

### Audit Evidence and Risk Response (AE&RR) – The Auditor’s Work Related to Authenticity

This Agenda Item sets out the key messages from the stakeholder feedback received from the outreach for the auditor’s work effort for authenticity, and the related Staff’s views and recommendations.

#### Background

##### *AE&RR Project Proposal – Proposed Action(s)*

1. The AE&RR project proposal includes an action to explore whether consequential amendments are appropriate to the application material in paragraph A24 of ISA 200.<sup>1, 2</sup>
2. Such consideration is in response to feedback from some respondents on the audit evidence and fraud exposure drafts, including Monitoring Group members, who questioned whether the premise that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary remains appropriate in view of the work effort for authenticity required under:
  - (a) Proposed ISA 500 (Revised)<sup>3</sup> for the attribute of authenticity of information when evaluating the relevance and reliability of information intended to be used as audit evidence.
  - (b) ISA 240 (Revised)<sup>4</sup> if conditions are identified during the audit that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor.

##### *Previous IAAAB Deliberations*

3. In December 2024, the Board supported the Fraud Task Force views and recommendations that a possible consequential amendment to paragraph A24 of ISA 200 is best addressed as part of the AE&RR project, given that the IAASB has achieved its objectives for the authenticity of records and documents in the course of the revisions for ISA 240 (Revised).<sup>5</sup>
4. In June 2025, the Board supported Staff’s recommendation to undertake further outreach with stakeholders to explore viewpoints on whether the explanation in paragraph A24 of ISA 200 creates uncertainty regarding the auditor’s expected work effort under the ISAs in relation to authenticity. The Board also directed Staff to consider whether paragraph A24 of ISA 200 that the auditor ‘may accept records and documents as genuine unless the auditor has reason to believe the contrary’ could be worded in a more balanced and/or neutral manner, while remaining cognizant that the auditor is not an expert in the authentication of records or documents.

<sup>1</sup> See Action A.6 of **Agenda Item 9–I**.

<sup>2</sup> International Standard on Auditing (ISA) 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>3</sup> See ‘[Proposed ISA 500 \(Revised\) Pre-finalization Holding Package](#)’ in Agenda Item 5 discussed by the IAASB at the March 2024 quarterly meeting.

<sup>4</sup> ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

<sup>5</sup> See [Agenda Item 10](#) paragraphs 23–27 of the December 2024 IAASB quarterly meeting.

## Overview of the Feedback from Outreach Activities

### Stakeholder Engagement

5. Staff have engaged on this topic with regulators, audit firms, Forum of Firms (FoF) representatives, and members of the Standards Setting Working Group (SSWG) of the Global Public Policy Committee (GPPC). In addition, this topic was discussed among participants at a roundtable in July 2025 with a diverse stakeholder representation. The roundtable convened representatives from the audit oversight and regulatory community and the auditing profession to discuss varying stakeholder perspectives for selected topics being considered under the project and to inform future actions of the IAASB.

### Highlights from the Feedback<sup>6</sup>

#### Terminology

- *Authenticity* as an attribute of information is broadly understood as being associated with situations of fraud (or intentional manipulation of information), given that instances of error would be captured by the attribute of *accuracy*.
- While there is no actual inconsistency, there is a risk of perceived inconsistency by use of inconsistent language in ISA 200, ISA 240 (Revised) and Proposed ISA 500 (Revised).
- Encouragement to ensure that the ISAs use consistent language and avoid using different words to mean a similar thing.

#### Work Effort for Authenticity

- Broad acknowledgement among all stakeholder groups that:
  - Work effort is expected to establish reliability of information, including consideration of authenticity of information.
  - Auditors should consider the risk of authenticity of information. For example, for an electronic confirmation there may be an increased risk to establish proof of origin and authority of the source and the auditor may consider performing audit procedures to address authenticity.
  - When fraud risks are identified the auditor should respond appropriately.
- There remains a perceived difference between genuineness of a *document and record* and authenticity of *information*. Irrespective of whether there is a perceived difference, an explanation is needed that there is no expectation for the auditor to do work on every single document and record being encountered in the audit to determine that it is genuine given this would be impracticable.
- Support to clarify how the standards work together with respect to authenticity (i.e., the linkages between ISA 200, ISA 240 (Revised) and Proposed ISA 500 (Revised)).

<sup>6</sup> Refer to **Agenda Item 9** for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

#### Accepting Documents and Records as Genuine

- There remains a range of views on whether it is appropriate to address, by means of a conforming and consequential amendment, the lead-in sentence in paragraph A24 of ISA 200 that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary:
  - Concerns from audit firms that if the wording is removed, there is a risk of extending the scope of an audit, widening the expectation gap and making audits impracticable in the context of the objective of an audit of financial statements.
  - Views from regulators that the wording of the sentence does not promote appropriate application of professional scepticism.

#### Staff Views and Recommendations

##### *Work Effort for Authenticity*

6. **Appendix 1** sets out extracts of requirements and application material paragraphs from the ISAs relevant to the auditor's work effort for authenticity required under the standards. In summary:
- (a) The work effort for authenticity in Proposed ISA 500 (Revised) applies broadly to information intended to be used as audit evidence. Application material draws attention that such work may lead to identifying conditions that a document or record may not be authentic and that should be addressed in accordance with ISA 240 (Revised).
  - (b) The work effort for authenticity in ISA 240 (Revised) is conditional; it applies if the auditor identifies conditions during the audit that cause the auditor to believe that a record or document may not be authentic. Application material explains that audit procedures in accordance with the ISAs (including Proposed ISA 500 (Revised)) or information from other sources may bring to the auditor's attention such conditions. Otherwise, there is no obligation for the auditor to perform procedures that are specifically designed to identify conditions that indicate that a record or document may not be authentic.

##### *Views on the Feedback*

7. On the basis of the collective feedback across all stakeholder constituencies, Staff is of the view that whilst there may be a perceived or theoretical distinction between the genuineness of a record or document and the authenticity of information, this is a peripheral issue rather than one of primary relevance in the context of the auditor's work related to authenticity.
8. The salient feature of the feedback is that auditing standards do not require the auditor to evaluate the authenticity of every individual document or piece of information encountered during the audit. Such an expectation would be impracticable, inconsistent with Proposed ISA 500 (Revised) and would not reflect the expected auditor behavior intended by the standard. Instead, the auditor exercises professional judgment to determine whether, and the degree to which, authenticity is of significance to the information being used in the audit.

### Proposed Way Forward

9. Accordingly, Staff recommend the following:
- (a) To promote clarity and align terminology with Proposed ISA 500 (Revised) and ISA 240 (Revised), removing the reference to '*accepting records and documents as genuine*' from ISA 200. This distinction has introduced unnecessary complexity, risks misinterpretation and gives rise to perceived inconsistencies.
  - (b) Clarify in Proposed ISA 500 (Revised) that it is unnecessary for the auditor to consider the authenticity of every individual document and record encountered in an audit. Doing so would be appropriate in driving the expected work effort and behavior from the auditor when evaluating the relevance and reliability of information intended to be used as audit evidence.
  - (c) Reword the lead-in sentence from paragraph A24 of ISA 200 into Proposed ISA 500 (Revised). In doing so, Staff believes this would aid resolving the risk of the perceived inconsistency cited from the feedback about the work that is required for authenticity when complying with the standards.
10. The box below illustrates the proposed drafting for the proposal:

**Proposed ISA 500 (Revised):**

A56H. Certain conditions may also cause the auditor to investigate further whether a record or document may not be authentic or whether terms in a document have been modified but not disclosed to the auditor (e.g., unusual document styles and formats, missing authorizations or approvals, serial numbers used out of sequence or duplicated or unusual terms of trade). ISA 240 (Revised) deals with circumstances in which the auditor has reason to believe that a record or document may not be authentic, or that a document may have been modified but not without that modification having been disclosed to the auditor.<sup>7</sup> However, it is not necessary for the auditor to consider the authenticity of every individual document and record encountered in an audit. ~~Irrespective of the auditor's consideration of the authenticity of the information intended to be used as audit evidence, the auditor is neither trained as, nor expected to be, an expert in the authentication of records or documents.~~<sup>8</sup>

**ISA 200:**

A24. ~~The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless,~~ The auditor is required to ~~consider~~ evaluate the reliability of information intended to be used as audit evidence.<sup>9</sup> In cases of doubt about the reliability of information or indications of possible fraud (for example, if conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document may have been falsified), the ISAs require that the auditor investigate

<sup>7</sup> ISA 240 (Revised), paragraph 22-14

<sup>8</sup> ISA 200, paragraph A52

<sup>9</sup> Proposed ISA 500 (Revised), Audit Evidence, paragraphs 7–9

further and determine what modifications or additions to audit procedures are necessary to resolve the matter.<sup>10</sup>

**Matters for IAASB Consideration:**

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 6–10, including the proposed drafting presented in paragraph 10.
2. The Board is asked whether there are any other matters that should be considered in relation to the auditor's work related to authenticity.

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<sup>10</sup> ISA 240 (Revised), paragraph 22~~14~~; Proposed ISA 500 (Revised), paragraphs 12–12A~~11~~; ISA 505, External Confirmations, paragraphs 10–11, and 16

## Appendix 1

### Extracts of Relevant Paragraphs from the ISAs that Address the Auditor's Work Related to Authenticity – Proposed ISA 500 (Revised), ISA 240 (Revised) and ISA 200

#### Proposed ISA 500 (Revised), *Audit Evidence*

#### Requirements

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#### Information Intended to Be Used as Audit Evidence

9. The auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall consider: (Ref: Para. A35–A47B)
  - (a) The source of the information; and (Ref: Para. A48–A52)
  - (b) The significance of the attributes of relevance and reliability to meet the intended purpose(s) of the audit procedures. (Ref: Para. A53–A56L)
10. If the auditor considers that an attribute of reliability is significant to meet the intended purpose(s) of the audit procedures, the auditor shall perform audit procedures relating to that attribute. When information is from sources internal to the entity, the attributes of accuracy and completeness ordinarily are significant attributes to meet the intended purpose(s) of the audit procedures. (Ref: Para. A40, A56–A56L)

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#### Application and Other Explanatory Material

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Reliability (Ref: Para. 9(b), 10)

- A56. The reliability of information intended to be used as audit evidence deals with the degree to which the auditor may depend on such information.

<i>Attributes that may be considered by the auditor in considering the degree to which information intended to be used as audit evidence is reliable</i>	
Accuracy	The information is free from error in its reflection of the underlying conditions, events, circumstances, actions or inactions, including reflecting the appropriate time period or point in time attributable to the conditions or events.
Completeness	The information reflects all of the underlying conditions, events, circumstances, actions or inactions.
Authenticity	The information has been generated by or provided by a source authorized to do so, and the information has not been inappropriately altered.

Bias	The information is free from intentional and unintentional bias in its reflection of the underlying conditions, events, circumstances, actions or inactions.
Credibility	The source has the competence and capability to generate the information to a required standard, and the source can be trusted.

A56A. In evaluating whether the information intended to be used as audit evidence is reliable, the auditor may consider one or more attributes to be of significance to meet the intended purpose(s) of the audit procedures. Accordingly, it is unnecessary for the auditor to perform audit procedures for all of the attributes of reliability (as in a checklist, for example).

**Examples:**

The credibility of the external source providing a quoted market price at the measurement date is of significance for the reliability of the information when obtaining audit evidence about the valuation assertion of a financial instrument measured at fair value. However, when the reputation and authority of a source providing the information is not sufficiently credible to support the reliability of the information, the auditor may also need to consider whether management's selection of the external source may be favourably biased toward corroborating management's assertions or whether alternative sources of information were considered.

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### Authenticity

A56G. The potential for improper initiation or alteration of information to occur and not be detected may be greater if information is initiated, recorded, processed, or reported only in digital form, and appropriate controls are not operating effectively. Also, for certain digital documents, such as an electronic confirmation, it may be more difficult to establish proof of origin and authority of the source.

**Examples of audit procedures when authenticity of the information is a significant attribute:**

- Testing controls for authorizing and approval of the information.
- Obtaining an understanding of authenticity features used to secure digital documents (e.g., encryption techniques to provide proof of original or unmodified documents such as digital signatures).
- Inquiring with the individual or organization providing the information.
- Confirming directly with a third party.

A56H. Certain conditions may also cause the auditor to investigate further whether a document may not be authentic or whether terms in a document have been modified but not disclosed to the auditor (e.g., unusual document styles and formats, missing authorizations or approvals, serial numbers used out of sequence or duplicated or unusual terms of trade). ISA 240 deals with circumstances in which the auditor has reason to believe that a document may not be authentic, or may have been modified without that modification having been disclosed to the auditor.<sup>11</sup> However, irrespective of the auditor's

<sup>11</sup> ISA 240, paragraph 14

consideration of the authenticity of the information intended to be used as audit evidence, the auditor is neither trained as, nor expected to be, an expert in the authentication of records or documents.<sup>12</sup>

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## **ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements***

### **Requirements**

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#### **Professional Skepticism**

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22. If conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further. (Ref: Para. A34–A37)

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### **Application and Other Explanatory Material**

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#### ***Conditions That Cause the Auditor to Believe That a Record or Document May Not Be Authentic or That the Terms in a Document Have Been Modified***

- A34. ISA 500<sup>13</sup> requires the auditor to consider the reliability of information intended to be used as audit evidence when designing and performing audit procedures. The reliability of information intended to be used as audit evidence deals with the degree to which the auditor may depend on such information. Authenticity is an attribute of the reliability of information that the auditor may consider. In doing so, the auditor may consider whether the source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered.
- A35. Audit procedures performed in accordance with ISA 500, this or other ISAs, or information from other sources, may bring to the auditor's attention conditions that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor. The auditor is not, however, required to perform procedures that are specifically designed to identify conditions that indicate that a record or document may not be authentic or that terms in a document have been modified. Paragraph 22 applies if the auditor identifies such conditions during the course of the audit.

#### **Examples:**

Conditions that, if identified, may cause the auditor to believe that a record or document is not authentic or that terms in a document have been modified but not disclosed to the auditor include:

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<sup>12</sup> ISA 200, paragraph A52

<sup>13</sup> ISA 500, Audit Evidence, paragraph 7



- Unexplained alterations to documents received from external sources.
- Serial numbers used out of sequence or duplicated.
- Addresses and logos not as expected.
- Document style different to others of the same type from the same source (e.g., changes in fonts and formatting).
- Information that would be expected to be included is absent.
- Invoice references or descriptors that differ from other invoices received from the entity.
- Unusual terms of trade, such as unusual prices, interest rates, guarantees and repayment terms (e.g., purchase costs that appear unreasonable for the goods or services being charged for).
- Information that appears implausible or inconsistent with the auditor's understanding and knowledge.
- A change from authorized signatory.
- Electronic documents with a last edited date that is after the date they were represented as finalized.

A36. When conditions are identified that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, possible additional audit procedures to investigate further may include:

- Inquiries of management or others within the entity.
- Confirming directly with the third party.
- Using the work of an expert to evaluate the document's authenticity.
- Using automated tools and techniques, such as document authenticity or integrity technology, to evaluate the authenticity of the record or document.

A37. When the results of the additional audit procedures indicate that a record or document is not authentic or that the terms in a document have been modified, the auditor may determine that the circumstances are indicative of fraud or suspected fraud and, accordingly, performs audit procedures in accordance with paragraphs 55–58.

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

### **Requirements**

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#### **Professional Skepticism**

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. (Ref: Para. A21–A25)

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### **Application and Other Explanatory Material**

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Professional Skepticism (Ref: Para. 15)

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- A23. Professional skepticism is necessary to the critical assessment of audit evidence. This includes questioning contradictory audit evidence and the reliability of documents and responses to inquiries and other information obtained from management and those charged with governance. It also includes consideration of the sufficiency and appropriateness of audit evidence obtained in the light of the circumstances, for example, in the case where fraud risk factors exist and a single document, of a nature that is susceptible to fraud, is the sole supporting evidence for a material financial statement amount.
- A24. The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required to consider the reliability of information to be used as audit evidence.<sup>14</sup> In cases of doubt about the reliability of information or indications of possible fraud (for example, if conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document may have been falsified), the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.<sup>15</sup>

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Inherent Limitations of an Audit

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The Nature of Audit Procedures

- A52. There are practical and legal limitations on the auditor's ability to obtain audit evidence. For example:

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<sup>14</sup> ISA 500, Audit Evidence, paragraphs 7–9

<sup>15</sup> ISA 240, paragraph 14; ISA 500, paragraph 11; ISA 505, External Confirmations, paragraphs 10–11, and 16

- There is the possibility that management or others may not provide, intentionally or unintentionally, the complete information that is relevant to the preparation of the financial statements or that has been requested by the auditor. Accordingly, the auditor cannot be certain of the completeness of information, even though the auditor has performed audit procedures to obtain assurance that all relevant information has been obtained.
- Fraud may involve sophisticated and carefully organized schemes designed to conceal it. Therefore, audit procedures used to gather audit evidence may be ineffective for detecting an intentional misstatement that involves, for example, collusion to falsify documentation which may cause the auditor to believe that audit evidence is valid when it is not. The auditor is neither trained as nor expected to be an expert in the authentication of documents.
- An audit is not an official investigation into alleged wrongdoing. Accordingly, the auditor is not given specific legal powers, such as the power of search, which may be necessary for such an investigation.

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