatement at the assertion level,⁸ considering the reasons for the assessment given to those risks. The auditor's further audit procedures shall include one or more of the following approaches: <ul style="list-style-type: none"> (a) Obtaining audit evidence from events occurring up to the date of the auditor's |

⁶ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraph 13(d)

⁷ ISA 330, paragraphs 6–15 and 18

⁸ ISA 330, paragraphs 6–7 and 21

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|--|---|
| | | <p>report (see paragraph 21);</p> <p>(b) Testing how management made the accounting estimate (see paragraphs 22–27); or</p> <p>(c) Developing an auditor’s point estimate or range.</p> <p>The auditor’s further audit procedures shall take into account that the higher the assessed risk of material misstatement, the more persuasive the audit evidence needs to be.⁹ The auditor shall design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</p> |
| 5. | The auditor shall evaluate whether the information intended to be used as audit evidence is sufficiently relevant and reliable for the auditor’s purposes. | <p>ISA 315 (Revised 2019):</p> <ul style="list-style-type: none"> Paragraph 16: When the auditor intends to use information obtained from the auditor’s previous experience with the entity and from audit procedures performed in previous audits, the auditor shall evaluate whether such information remains relevant and reliable as audit evidence for the current audit. <p>ISA 500:</p> <ul style="list-style-type: none"> Paragraph 7: When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence, including information obtained from an external information source. Paragraph 9: When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor’s purposes, including, as necessary in the circumstances: <ul style="list-style-type: none"> (a) Obtaining audit evidence about the accuracy and completeness of the information; and |

⁹ ISA 330, paragraph 7(b)

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|--|
| | | <p>(b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.</p> <p>ISA 505:¹⁰</p> <ul style="list-style-type: none"> There are references to relevance and reliability of audit evidence throughout the standard, given that the objective of the standard, when using external conformation procedures, is to design and perform such procedures to obtain relevant and reliable audit evidence. <p>ISA 520:¹¹</p> <ul style="list-style-type: none"> Paragraph 5(b): When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in accordance with ISA 330,¹² the auditor shall: (Ref: Para. A4–A5) <ul style="list-style-type: none"> (a) ... (b) Evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed, taking account of source, comparability, and nature and relevance of information available, and controls over preparation. <p>ISA 540 (Revised):</p> <ul style="list-style-type: none"> Paragraph 25(c): In applying the requirements of paragraph 22, with respect to data, the auditor's further audit procedures shall address: <ul style="list-style-type: none"> (a) Whether the data is appropriate in the context of the applicable financial reporting framework, and, if applicable, changes from prior periods are |

¹⁰ ISA 505, *External Confirmations*

¹¹ ISA 520, *Analytical Procedures*

¹² ISA 330, paragraph 18

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|---|
| | | <p>appropriate;</p> <p>(b) Whether judgments made in selecting the data give rise to indicators of possible management bias;</p> <p>(c) Whether the data is relevant and reliable in the circumstances; and</p> <p>(d) ...</p> <p>ISA 570 (Revised):¹³</p> <ul style="list-style-type: none"> Paragraph 16(c)(i): If events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern, the auditor shall obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereinafter referred to as "material uncertainty") through performing additional audit procedures, including consideration of mitigating factors. These procedures shall include: <ul style="list-style-type: none"> (a) ... (c) Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future actions: <ul style="list-style-type: none"> (i) Evaluating the reliability of the underlying data generated to prepare the forecast; and (ii) ... |

¹³ ISA 570 (Revised), *Going Concern*

| | | |
|--|--|--|
| | | <p>ISA 580:¹⁴</p> <ul style="list-style-type: none"> Throughout ISA 580, there are references to: <ul style="list-style-type: none"> (a) Considerations about the “reliability” of management’s representations. (b) “Relevant information” in terms of the audit engagement; or (c) Written representations to support audit evidence relevant to the financial statements. <p>ISA 620:¹⁵</p> <ul style="list-style-type: none"> Paragraph 12: The auditor shall evaluate the adequacy of the auditor’s expert’s work for the auditor’s purposes, including: <ul style="list-style-type: none"> (a) The relevance and reasonableness of that expert’s findings or conclusions, and their consistency with other audit evidence; (b) If that expert’s work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances; and (c) If that expert’s work involves the use of source data that is significant to that expert’s work, the relevance, completeness, and accuracy of that source data. <p>ISA 700 (Revised):¹⁶</p> <ul style="list-style-type: none"> Paragraph 13(d): In particular, the auditor shall evaluate whether, in view of the requirements of the applicable financial reporting framework: <ul style="list-style-type: none"> (a) ... (d) The information presented in the financial statements is relevant, reliable, comparable, and understandable. In making this evaluation, the auditor shall consider whether: |
|--|--|--|

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|--|---|
| | | <ul style="list-style-type: none"> The information that should have been included has been included, and whether such information is appropriately classified, aggregated or disaggregated, and characterized. The overall presentation of the financial statements has been undermined by including information that is not relevant or that obscures a proper understanding of the matters disclosed. |
| 6. | <p>If information intended to be used as audit evidence is not sufficiently relevant and reliable for the auditor's purposes, the auditor shall:</p> <p>(a) Determine what modifications or additions to audit procedures are necessary to resolve the matter, including attempting to obtain additional information that is sufficiently relevant and reliable for the auditor's purposes; and</p> <p>(b) Consider the effect of the matter, if any, on other aspects of the audit.</p> | Based on paragraph 11(b) of extant ISA 500 |

¹⁴ ISA 580, *Written Representations*

¹⁵ ISA 620, *Using the Work of an Auditor's Expert*

¹⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|---|--|
| 7. | <p>If audit evidence or information intended to be used as audit evidence is inconsistent with other audit evidence, the auditor shall:</p> <p>(a) Determine what modifications or additions to audit procedures are necessary to resolve the matter, or</p> <p>(b) Consider the effect of the matter, if any, on other aspects of the audit.</p> | Based on paragraph 11(a) of extant ISA 500 |
| 8. | <p>Concluding on sufficient appropriate audit evidence</p> <p>(a) The auditor shall conclude whether sufficient appropriate audit evidence has been obtained to draw reasonable conclusions on which to base the auditor's opinion. In forming an opinion, the auditor shall consider all relevant audit evidence, including audit evidence that is consistent or inconsistent with other audit evidence, or audit evidence that that appears to corroborate or contradict the assertions in the financial statements.</p> <p>(b) In forming an opinion on whether the financial statements are prepared, in all material respects, in accordance</p> | <p>ISA 200:</p> <ul style="list-style-type: none"> Paragraph 21: To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant ISAs in planning and performing the audit, having regard to the interrelationships among the ISAs, to: <ul style="list-style-type: none"> (a) Determine whether any audit procedures in addition to those required by the ISAs are necessary in pursuance of the objectives stated in the ISAs; and (b) Evaluate whether sufficient appropriate audit evidence has been obtained. <p>ISA 220 (Revised):¹⁷</p> <ul style="list-style-type: none"> Paragraph 32: On or before the date of the auditor's report, the engagement partner shall determine, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor's report to be issued. <p>ISA 315 (Revised 2019):</p> |

¹⁷ ISA 220 (Revised), *Quality Management at the Engagement Level*

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|--|---|
| | <p>with the applicable financial reporting framework, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account the auditor's conclusion, in accordance with ISA 330, whether sufficient appropriate audit evidence has been obtained</p> | <ul style="list-style-type: none"> Paragraph 35: The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence obtained from the risk assessment procedures, whether corroborative or contradictory to the assertions in the financial statements. <p>ISA 330:</p> <ul style="list-style-type: none"> Paragraph 25: Based on the audit procedures performed and the audit evidence obtained, the auditor shall evaluate before the conclusion of the audit whether the assessments of the risks of material misstatement at the assertion level remain appropriate. Paragraph 26: The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. Paragraph 27: If the auditor has not obtained sufficient appropriate audit evidence as to a material financial statement assertion, the auditor shall attempt to obtain further audit evidence. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall express a qualified opinion or disclaim an opinion on the financial statements. <p>ISA 540 (Revised):</p> <ul style="list-style-type: none"> Paragraph 33: In applying ISA 330 to accounting estimates,¹⁸ the auditor shall |

¹⁸ ISA 330, paragraphs 25–26

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|--|
| | | <p>evaluate, based on the audit procedures performed and audit evidence obtained, whether:</p> <ul style="list-style-type: none"> (a) The assessments of the risks of material misstatement at the assertion level remain appropriate, including when indicators of possible management bias have been identified; (b) Management's decisions relating to the recognition, measurement, presentation and disclosure of these accounting estimates in the financial statements are in accordance with the applicable financial reporting framework; and (c) Sufficient appropriate audit evidence has been obtained. <ul style="list-style-type: none"> • Paragraph 34: In making the evaluation required by paragraph 33(c), the auditor shall take into account all relevant audit evidence obtained, whether corroborative or contradictory.¹⁹ If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor shall evaluate the implications for the audit or the auditor's opinion on the financial statements in accordance with ISA 705 (Revised).²⁰ <p>ISA 700 (Revised):</p> <ul style="list-style-type: none"> • Paragraph 11: In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall take into account: <ul style="list-style-type: none"> (a) The auditor's conclusion, in accordance with ISA 330, whether sufficient appropriate audit evidence has been obtained;²¹ |

¹⁹ ISA 500, paragraph 11

²⁰ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

²¹ ISA 330, *The Auditor's Responses to Assessed Risks*, paragraph 26

| # ² | Core Requirement | Included in Requirements or Application Material of ISA 500 or Other ISAs that may be Relevant? |
|----------------|------------------|--|
| | | <p>(b) The auditor's conclusion, in accordance with ISA 450, whether uncorrected misstatements are material, individually or in aggregate;²² and</p> <p>(c) The evaluations required by paragraphs 12–15.</p> |

²² ISA 450, *Evaluation of Misstatements Identified during the Audit*, paragraph 11