Audit Evidence

Sue Almond
Audit Evidence Task Force (AETF) Chair
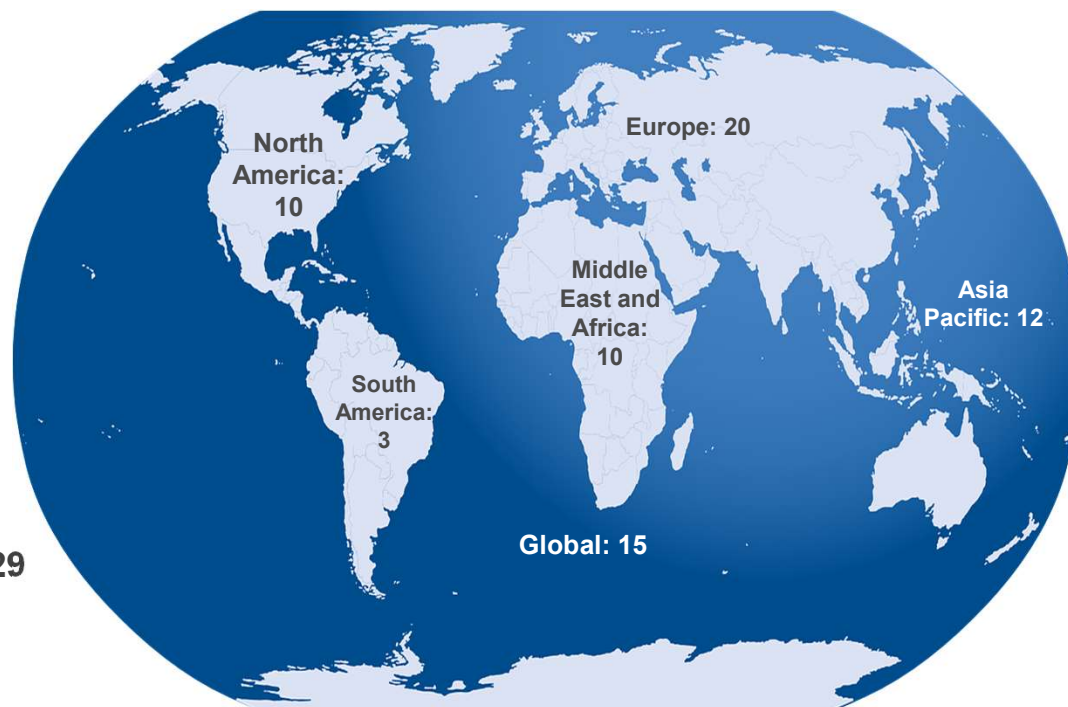
IAASB CAG Meeting

September 12-13, 2023

Agenda Item G.1

Overview of Responses to ED-500

Respondents by Type

Type	Count
Monitoring Group	2
Regulators and Audit Oversight Authorities	5
National Auditing Standard Setters	12
Accounting Firms	14
Public Sector Organizations	5
Member Bodies and Other Professional Organizations	29
Individuals and Others	3

North America: 10
Europe: 20
Middle East and Africa: 10
Asia Pacific: 12
South America: 3
Global: 15

Total responses: 70

Purpose and Scope – Feedback

Broad support for the purpose and scope of ED-500
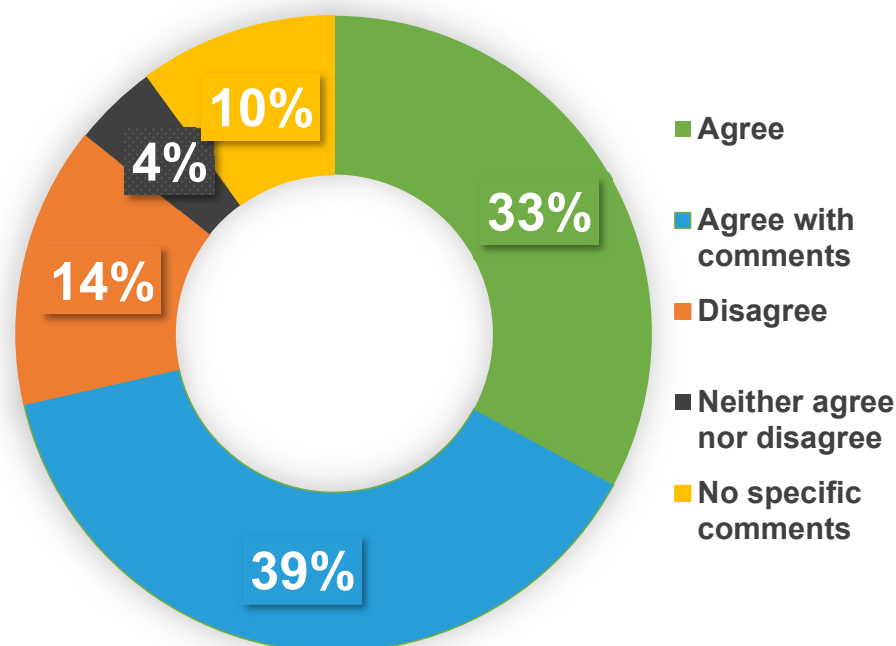
Principle-Based Reference Framework

- Broad support, with some caution that the principles may be set too high and could lead to inconsistent application

- Some views that more specificity for the requirements and/or guidance may be needed to support consistency

Relationship and Linkages with other ISAs

- Broad support for the direction

- 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
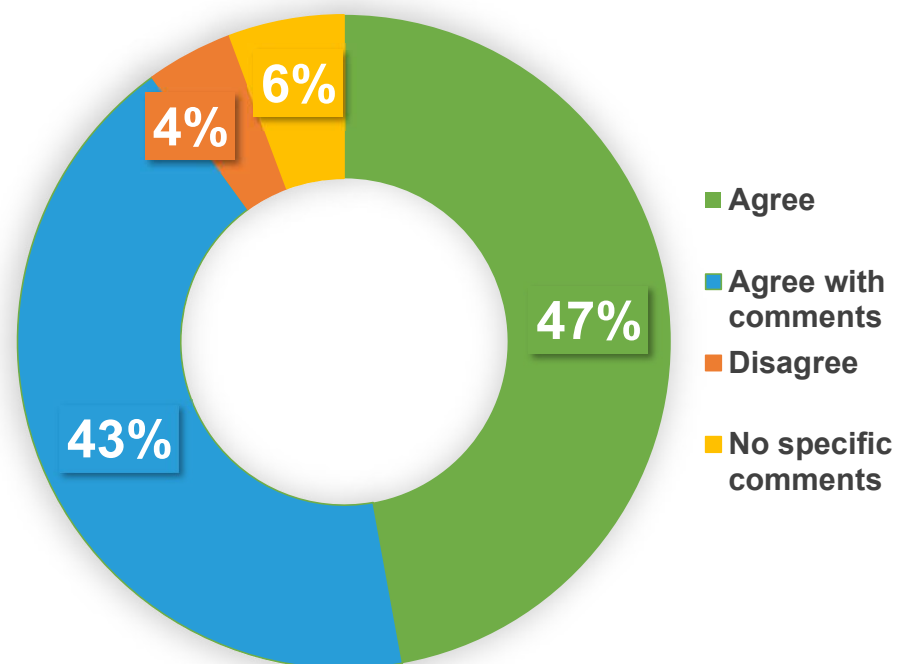
Enhanced Auditor Judgement – Feedback

- Broad support that the revisions will collectively enhance auditor judgement

- More clarity needed for what auditors are expected to do differently in practice and how audit quality will be improved

- Areas noted for improvement

  o Clarity for documentation expectations

  o Guidance for scalability aspects

  o Guidance / examples for technology related matters

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Pie chart:
- Agree: 33%
- Agree with comments: 39%
- Disagree: 14%
- Neither agree nor disagree: 4%
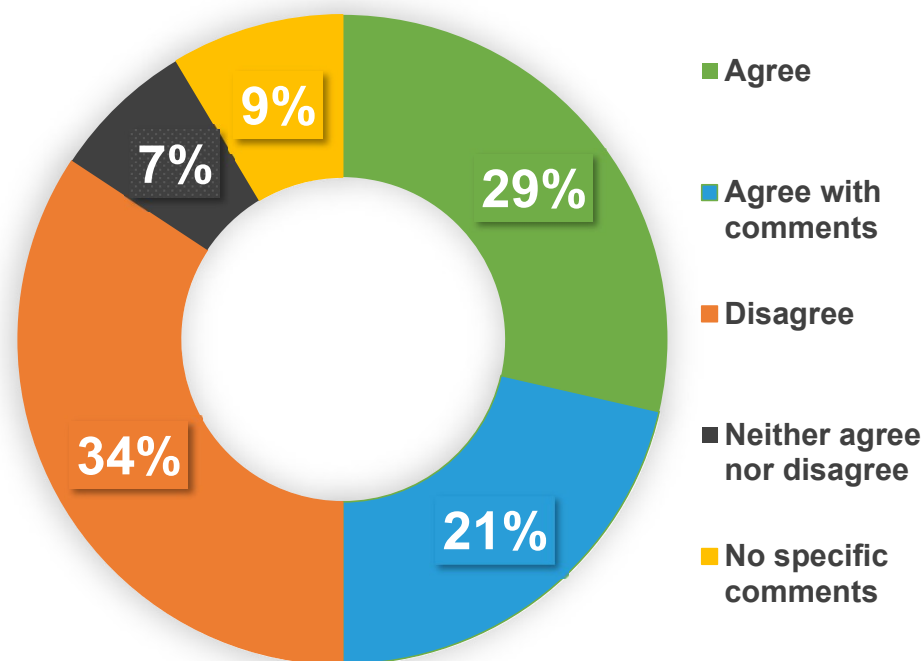- No specific comments: 10%

Professional Skepticism – Feedback

- Broad support for the enhancements in relation to professional skepticism

- Opportunities for improvements – enhancing the application material in certain areas with an emphasis on professional skepticism

- Consideration of the changes to the IESBA Code that promote the role and mindset

- Agree
- Agree with comments
- Disagree
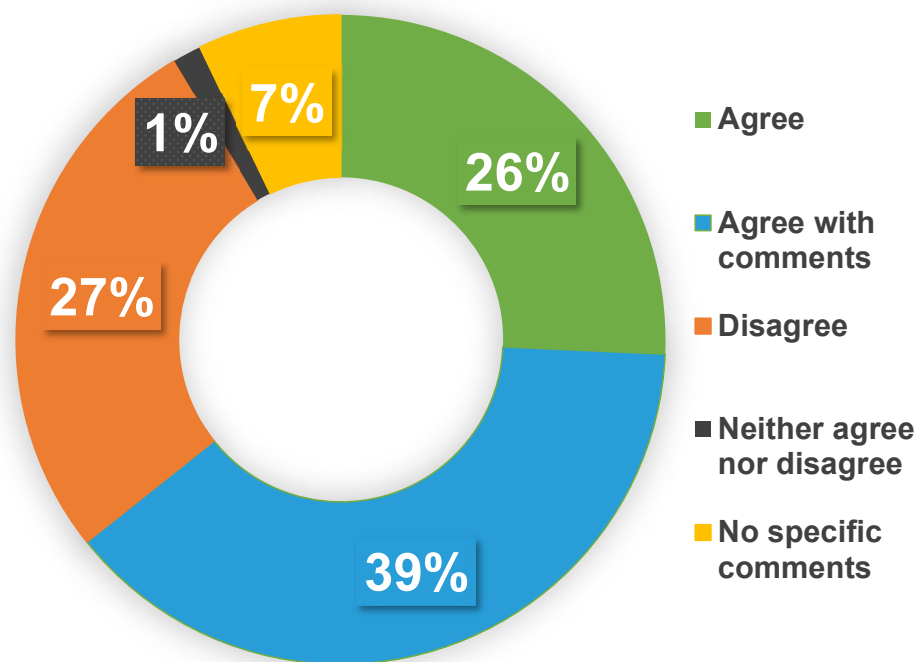- No specific comments

47% 43% 4% 6%

Balance of Requirements and Application Material – Feedback

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

Legend:
- 29% Agree
- 21% Agree with comments
- 34% Disagree
- 7% Neither agree nor disagree
- 9% No specific comments

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

- Agree — 26%
- Agree with comments — 39%
- Disagree — 27%
- Neither agree nor disagree — 1%
- No specific comments — 7%

AETF Initial Views and Recommendations

Technology

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

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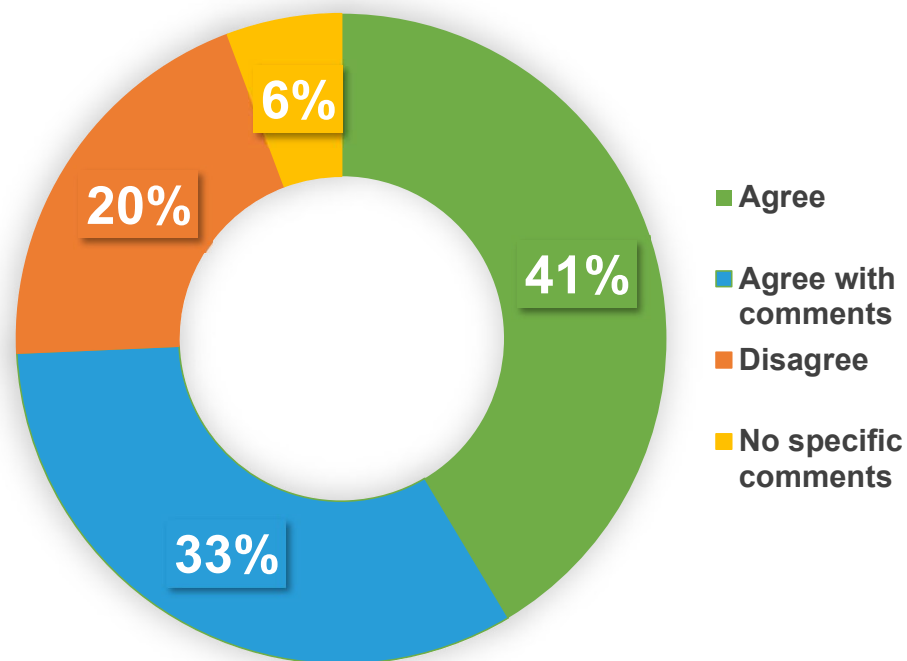
Matters for IAASB CAG Consideration

Question 1

Representatives are asked for their views on the Audit Evidence Task Force's initial proposals to address certain significant themes identified from the responses. In particular, in relation to
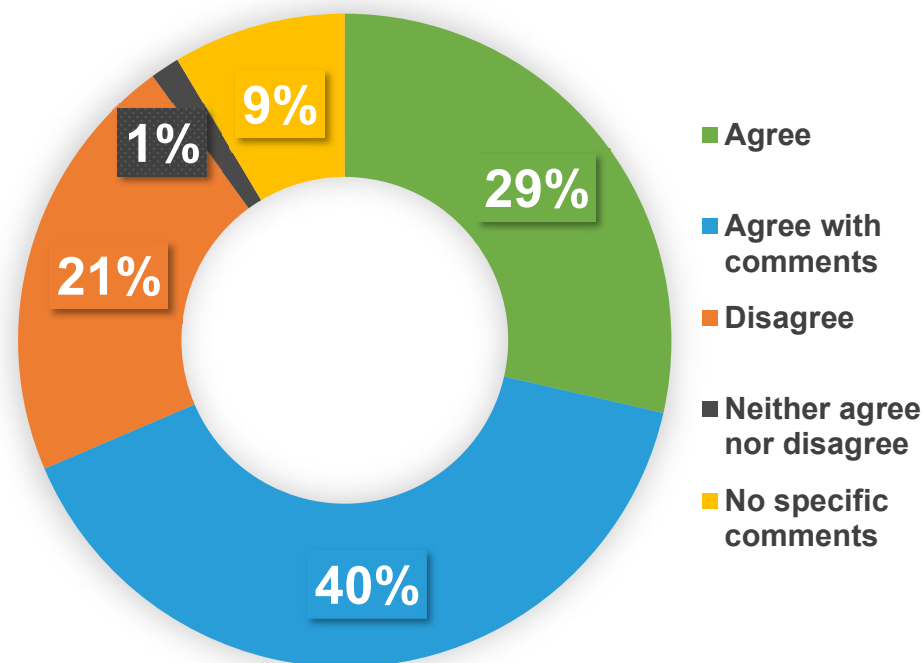
(a) Technology.

Definition of Audit Evidence – Feedback

- Broad support for the conceptual relevance of the "input-output model"

- Clarity needed for

  o What constitutes a necessary audit procedure to turn "information" into "audit evidence"

  o The scope of the definition and its implications when evaluating contradictory or inconsistent audit evidence

41%

33%

20%

6%

- Agree
- Agree with comments
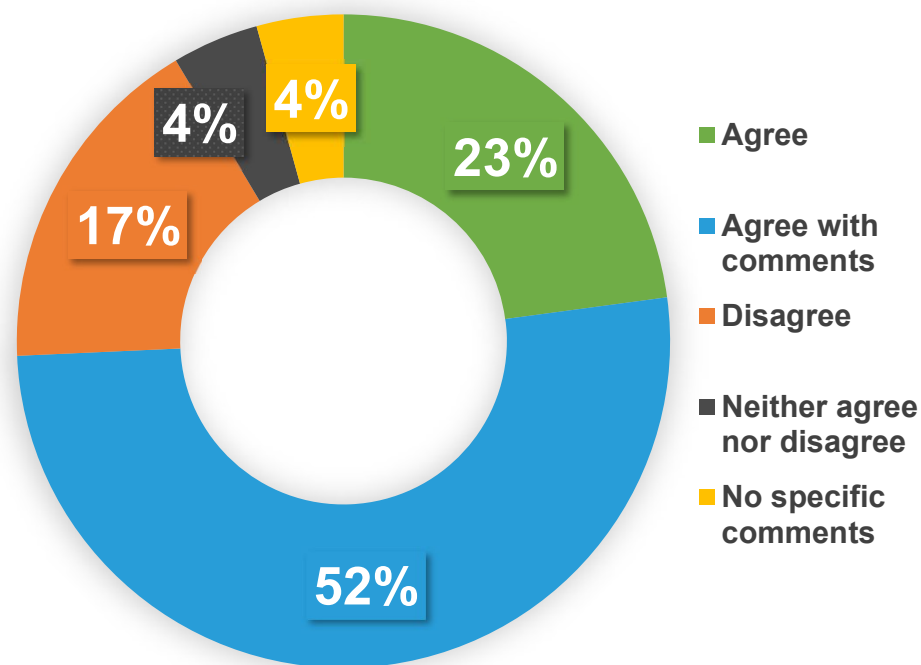- Disagree
- No specific comments

Sufficiency, Appropriateness and Persuasiveness – Feedback

- General support for inclusion of the concept of persuasiveness in ED-500

- Views that persuasiveness could be

  o A defined term – for ED-500 and the ISAs more broadly; or

  o Elevated to the requirements; or

  o Better explained or illustrated

- Support to streamline the application material explaining the interrelationship of sufficiency, appropriates, and persuasiveness
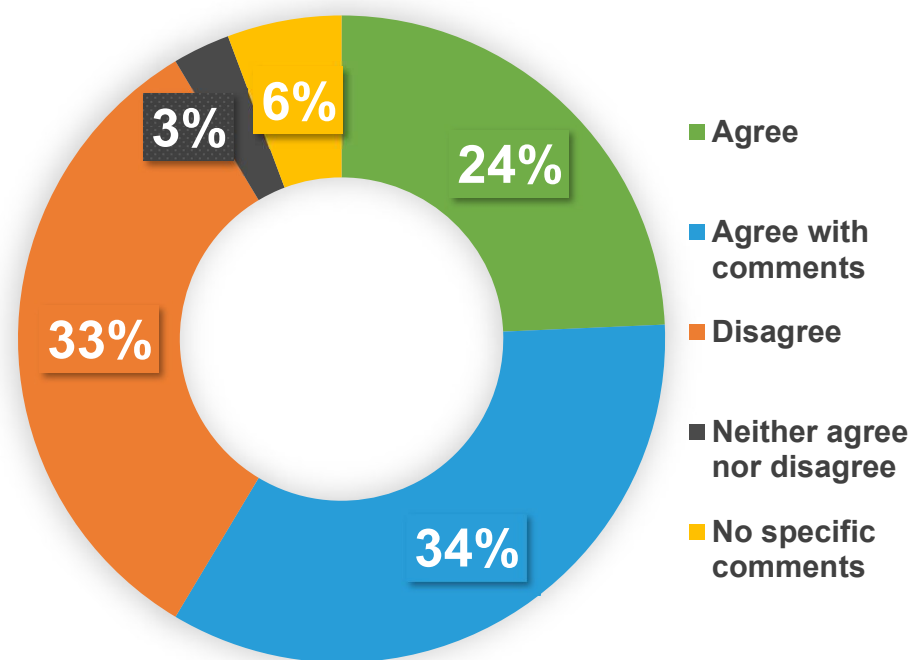

Legend:
- Agree — 29%
- Agree with comments — 40%
- Disagree — 21%
- Neither agree nor disagree — 1%
- No specific comments — 9%

Relevance and Reliability – 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

- **Agree** — 23%
- **Agree with comments** — 52%
- **Disagree** — 17%
- **Neither agree nor disagree** — 4%
- **No specific comments** — 4%

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

Legend:
- Agree — 24%
- Agree with comments — 34%
- Disagree — 33%
- Neither agree nor disagree — 3%
- No specific comments — 6%

AETF Initial Views and Recommendations

Definition of Audit Evidence	• Retain the definition in ED-500 • New application material to clarify the definition and address scalability aspects
Sufficiency, Appropriateness and Persuasiveness	• Proposal to define persuasiveness of audit evidence • Streamline and enhance the application material
Relevance and Reliability	• Clarify the threshold for the attributes to "significant" in the circumstances • Explore clarifying documentation expectations

AETF Initial Views and Recommendations

Conditional Requirement for Accuracy and Completeness

- *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
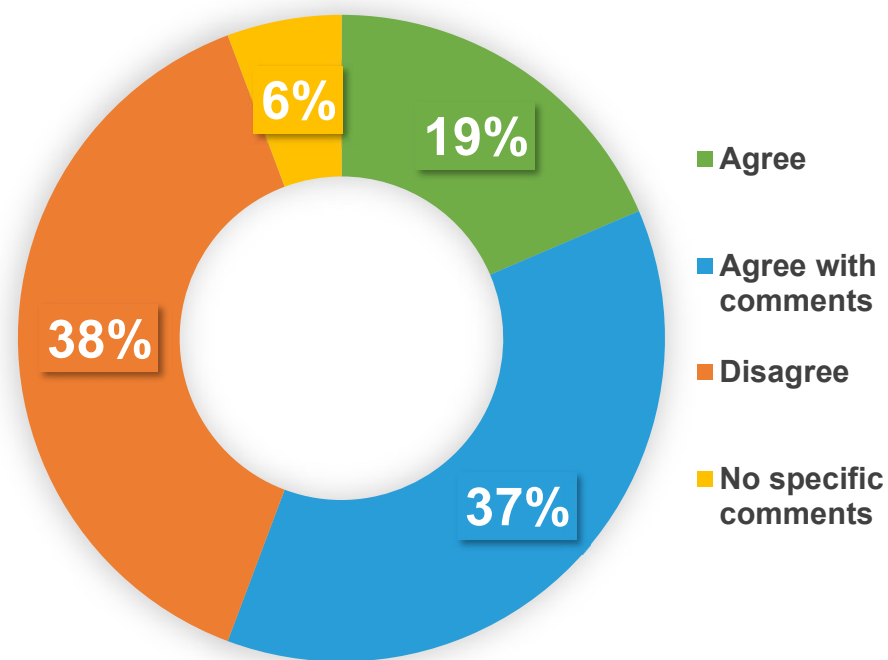
Matters for IAASB CAG Consideration

Question 1

Representatives are asked for their views on the Audit Evidence Task Force's initial proposals to address certain significant themes identified from the responses. In particular, in relation to

(b) The conditional requirement for accuracy and completeness.

"Stand-Back" Requirement – Feedback

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

- 19% Agree
- 37% Agree with comments
- 38% Disagree
- 6% No specific comments

AETF Initial Views and Recommendations

"Stand-Back" Requirement

- 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)
  - Proposal to remove the requirement, given its overlap with ISA 330

Matters for IAASB CAG Consideration

Question 1

Representatives are asked for their views on the Audit Evidence Task Force's initial proposals to address certain significant themes identified from the responses. In particular, in relation to

(c) The "stand-back" requirement.

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)

Matters for IAASB CAG Consideration

Question 2

Representatives are asked whether there are any other matters that the Audit Evidence Task Force should consider when addressing the significant themes identified from the responses.

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