

Audit Evidence

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Audit Evidence Task Force (AETF) Chair

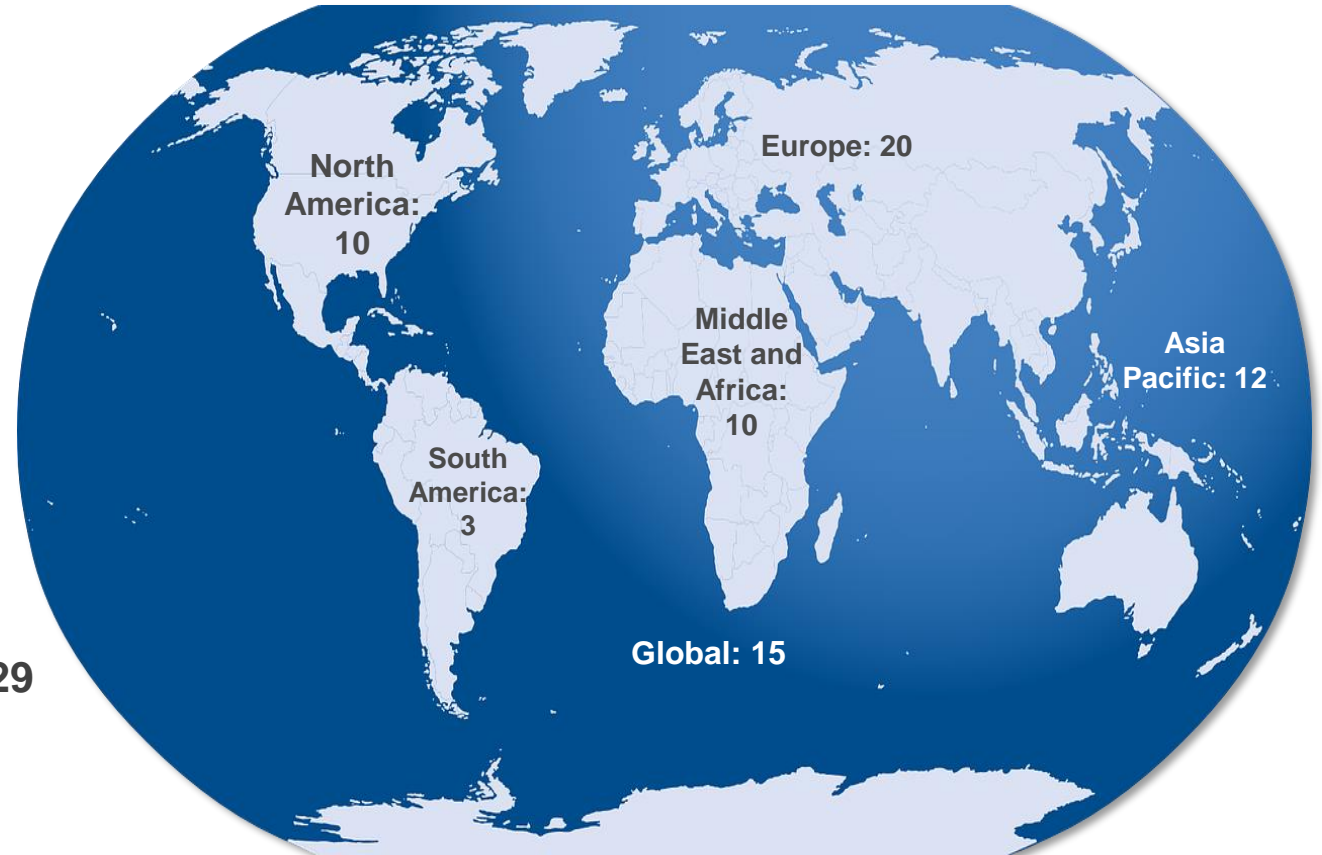
IAASB Meeting
September 18-21, 2023

Audit Evidence Task Force



Overview of Responses to ED-500

Respondents by Type



Total responses: 70

Overarching Themes from the Responses

Principle-Based Reference Framework	Relationship and Linkages with Other ISAs	Enhanced Auditor Judgment	Professional Skepticism
Balance of Requirements and Application Material	Technology	Definition of Audit Evidence	Sufficiency, Appropriateness and Persuasiveness
Evaluating Relevance and Reliability	Conditional Requirement for Accuracy and Completeness	“Stand-Back” Requirement	Effective Date

September 2023 CAG Discussion

- Technology – broad support for the proposals
 - Emphasis on the importance of examples and guidance
 - Caution not to date the standard
- Conditional Requirement for Accuracy and Completeness
 - Majority support for Option 2 – seen as a more robust approach
 - Option 1 perceived as less clear and subject to interpretation
- “Stand-back” Requirement
 - Paragraph 13(a) of ED-500 – support to clarify the level at which the requirement applies
 - Paragraph 13(b) of ED-500 – majority views that the requirement should be removed

Feedback from the SMPAG

- Support for
 - Clarifying the intent of the definition of audit evidence by providing guidance to support its practical implementation and scalability
 - The conditional requirement for when the auditor uses automated tools and techniques (ATT)
- Concern for
 - Proposals in relation to exploring documentation requirements – caution not impose checklist approaches

ED-500 – Feedback

Purpose and Scope

Principle-Based Reference Framework

- Broad support, with some caution that the principles may be set too high

Relationship and Linkages with other ISAs

- Broad support for the direction, however some concern about duplicated work effort in certain areas (e.g., overlap with ISA 330)
- Need to holistically address audit evidence related matters by undertaking broader revisions across the suite of ISAs

Enhanced Auditor Judgement and Professional Skepticism

Enhanced Professional Judgement

- Broad support that the revisions will collectively enhance auditor judgement
- Areas for improvement: documentation expectations, guidance for scalability aspects and for technology related matters

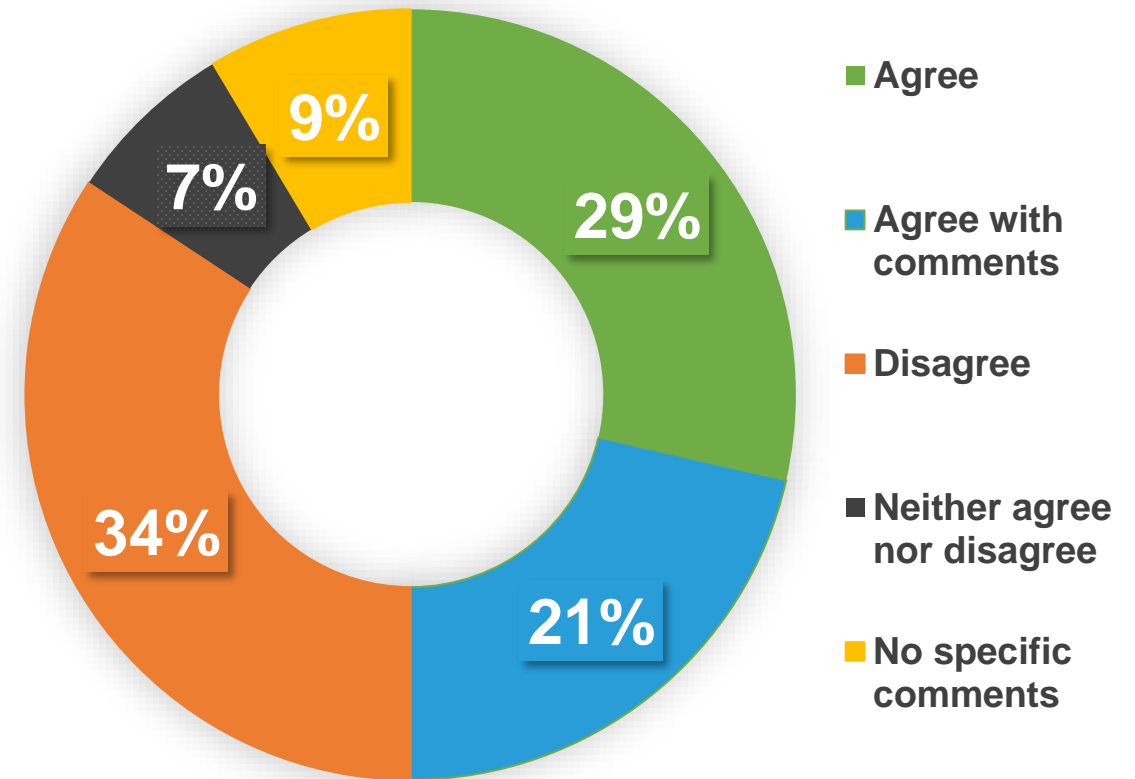
Professional Skepticism

- Broad support for the enhancements

ED-500 – Feedback

Balance of Requirements and Application Material

- Support for
 - Streamlining the application material
 - Providing more robust examples
- Mixed views about
 - Including additional requirements
 - Providing more specificity for the existing requirements



Matter for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Sections I-IV** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Technology

Feedback

- Mixed views whether the objective for modernization for technology has been achieved
- Broad acknowledgement that more is needed to accommodate technology in ED-500
- Revisions to ED-500 seen as insufficient – support for a more holistic approach to address technology related matters across the standards

AETF Proposals

- Scope of the project – not all feedback can be addressed in the current scope
- Principle-based, conditional requirement – when the auditor uses ATT
- Proposal to describe ATT
- Enhancing the guidance and examples for technology

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section V** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 2

The Board is asked for its views on the AETF proposed approach presented in paragraphs 75-99 to address matters relevant to technology.

Definition of Audit Evidence and Objectives

Feedback

- Broad support for the conceptual relevance of the “input-output model”
- Clarity needed for
 - What constitutes a necessary audit procedure to turn “information” into “audit evidence”
 - The scope of the definition and its implications when evaluating contradictory or inconsistent audit evidence

AETF Proposals

- Retain the proposed definition in ED-500
- New application material to clarify the definition and address scalability aspects
- Clarify the objectives by:
 - Incorporating the principles of the “input-output model” in the objectives
 - Bifurcate paragraph 6(b) of ED-500 as it includes two separate evaluations with different purposes

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section VI** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 3

The Board is asked for its views on the AETF proposed approach presented in paragraphs 108-112 to address matters relevant to the definition of audit evidence and the objectives of ED-500?

Sufficiency, Appropriateness and Persuasiveness

Feedback

- General support for inclusion of the concept of persuasiveness in ED-500. Views that persuasiveness could be
 - A defined term – for ED-500 and the ISAs more broadly; or
 - Elevated to the requirements; or
 - Better explained or illustrated
- Support to streamline the application material explaining the interrelationship of sufficiency, appropriateness, and persuasiveness

AETF Proposals

- Proposal to define persuasiveness of audit evidence
- Streamline and enhance the application material

Persuasiveness (of audit evidence) – The combination of the sufficiency and appropriateness of audit evidence taking into account the assessed risk of material misstatement

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section VII** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 4

The Board is asked for its views on the AETF proposed approach presented in paragraphs 122-127 to address matters relevant to the interrelationship of sufficiency, appropriateness and persuasiveness of audit evidence?

Evaluating Relevance and Reliability of Information

Feedback

- Broad support, but some concerns about increased work effort burden by the step-up from “consider” to “evaluate”
- More clarity needed for documentation expectations and the spectrum of work required to evaluate relevance and reliability
- Some views that more robust requirements are needed for evaluating information prepared by a management’s expert
- Suggestions for more clarity around authenticity of information

AETF Proposals

- Clarify the threshold for the attributes to “significant” in the circumstances
- Explore how to clarify documentation expectations (e.g., a requirement, application material or both)
- Provide examples to enhance the connection between paragraphs 9 and 11 of ED-500 when evaluating the relevance and reliability of information prepared by a management’s expert
- Bifurcate the requirement in paragraph 12(a) of ED-500 when there are doubts about relevance and/or reliability

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section VIII** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 5

The Board is asked for its views on the AETF proposed approach presented in paragraphs 136-145 to address matters relevant to evaluating the relevance and reliability of information intended to be used as audit evidence?

Conditional Requirement for Accuracy and Completeness

Feedback

- Conditional requirement for accuracy and completeness seen as
 - A less robust approach compared to extant
 - or
 - Diminishing the importance of the other attributes of reliability
- Concerns about the ability to comply with the requirement for information obtained from sources external to the entity

AETF Proposals

- Option 1 – Remove paragraph 10 and add essential material to the requirement in paragraph 9 to explain that accuracy and completeness are ordinarily significant attributes for information from sources internal to the entity
- Option 2 – Replace paragraph 10 with a new requirement to obtain audit evidence about accuracy and completeness for information from sources internal to the entity, supported by essential material

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section IX** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 6

The Board is asked for its views on the proposed Options 1 and 2 presented in paragraphs 156-159 to address matters relevant to the conditional requirement for accuracy and completeness.

“Stand-Back” Requirement

Feedback

- Mixed views about the benefits of the new “stand-back” requirement
 - Seen as duplicative with ISA 330
 - Concerns around unclear work effort
- Suggestions to
 - Optimize the various “stand-backs” across the ISAs to increase their effectiveness
 - Broaden the scope to explicitly address all information obtained during the audit

AETF Proposals

- Paragraph 13(a) – *(i.e., closing the loop on paragraph 8(b))*
 - Clarify the level at which the requirement is performed
 - Refocus the requirement in the context of ED-500 instead of linking to the overall evaluation in ISA 330
- Paragraph 13(b)
 - Remove the requirement, given its overlap with ISA 330

Matters for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Section X** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Question 7

The Board is asked for its views on the AETF proposed approach presented in paragraphs 168-171 to address matters relevant to the “stand-back” requirement?

Other Matters, Translations and Effective Date

- Clarity needed for:
 - Work effort related to the attribute of authenticity of information and how it interacts with ISA 200 and ISA 240.
 - Interaction of paragraph 8 of ED-500 with ISA 315 (Revised 2019) and ISA 330.
 - Phrase “intended purpose of the audit procedure.”
- Support to align ISA 330 and certain ISAs of the 500-series with the changes proposed in ED-500, including for technology
- No significant translation issues noted
- General support for the proposed effective date

Matter for IAASB Consideration



Question 1

The Board is asked whether they agree with the AETF summary of respondents' feedback presented in **Sections XI-XII** of the Issues Paper, and whether there are any other significant issues raised by respondents that also should be discussed?

Way Forward

Coordination with other IAASB task forces, Consultation Groups and IESBA

Q3 2023 – Q1 2024

- Consideration of feedback and development of final pronouncement
- Consideration of outcome of Strategy and Workplan consultation

Q2 2024

- IAASB expected approval of final pronouncement (June 2024)



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