

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

#### Extracts of Targeted Paragraphs

This Agenda Item shows changes to selected paragraphs of Proposed ISA 500 (Revised), in mark-up from [Agenda Item 7–C](#) discussed by the Board at the March 2026 meeting, as a result of comments received (in plenary or offline) and from outreach activities.

The project team is seeking the Board’s directional input on the paragraphs below relating to evaluating information intended to be used as audit evidence to assist in finalizing the Board materials for the IAASB June 2026 meeting:

- Requirements in paragraphs 9–10C.
- Application material in paragraphs A35, A53–A65Qb.

## Requirements

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### Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

8. For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures: (Ref: Para. A14D–A17)
  - (a) In a manner that is not biased towards obtaining audit evidence that may be corroborative, or towards excluding audit evidence that may be contradictory; and (Ref: Para: A19–A21A)
  - (b) The nature, timing and extent of which are appropriate in the circumstances to provide audit evidence to meet the intended purpose(s) of those audit procedures. (Ref. Para: A25–A26A)

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### Information Intended to Be Used as Audit Evidence

9. When ~~The auditor shall~~ designing and perform~~ing~~ audit procedures in accordance with paragraph 8, the auditor shall ~~to~~ 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~~, A53–A55, ~~A65Qb~~)
  - (a) The source of the information; and (Ref: Para. A40~~A8~~–A47~~B52~~)
  - (b) The attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. ~~When information intended to be used as audit evidence is from sources internal to the entity, the attributes of accuracy and completeness ordinarily are of significance to meet the intended purpose(s) of the audit procedures.~~ (Ref: Para. A40, ~~A53~~, A56–A56L)
- 9A. If information intended to be used as audit evidence is from sources internal to the entity, as part of the auditor’s evaluation in accordance with paragraph 9, the auditor shall, as necessary in the circumstances, obtain audit evidence about the accuracy and completeness of the information. (Ref: Para. A56C)

- 10B. ~~To the extent not already addressed~~In designing and when performing the audit procedures in accordance with~~required by~~ paragraph 89, the auditor shall perform one or both of the following either to evaluate the reliability of information intended to be used as audit evidence: (Ref: Para. ~~A35, A65QbQ–A65R~~)
- (a) Identify and ~~Test~~ the operating effectiveness of controls that address the reliability of such information, or (Ref: Para. A65O–A65Paa)
  - (b) Perform other audit procedures to evaluate the reliability of such information. (Ref: Para. A65Q–A65Qa)
- 10C. ~~If the auditor plans to test the operating effectiveness of controls that address the reliability of information in accordance with paragraph 10B(a), the auditor shall:~~
- ~~(a) Identify controls that address the reliability of information intended to be used as audit evidence;~~
  - ~~(b) Based on the controls identified in (a), identify:~~
    - ~~(i) The IT applications and other aspects of the entity's IT environment that are subject to risks arising from the use of IT,~~
    - ~~(ii) For such IT applications, the related risks arising from the use of IT, and~~
    - ~~(iii) The entity's general IT controls that address such risks.~~
  - ~~(c) For each control identified in (a) and (b)(iii), evaluate whether the control is designed effectively to address the reliability of information and determine whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.~~

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## Application and Other Explanatory Material

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### Information Intended to Be Used as Audit Evidence (Ref: Para. 9–12)

*Evaluating the Relevance and Reliability of Information Intended to Be Used as Audit Evidence* (Ref: Para. 9)

- A35. The auditor's evaluation of the relevance and reliability of information intended to be used as audit evidence is an iterative process that involves professional judgment and is influenced by the intended purpose(s) of the audit procedures (see paragraph 8) and the auditor's consideration of the source of the information and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures (see paragraph 9)~~includes performing audit procedures. The nature, timing and extent of such audit procedures may vary and are influenced by the auditor's consideration of the source of the information and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. The evaluation of the relevance and reliability of the information intended to be used as audit evidence~~

may be an integral part of or performed concurrently with, the audit procedures designed and performed in accordance with paragraph 8.

Examples:

- The nature of the auditor's evaluation of the reliability of the information may be influenced by the source of the information. For example, if the auditor determines that accuracy and completeness are of significance in the circumstances to meet the intended purpose(s) of the audit procedures, the auditor may be able to test controls over such information if it is from sources internal to the entity. However, the auditor may not have the ability to test the controls over information from a third-party source. In this case, the auditor may need to perform other procedures to address the authenticity and credibility of such information.
- The nature of the auditor's evaluation of the information may be influenced by the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. For example, if the auditor considers authenticity as an attribute of significance in the circumstances, the auditor may examine the information for indicators that the information has been altered in a manner that makes it unreliable for the audit. However, if the auditor considers that the attribute of credibility is of significance in the circumstances, the auditor may consider the competence and objectivity of the source of the information.
- The source of the information may influence the timing of the auditor's evaluation of the reliability of the information. For example, information from an entity's information system may be available only at certain points in time. The auditor's evaluation may be performed at points in time or the auditor may request retention of some information to facilitate their evaluation.
- The nature and extent of the auditor's evaluation of the reliability of information may be influenced by the relative importance of the information in the context of the evidence sought by the audit procedure. For example, if the auditor considers the authenticity of a single, high-value contract to be of significance in the circumstances to meet the intended purpose of an audit procedure, the auditor may confirm the terms of the contract with the external party. However, when revenue is sourced from many small transactions, the authenticity of the information may be determined concurrently with the audit procedures performed in responding to the assessed risks of material misstatement.

~~A37. The evaluation of relevance and reliability may be performed concurrently with the audit procedures applied to the information.~~

Example:

~~When the purpose of the audit procedure is to test the valuation of investments using pricing information from an external source, the auditor also considers the credibility of the source and whether it is free from bias. In some circumstances, the audit procedures to evaluate relevance and reliability may be straightforward (e.g., comparing the interest rate on a loan that is based on the prime rate established by a central bank of the jurisdiction to published information from the central bank). In other circumstances, audit procedures, including tests of controls, may be performed to evaluate the~~

~~reliability of information (e.g., the accuracy and completeness of information generated internally from the entity's information system).~~

A38. [Moved to Para. A65Qaa]

A40. [Moved to Para. A65Qb]

*Sources of Information* (Ref: Para. 9(a))

A40A. Information intended to be used as audit evidence may come from internal sources or external sources. For example, information may come from:

- The entity's accounting records, management or other sources internal to the entity.
- An external individual or organization that provides information suitable for use by a broad range of users, which the entity uses in preparing the financial statements, or the auditor intends to use as audit evidence. Such sources are referred to as an "external information source." ~~in this ISA.~~ A particular set of information is more likely to be suitable for use by a broad range of users and less likely to be subject to influence by any particular user if the external individual or organization provides it to the public for free, or makes it available to a wide range of users in return for payment of a fee. The auditor's determination of whether the information is suitable for use by a broad range of users, and therefore if it is information from an external information source, is a matter of professional judgment, taking into account the ability of management to influence the external information source.

Examples:

Pricing services, governmental organizations, central banks or recognized stock exchanges may provide information such as:

- Prices and pricing related data.
  - Macro-economic data, such as historical and forecast unemployment rates and economic growth rates, or census data.
  - Credit history data.
  - Industry specific data, such as an index of reclamation costs for certain extractive industries, or viewership information or ratings used to determine advertising revenue in the entertainment industry.
  - Mortality tables used to determine liabilities in the life insurance and pension sectors.
- ~~Independent s~~ Sources outside of the entity that provide information to the entity, such as the entity's bank, legal counsel, customers or suppliers.
  - A management's expert.
  - An auditor's expert.
  - A service organization.

[Moved from Para. A48]

**A40B.** In some cases, information prepared by an external individual or organization that is used by management in preparing the financial statements is an external information source because it is suitable for use by a broad range of users. In other cases, it is information prepared by a management's expert (see paragraphs A66–A78A). An external individual or organization cannot, in respect of any particular set of information, be at the same time an external information source and a management's expert, or service organization or auditor's expert.

[Moved from Para. A49]

**A40C.** The source and form of the information intended to be used as audit evidence may affect the availability, accessibility and understandability of the information intended to be used as audit evidence. The source of the information may also affect the auditor's professional judgment regarding relevance and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures, and the nature and extent of the auditor's evaluation of the relevance and reliability of the information. It may also affect how the auditor responds to matters such as doubts about the reliability of the information, or inconsistencies in audit evidence.

Examples:

- If the source of the information is subject to the influence of management or a related party, the auditor may be concerned about authenticity or management bias in evaluating the reliability of such information (see paragraphs A56Fa–A56J).
- If the information comes from a highly reputable external information source with proven expertise in the subject matter or with a legislative mandate (e.g., a central bank of the jurisdiction), or an external source that is subject to regulatory oversight (e.g., a recognized stock exchange), the auditor's work effort in considering the reliability of the information may not be as extensive as for a less known source (see paragraphs A56K–A56L).
- If the information is provided by management, such as information generated internally from the entity's information system, the auditor may need to perform audit procedures relating to the accuracy and completeness of the information (see paragraphs A56D–A56E).

[Moved from Para. A50]

**A40D.** In designing and performing a specific audit procedure, the auditor may use information from a combination of sources.

Example:

In performing substantive analytical procedures to test revenue recorded for a real estate entity, the auditor may use information from:

- The entity's accounting records, such as information that relates to the details of the rental properties and their location; and
- An external information source, such as information that relates to average real estate rental prices for the area where the properties are located (e.g., information available on real estate websites).

[Moved from Para. A52]

*Form, Availability, Accessibility and Understandability of Information*

A41. Information intended to be used as audit evidence may come in different forms, including:

- Oral information, for example, obtained through a verbal response to an inquiry.
- Visual information, for example, obtained through physical or remote observation.
- Information in written form, for example, obtained through a written confirmation.
- Digital information, which includes:
  - Documents in digital form (e.g., an electronic confirmation), and
  - Data generated and stored in an IT system or obtained digitally from a source outside of the entity (e.g., electronic purchase orders submitted by customers stored in the entity's IT system).

Such digital information may be manually captured, converted into a digital format, or electronically generated (e.g., an electronic data interface between the entity and a service organization).

A42. The form, availability, accessibility and understandability of the information intended to be used as audit evidence may affect the design and performance of the audit procedures in which the information will be used and may also affect the auditor's ~~evaluation procedures to evaluate~~ of the relevance and reliability of the information.

Examples:

- The ability to extract information in a usable form stored in the entity's information system may affect whether the auditor can perform an audit procedure by using technological tools. For example, the auditor may need to consider if the format of the information extracted can be converted into a format compatible for the inputs to the technological tools, or whether there are any system limitations preventing extracting large volumes of data.
- The design of an audit procedure to inspect the physical condition of the entity's inventories may differ based on whether the auditor plans to be physically present at specific locations or plans to obtain audit evidence through alternative means, such as remote observation tools.
- Screenshots from IT applications provided by management may not be sufficient if the auditor cannot determine when the screenshot was taken.
- Information may be available only at certain points or periods in time, or it may be destroyed after a specific period of time. The auditor may need to design and perform the audit procedures at particular points in time or request retention of some information to facilitate the performance of audit procedures. For example, the entity may overwrite log files after a certain period or the entity may use technology that adapts over time, such as machine learning technology, to predict the recoverability of accounts receivable, which is periodically updated (e.g., for changes in payment history, customer credit scores or economic factors). In these cases, the auditor may need to perform the audit procedures close to the financial reporting date when the information generated is current, since performing audit procedures at an earlier or later date may render a different outcome or the information may not be

relevant for the current audit period (e.g., the machine learning logic may no longer relate to the period being audited).

- Information in digital form may be available to the auditor on a continuous basis. In such circumstances, the auditor may use technological tools that are designed to operate on a real time basis to test the information (e.g., information maintained in a distributed ledger).

A44. The auditor may receive information in many forms, ranging from information generated from highly complex automated systems to information manually prepared by management and others within the entity. The auditor may have an expectation of the form in which information intended to be used as audit evidence will be received. Remaining alert for information that is received in a form different from the expected form may assist the auditor in mitigating unconscious biases that may impede the auditor's exercise of professional skepticism. In addition, receiving information in a form different from that expected may also be relevant to the auditor's evaluation of the reliability of that information.

Examples:

- Remaining alert for information that may be more suitable for the auditor's purposes, instead of information that immediately comes to mind or is readily available, may assist the auditor in mitigating the risk of availability bias.
- Information that is received in a form different from the expected form may be indicative of conditions where information has been inappropriately altered and may affect the auditor's consideration ~~for~~of the attribute of authenticity of the information.

A45. Information intended to be used as audit evidence may exist, but access to such information may be restricted. Such restrictions may be imposed by law or regulation, the source providing the information, or by other circumstances.

Examples:

- Laws or regulations may prohibit transfer of certain information to another jurisdiction and the auditor may only be able to use such information by physically visiting the jurisdiction where the information is available.
- War, civil unrest or outbreaks of disease may present conditions where access to certain information to be used as audit evidence is restricted.
- Privacy or secrecy laws or regulations may prohibit the use of certain sensitive client information in some technological tools without proper consent or safeguards.

A45A. In some cases, the auditor may be able to overcome restrictions on access to information. ISA 600 (Revised)<sup>1</sup> provides examples of how restrictions may be overcome for an audit of group financial statements.

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<sup>1</sup> ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraphs A35 and A180

A47. In some circumstances, specialized skills or knowledge may be needed to understand or interpret the information intended to be used as audit evidence. Accordingly, the auditor may consider using an auditor's expert to assist in understanding or interpreting the information if the engagement team does not have the appropriate competence and capabilities to do so. Other resources may also be appropriate for such purposes, such as technological or intellectual resources that are available to the auditor, as explained in ISA 220 (Revised).<sup>2</sup>

Examples:

Information where specialized skills or knowledge may be needed to understand or interpret information intended to be used as audit evidence may include:

- The information may be highly dependent on the interpretation of local tax laws and regulations (e.g., a tax opinion on a structured transaction), and the auditor may need a local tax lawyer or tax accountant to help interpret the information.
- The information may be included in a contract that contains complicated legal terminology, and the auditor may need a lawyer to help interpret the information.
- The information may have been generated by an IT application used by the entity that is highly complex or the auditor may use an ~~an~~ **advanced** technological tool to perform an audit procedure. The auditor may use an IT expert to assist in understanding how the information is generated or in interpreting the results.
- The information may be in another language and may need to be translated.

Difficulty in Obtaining, or the Time or Cost to Obtain, Audit Evidence

A47A. In explaining the inherent limitations of an audit, ISA 200<sup>3</sup> notes that the matter of difficulty, time or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive. In circumstances when the auditor determines that it is not practicable to obtain or understand the information intended to be used as audit evidence, the auditor may be unable to obtain sufficient appropriate audit evidence. For example, if the auditor does not have a sufficient basis to evaluate the relevance and reliability of information from an external information source, the auditor may have a limitation on scope if sufficient appropriate audit evidence cannot be obtained through alternative procedures. ISA 705 (Revised)<sup>4</sup> explains circumstances when the auditor's inability to obtain sufficient appropriate audit evidence may be a scope limitation. Under these circumstances, the auditor is required to express a qualified opinion or disclaim the opinion on the financial statements in accordance with ISA 705 (Revised).

A47B. In some circumstances, there may be a high degree of difficulty, time or cost involved in accessing or understanding information intended to be used as audit evidence. However, the auditor may determine that there is no alternative information that would provide sufficient appropriate audit evidence and that it is therefore necessary to obtain such information despite the difficulty, time or

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<sup>2</sup> ISA 220 (Revised), paragraphs A60–A71

<sup>3</sup> ISA 200, paragraph A53

<sup>4</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, paragraphs A8–A9



cost involved.

~~*Sources of Information (Ref: Para. 9(a))*~~

A48. [Moved to Para. A40A]

A49. [Moved to Para. A40B]

A50. [Moved to Para. A40C]

A52. [Moved to Para. A40D]

*Relevance and Reliability of Information (Ref: Para. 9)*

A53. The quality of audit evidence depends on the relevance and reliability of the information upon which it is based. Accordingly, the auditor is required to evaluate the relevance and reliability of the information intended to be used as audit evidence in accordance with paragraph 9.

*Relevance (Ref: Para. 9)*

A54. The relevance of information intended to be used as audit evidence deals with the logical connection with, or bearing upon, the purpose(s) of the audit procedure, including, when appropriate, the assertion being tested. The degree to which the information relates to meeting the purpose(s) of the audit procedure may also be a consideration.

A55. Other factors that may affect the relevance of information intended to be used as audit evidence include:

- The classes of transactions, account balances or disclosures (including relevant assertions) to which the information relates. Information may be relevant to multiple classes of transactions, account balances or disclosures. Some information may be relevant for certain financial statement assertions but not others.

Examples:

- A summary of accounts receivable collected after the end of the period may be relevant to testing the existence and valuation of accounts receivable, and occurrence and accuracy of revenue, but not necessarily to the completeness of accounts receivable and revenue.
- Inspection of a document, such as a stock, bond or a digital copy of a mortgage, may be relevant to the existence assertion for a financial instrument at a certain point in time but may not necessarily provide audit evidence about valuation.

- The period of time to which the information relates.

Example:

- Information used as audit evidence in the prior audit may not be relevant to the current audit due to changes in the circumstances to which the audit evidence relates.

- The level of detail of the information needed to meet the intended purpose(s) of the audit procedure.

Examples:

- Information used by management to monitor the entity's operations (e.g., interim operating results) may be relevant for purposes of risk assessment procedures. On the other hand, information related to key performance indicators used by management may not be precise enough to detect material misstatements at the assertion level and therefore may not be appropriate for use by the auditor in performing further audit procedures.
- The level of aggregation of the information may affect the effectiveness of an audit procedure. For example, disaggregated sales information for residential properties by geographical location and property type may provide more relevant information when testing the valuation assertion of loans measured based on fair value of the collateral.

Attributes of Reliability (Ref: Para. 9(b))

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.

*Attributes that may be considered by the auditor in evaluating the reliability of information intended to be used as audit evidence:*

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 altered in a manner that makes it unreliable for the audit.
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. Whether, and the degree to which, ~~one or more certain~~ attributes of reliability are of significance in the circumstances to meet the intended purpose(s) of the audit procedures is a matter of professional judgment. Significance can be described as the relative importance of a matter and is judged by the auditor in the context in which the matter is being considered. Although all the attributes of reliability apply to the information intended to be used as audit evidence, their significance in the circumstances may vary and, therefore, it is unnecessary for the auditor to evaluate all the attributes of reliability in carrying out the requirements in paragraphs 9 and 10B (as in a checklist, for example). ~~depending on the importance of the information to meet the intended purpose(s) of the audit procedures.~~ When making

judgments about the attributes of reliability, significance may be considered in the context of qualitative and quantitative factors, such as:

- The nature and source of the information.
- The controls over the preparation and maintenance of the information, including when:-
  - The reliability of the information intended to be used as audit evidence depends on the continued operating effectiveness of controls that support the integrity of information, including general IT controls; or
  - In accordance with Proposed ISA 330 (Revised), the auditor has determined that substantive procedures alone cannot provide sufficient appropriate audit evidence.
- How the information has been obtained by the auditor and in what form, for example, whether the information was obtained directly or indirectly by the auditor.
- If the information is intended to be used by the auditor in performing further audit procedures, the nature of the assessed risks of material misstatement, including the reasons for the assessment, and the relevant assertions.
- Whether the information appears to corroborate or contradict management's assertions.
- The extent of change from prior audits, if applicable, in relation to the information, such as changes in how the information has been prepared and changes in underlying controls.
- The implications of actual, suspected, or alleged fraud identified during the audit.

~~A56B. 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 in the circumstances to meet the intended purpose(s) of the audit procedures. Accordingly, it is unnecessary for the auditor to perform audit procedures for all 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~~ affects 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.
- ISA 505<sup>5</sup> requires the auditor to perform procedures when Aan electronic confirmation is received from an unknown email address in order to determine whether it cannot be considered as is authentic. The auditor may choose to verify the source and contents of the response to the confirmation request by directly contacting the confirming party. Once the contents have been verified and the auditor has obtained information supporting the

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<sup>5</sup> ISA 500, External Confirmations

credibility of the source, the auditor may consider the information to be both credible and authentic.

#### Accuracy and Completeness

A56C. ~~In order for the auditor to obtain reliable audit evidence, The attributes of accuracy and completeness ordinarily will be of significance to meet the intended purpose(s) of the audit procedures for information generated internally from sources internal to the entity's information system that is used in performing further audit procedures needs to be complete and accurate, as necessary in the circumstances, to meet the intended purpose(s) of those audit procedures.~~

##### Examples:

- Testing a population (e.g., payments) for a certain characteristic (for example, authorization), will be less effective if the population from which items are selected for testing is not complete.
- ~~If a population of journal entries is not complete, this will limit the effectiveness of the audit procedures in responding to the risk of management override of controls associated with fraudulent journal entries and other adjustments.~~
- ~~The auditor may use a technological tool to scan an entire population of transactions to facilitate the identification and assessment of risks of material misstatement. If the population of transactions is not accurate and complete, the auditor may not have an appropriate basis for the identification and assessment of the risks of material misstatement. In contrast, W~~When identifying the risks of material misstatement for a warranty provision, the existence of a large volume of sale returns for a product or service after year end may be sufficient to support the auditor's assessment that there is a risk of material misstatement of the warranty provision even though the number of sales returns may be incomplete.

~~However, accuracy and completeness may not always be of significance to meet the intended purpose(s) of the audit procedures when performing risk assessment procedures.~~

##### Example:

~~When identifying the risks of material misstatement for a warranty provision, the existence of a large volume of sale returns for a product or service after year end may be sufficient to support the auditor's assessment that there is a risk of material misstatement of the warranty provision even though the number of sales returns may be incomplete.~~

[Moved to example box above]

A56D. The source of the information intended to be used as audit evidence ~~may also affects~~ the auditor's consideration of the significance of the attributes of accuracy and completeness to meet the intended purpose(s) of the audit procedures. For information obtained from a source external to the entity, the auditor may consider that other attributes of reliability, such as authenticity, bias and credibility of the source providing the information, are of significance in the circumstance to meet the intended purpose(s) of the audit procedures.

A56E. When the information intended to be used as audit evidence has been obtained by management from an external information source for use in preparing the financial statements, obtaining an

understanding of why management used the source and how management considered the relevance and reliability of the information may help to inform the auditor's evaluation of the relevance and reliability of that information.

#### Authenticity

~~A56Faa. As explained in paragraph A56A, whether, and the degree to which, the authenticity of information is of significance in the circumstances to meet the intended purpose(s) of the audit procedures is a matter of professional judgment.~~

A56Fa. There may be instances when the auditor considers that the authenticity of information, including records or documents, is of significance to meet the intended purpose(s) of the audit procedures.

##### Examples:

- Management's plans for future actions may be dependent on a single refinancing contract with a third party to mitigate the effects of identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In evaluating management's plans for future actions, the auditor may consider that the authenticity of the refinancing contract provided by management is of significance in the circumstances to obtain audit evidence about the intent of such parties to provide the necessary financial support. In accordance with paragraph 10B, the auditor may consider it necessary to confirm the terms of the refinancing contract directly with a third party in accordance with ISA 505.
- Management's assertion about the valuation of works of art in a museum collection may be supported by certificates of authenticity. The auditor may consider the authenticity of such certificates of significance in the circumstances when obtaining audit evidence about the valuation assertion. In accordance with paragraph 10B, the auditor may consider it necessary to engage an auditor's expert to evaluate management's certificate.
- When an auditor uses the prevailing national interest rate published on the official website of a central bank to audit a discount rate assumption, the risk that the information on the official, public website is not authentic is remote. In such cases, the auditor may conclude that no further audit procedures are required to evaluate the authenticity of the published rate.

A56Fab. Whether, and the degree to which, the authenticity of information is of significance in the circumstances to meet the intended purpose(s) of the audit procedures is a matter of professional judgment. Factors the auditor may consider include whether:

- The source of the information lacks objectivity or otherwise may have a motive to alter the information.
- The information is obtained indirectly (e.g., photocopies or scanned documents) when originals are expected to exist.
- Significant deficiencies exist in the entity's internal controls over the creation, processing and maintenance of the information.
- The information contradicts other evidence obtained from different sources or of a different nature (e.g., verbal confirmation contradicts a written record).

- Responses from management or employees to inquiries are evasive, unreasonable or inconsistent.
- Unusual or last-minute changes to documents, transactions or accounting records without adequate explanation.
- Management denies the auditor access to certain records, facilities or personnel.
- The form and content of the document appear unusual (e.g., questionable signatures or non-standard formatting).

A56G. The potential for inappropriate 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 or when. ~~Also, for certain digital documents it is may be~~ more difficult to establish proof of origin and authority of the source.

Examples of audit procedures to evaluate the reliability of information when authenticity is of significance in the circumstances to meet the intended purpose(s) of the audit procedures:

- Testing controls for authorizing and approval of the information.
- Testing access controls that prevent unauthorized access to the information system.
- 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. It is not necessary for the auditor to consider the authenticity of every individual record or document encountered in an audit. However, Ccertain conditions may ~~also~~ cause the auditor to investigate further whether the information has been intentionally altered or if a record or document may not be authentic or whether terms in a document have been modified in a way that would render it unreliable for the purposes of the audit 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 record or document may have been modified but not disclosed to the auditor.<sup>6</sup> However, 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>7</sup>

#### Bias

A56I. The susceptibility to management bias, whether intentional or unintentional, may be greater for certain types of information, for example, when there is a higher degree of estimation uncertainty, complexity and subjectivity involved in making an accounting estimate or when making judgments

<sup>6</sup> ISA 240 (Revised), paragraph 22

<sup>7</sup> ISA 200, paragraph A52

about uncertain future events or conditions. On the other hand, information from certain external sources may be less susceptible to management bias when it is less likely for management to influence such information source. For example, information suitable for use by a broad range of users is less likely to be subject to influence by any particular user. However, the auditor may still need to consider whether management's selection of an external source may be favorably biased toward corroborating management's assertions or whether an alternative source of information was available that may contradict the information used.

A56J. When there is intention to mislead, management bias is fraudulent in nature and the auditor may need to consider whether the bias may represent a material misstatement due to fraud. ISA 240 (Revised) provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.

#### Credibility

A56K. The auditor's consideration for the credibility of information may be influenced by past experience of the auditor with the reliability of the information provided by the source, and other factors such as the integrity and competence of the source, or whether the source is internal or external to the entity. Credibility may be dependent on the reputation and authority of the source providing the information, including whether ~~the process used by the external source to develop~~ the information is generally accepted for use by a broad range of users and the source enables continued availability of standardized information (e.g., -For example, information from a central bank or government, such as an inflation rate).

A56L. In some circumstances, there may be only one provider of certain information. When this is the case, there may be evidence of general market acceptance by users of the reliability of information from the information source. If a source is not considered as credible, the auditor may determine that more extensive procedures are necessary.

Evaluating the Reliability of Information (Ref: Para. 10B)

Testing Controls that Address the Reliability of Information (Ref: Para. 10B(a))

A65O. The controls that address the reliability of information intended to be used as audit evidence may include controls over financial reporting, operational and non-financial information. Some of these may be the same controls the auditor is required to understand, and evaluate the design and implementation of, as part of understanding the control activities component in accordance with ISA 315 (Revised 2019).<sup>8</sup> Proposed ISA 330 (Revised) establishes requirements and provides guidance on designing and performing tests of controls to obtain audit evidence about the ~~ir~~ operating effectiveness ~~of controls that in~~ addressing risks of material misstatement at the assertion level. Such requirements and guidance may be adapted as necessary to design and perform tests of controls for evaluating the reliability of information intended to be used as audit evidence. The testing of controls that address the reliability of the information may also be performed concurrently with the testing of the operating effectiveness of controls that address risks of material misstatement at the assertion level.

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<sup>8</sup> ISA 315 (Revised 2019), paragraph 26



Example:

- An entity's information system may include general IT controls to safeguard and maintain the integrity of the financial information. Based on the auditor's testing of the operating effectiveness of those controls the auditor may determine that the integrity of the entity's financial information has been maintained through all stages of information processing, including when information is extracted for financial reporting purposes.
- An entity may have designed and implemented controls over the preparation and maintenance of a system-generated trade receivables aging report ~~\_, and t~~. The auditor may plan to test the operating effectiveness of those controls when responding to the risk of material misstatement of the allowance for doubtful accounts. The evidence of the operating effectiveness of those controls may also contribute to the auditor's evaluation of the completeness and accuracy when evaluating the reliability of the information to be used in substantive testing of the allowance of doubtful accounts. In addition, the auditor may plan to test the operating effectiveness of general IT controls that address risks related to inappropriate or unauthorized program changes to, or data changes in, the report.
- When performing a substantive analytical procedure related to airline revenue, the auditor may intend to use ticket sales data from passenger reservation systems as audit evidence, which may be operational data, and not part of the financial reporting process. The auditor may plan to test the operating effectiveness of controls over the passenger reservation systems when evaluating the reliability of that nonfinancial information to be used in the substantive analytical procedure.

A65P. The auditor's decision to identify and test the operating effectiveness of controls over the reliability of information intended to be used as audit evidence~~;~~ is a matter of professional judgment and is affected by matters such as:

- Whether the controls have been evaluated as part of the auditor's identification and assessment of risks of material misstatement in accordance with ISA 315 (Revised 2019) and tested in accordance with Proposed ISA 330 (Revised).
- The extent to which the reliability of the information intended to be used as audit evidence depends on the continued operating effectiveness of those controls.
- Whether testing controls is an effective and efficient means for obtaining audit evidence about the reliability of information intended to be used as audit evidence.

A65Pa. In addition, the auditor may consider matters such as:

- \_\_\_\_\_ The level and complexity of:
  - \_\_\_\_\_ ~~a~~Automation in processing business transactions.
  - \_\_\_\_\_ System-generated reports used in the processing of information.
  - \_\_\_\_\_ Interfaces used in the processing of information.
- The complexity of the nature of the IT systems processing or storing information.
- Whether the controls appropriately address risks related to volume and complexity of information in digital form being processed by the information system, including whether



accounting records or other information are stored in digital form and the location of the stored data.

- Whether the controls appropriately address risks related to the use of advanced technologies by management in the financial reporting process to prepare and maintain the information.

A65Paa. When the reliability of the information depends on the continued operating effectiveness of controls, the auditor may not be able to use the information as audit evidence, if:

- The auditor cannot obtain audit evidence that such controls operate effectively; ~~or~~
- There are no alternative controls that address the reliability of the information; or
- The reliability of the information cannot be established by performing other procedures.

In such circumstances, the auditor may need to evaluate the implications for the audit.

[Moved from Para. A65R]

#### Other Audit Procedures to Evaluate the Reliability of Information (Ref: Para. 10B(b))

A65Q. As contemplated by paragraph 10B(b), the auditor may perform procedures other than testing the operating effectiveness of controls to evaluate the reliability of information ~~—(see paragraphs A35–A38). The auditor may perform procedures to evaluate the reliability of information intended to be used as audit evidence separately from or concurrently with performing audit procedure(s) to identify and assess risks of material misstatement or to respond to the risks of material misstatement at the assertion level.~~

##### Examples:

- The auditor requests and receives a detailed sales report from the entity's information system. Prior to performing substantive procedures, the auditor determines that the report is complete and accurate by recalculating the amounts of all the individual transactions in the sales report to arrive at a total sales figure for the period and then reconciles the amount to the corresponding sales amount in the general ledger.
- The auditor receives a detailed spreadsheet of the entity's investment portfolio, which includes the year-end market price sourced by a reputable financial data provider. The auditor may perform a procedure that simultaneously validates the accuracy of the security's price while determining the authenticity of the price by obtaining data directly from a trusted external source.

A65Qaa. Audit evidence from performing ~~other~~ audit procedures in accordance with ~~other the~~ ISAs also may assist the auditor in evaluating the relevance and reliability of information intended to be used as audit evidence. The attribute(s) of significance in the circumstances may be addressed because they are an integral part of designing and performing audit procedure(s) to identify and assess risks of material misstatement or to respond to the risks of material misstatement at the assertion level.

Examples:

Audit evidence obtained from:

- The acceptance or continuance of client relationships and the audit engagement.<sup>9</sup>
- The auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control obtained in accordance with ISA 315 (Revised 2019).
- Tests of controls ~~over the preparation and maintenance of the information~~ to respond to the risk of material misstatement at the assertion level performed in accordance with Proposed ISA 330 (Revised).
- Audit procedures performed when using an auditor's expert in accordance with ISA 620.<sup>10</sup>
- Audit procedures performed in accordance with ISA 402<sup>11</sup> when a user entity uses the services of one or more service organizations.

[Moved from Para. A38]

A65Qa. However, as the complexity of the IT environment and technology used to produce the information increases, it may become less likely ~~that the auditor is able to evaluate the reliability of information to evaluate information as reliable without testing the operating effectiveness of controls. through other procedures alone.~~ This is particularly the case when accuracy, completeness and authenticity are of significance in the circumstances to meet the intended purpose(s) of the audit procedure. ~~If the auditor is unable to obtain audit evidence that the controls are operating effectively to evaluate the reliability of the information, the auditor may consider whether they are able to evaluate the reliability of information by performing other audit procedures.~~

Examples:

- In an audit of a smaller or less complex entity, when using a system-generated trade receivables aging report the auditor may, in accordance with paragraph 10B(b), test a sample of inputs and ~~content~~ outputs of the report to supporting documentation such as a sales invoice, shipping documents and actual payments received.
- In contrast, a larger entity may rely on IT to a great extent, ~~and the IT environment may involve multiple interfaced IT applications,~~ and the volume of transactions may be significant. The IT application performs certain automated controls to process the transactions and generate reports, and the auditor has identified these controls as addressing the reliability of the information generated internally from the entity's information system. The auditor may, in accordance with paragraph 10B(a), test the operating effectiveness of these controls that support the reliability of the information.

<sup>9</sup> ISA 315 (Revised 2019), paragraph 15

<sup>10</sup> ISA 620, *Using the Work of an Auditor's Expert*

<sup>11</sup> ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

A65R. [Moved to Para. A65Paa]

Documentation

A65Qb. ISA 230<sup>12</sup> provides requirements and guidance about the form, content and extent of audit documentation that also apply to the documentation of the auditor's evaluation of the relevance and reliability of information intended to be used as audit evidence. These requirements and guidance also apply to the auditor's evaluation of the relevance and reliability of information – procedures performed relating to be used as audit evidence, including the auditor's consideration of the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. Other ISAs may include documentation requirements that may address the auditor's consideration of the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures (e.g., the credibility of a particular external information source used in auditing an accounting estimate in accordance with ISA 540 (Revised)).<sup>13</sup> However, this ISA does not require the auditor to document the consideration of each attribute of reliability of the information.

[Moved from Para. A40]

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<sup>12</sup> ISA 230, *Audit Documentation*, paragraphs 8-11

<sup>13</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*