

Agenda Item 5-C

Explanation of Other Changes Relating to the Draft for Proposed ISA 500 (Revised)

This Agenda Item explains other changes, that have not been discussed in more detail in **Section I** of **Agenda Item 5**, relating to the draft of proposed ISA 500 (Revised) made by the Audit Evidence Task Force (AETF) in response to previous Board feedback. Matters of an editorial nature are not addressed in this Agenda Item.

Reference	Explanation of Other Changes
Introduction	
Paragraph 1	<p><i>Introductory Material</i></p> <ul style="list-style-type: none"> The phrase “procedures to evaluate the relevance and reliability of information” was aligned with the changes for the application material to the definition of audit evidence in paragraph A12A (see paragraphs 16-17 of Agenda Item 5).
Definitions	
Paragraph 7	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A12B: The word “performing” was removed from the examples in the bullets to make the paragraphs more concise and easier to read. Paragraph A14A: The words “taking into account” used in the first sentence of the paragraph were replaced with “in light of” given the AETF view that this better described the notion that the persuasiveness of audit evidence is dependent on the assessed risk of material misstatement. In addition, other edits have been made to this paragraph to improve clarity and support readability.

Reference	Explanation of Other Changes
Requirements and Application Material	
<i>Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence</i>	
Paragraph 8	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A17: To streamline the application material, the example in the last bullet was integrated with paragraph A65A discussing the benefits when using automated tools and techniques (ATT). Paragraph A18: The word “concurrently” was removed in response to feedback that the example that follows was inconsistent with the matters discussed in this paragraph. In addition, other edits were made to the example to simplify the text. Paragraph A25: The paragraph repeated material from ISA 200.¹ A cross reference was included to refer to the guidance for detection risk in ISA 200 instead.
<i>Information Intended to be Used as Audit Evidence</i>	
Paragraph 9	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A37: The example was clarified based on feedback from the International Ethics Standards Board for Accountants (IESBA) that it may cause confusion with language used in the IESBA Code.² Paragraph A42: The phrase “procedures to evaluate the relevance and reliability of information” was aligned with the suggested changes for the application material to the definition of audit evidence in paragraph A12A (see paragraphs 16-17 of Agenda Item 5). In addition, the phrase “remote observation <i>techniques</i>” was revised to “remote observation <i>tools</i>” to align with how this phrase has been used elsewhere in the standard. Paragraph A45: The example was removed in response to feedback that this may create misunderstanding that data privacy laws or regulations may supersede obtaining evidence necessary to the auditor. Paragraphs A47A and A47C: Paragraph A47C was merged with A47A and condensed to streamline the guidance

¹ ISA 200, *Overall Objectives of The Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

² The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

Reference	Explanation of Other Changes
	<p>discussed in these paragraphs.</p> <ul style="list-style-type: none"> Paragraph A49: The word “both” was replaced with “at the same time” to clarify the meaning of the sentence. Paragraphs A56A and A56B: In response to feedback that the guidance was unclear, the AETF have revised paragraph A56A to explain that the auditor’s consideration for the attributes or reliability may include one or more attributes (rather than a combination of attributes) to be of significance to meet the intended purpose(s) of the audit procedures. In addition, paragraph A56B was removed in response to feedback that it was repetitive. In doing so, the AETF integrated the example from this paragraph, into paragraph A56A. Paragraph A56C: The example following the box was clarified to more clearly convey that the existence of a large volume of sales returns after year end makes it obvious that there is a risk of material misstatement of the warranty provision and that further audit procedures would need to be designed and performed to determine the amount of misstatement. Paragraph A56G: In response to feedback, the work effort for the example in the first bullet was elevated from “obtaining an understanding” to “testing controls for authorization and approval.” Paragraph A56K: The guidance was expanded to also refer to whether the information is provided by an internal or external source, given that this may be important for the auditor’s consideration for the credibility of information. In addition, the reference to “single recognized industry body” was removed so as not to imply that there always may be a “single” credible source. Paragraph A56L: The second sentence in the paragraph was simplified and phrased to convey the message in a more succinct manner. In addition, the word “appropriate” was replaced with “necessary” to align with the wording used in the requirement in paragraph 12(b).
<i>Information Intended to be Used as Audit Evidence Prepared by a Management’s Expert</i>	
Paragraph 11	<p><i>Application Material</i></p> <ul style="list-style-type: none"> Paragraph A68: The paragraph was removed as it repeated requirements of ISA 540 (Revised).³ Paragraph A69: The wording was aligned with the changes made to the requirement in paragraph 9 (see paragraphs

³ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

Reference	Explanation of Other Changes
	<p>20-22 of Agenda Item 5).</p> <ul style="list-style-type: none"> • Paragraph A70: The AETF considered that the examples in bullet point two of the paragraph may be better placed in implementation guidance to streamline the application material. • Paragraph A78A: Given the reinstatement of the requirement from extant ISA 500 to evaluate the appropriateness of the management's expert work as audit evidence for the relevant assertion in subparagraph 11(d), the related application material from extant ISA 500 was also reinstated in paragraph A78A. In addition, to reflect the revisions made elsewhere in the standard, certain modifications were made to the extant application material that included the following: <ul style="list-style-type: none"> ○ In bullet point three, the reference to "accuracy and completeness" was removed when the management's expert work includes significant use of source data. ○ Given that the requirement in paragraph 9 to evaluate the relevance and reliability of information applies regardless of the source of the information, bullet point four of the extant application material was removed.
<i>Inconsistencies in Audit Evidence</i>	
Paragraph 14	<p><i>Application Material</i></p> <ul style="list-style-type: none"> • Paragraph A88A: This paragraph was removed given it overlapped with the introductory material for professional skepticism in paragraphs 4 and 4A.