

March 15, 2023

International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, NY 10017

**Re: Exposure Draft: Proposed International Standard on Auditing 500 (Revised), *Audit Evidence* and Proposed Conforming and Consequential Amendments to other ISAs**

Thank you for the opportunity to comment on this Exposure Draft (“ED”).

MNP LLP (“MNP”) is one of Canada’s largest chartered professional accountancy and business advisory firms. Our client base is focussed on small to mid-size businesses covering a broad range of industries including agriculture, agribusiness, retail and manufacturing as well as credit unions, co-operatives, Indigenous communities and businesses, medical and legal professionals, not-for-profit organizations, municipalities, government entities, and publicly traded companies. We believe that we are positioned well to provide feedback on this ED for the revisions to CAS 500, *Audit Evidence*.

**Questions**

**Question 1: Is the purpose and scope of ED-500 clear? In this regard:**

- (a) **Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?**

We believe that ED-500 provides an appropriate principles-based reference framework, as paragraph 1 clearly articulates that ISA 500 deals with the auditor’s responsibilities relating to audit evidence when designing and performing audit procedures.

- (b) **Are the relationships to, or linkages with, other ISAs clear and appropriate?**

We believe the relationships to, or linkages with ISA 200, ISA 315, and ISA 330 are clear and appropriate, including those ISAs referenced in the appendix.

**Question 2: What are your views about whether the proposed revisions in ED-500, when considered collectively as explained in paragraph 10 above, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?**

We believe that the proposed revisions will lead to enhanced auditor judgments when obtaining and evaluating audit evidence.

**Question 3: What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 above)?**

We believe that ED-500 has an appropriate balance of requirements and application material.

**Question 4: Do you agree that ED-500 is appropriately balanced with respect to technology by reinforcing a principles-based approach that is not prescriptive but accommodates the use of technology by the entity and the auditor, including the use of automated tools and techniques?**

We support the principles-based approach regarding the reference to automated tools and technology. However, we believe the standard would benefit from more examples and/or application material regarding what automated tools and techniques are and how the auditor can obtain comfort over the relevance and reliability of audit evidence through the use of such tools.

**Question 5: Do the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence?**

Overall, we believe the requirements and application material in ED-500 will reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence. However we believe the language in 8(a) may be interpreted to be overly proscriptive. 8(a) states that “the auditor shall design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative, or towards excluding audit evidence that may be contradictory”. It is important that requesting evidence for management’s inputs, estimates or assertions, such as under ISA 540.18(b), not be misinterpreted as bias towards corroboration. To avoid this misinterpretation, we recommend revising the above requirement to say “...obtaining only corroborative audit evidence and excluding contradictory audit evidence”.

Additionally, the preamble from paragraph 8 to paragraph 8(b) reads as “For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures: The nature, timing and extent of which are appropriate in the circumstances to provide audit evidence to meet the intended purpose of those audit procedures.” This language could be more easily understood if it said “the auditor shall design and perform audit procedures *which are* appropriate in the circumstances to provide audit evidence to meet the intended purpose of those audit procedures.” A25 sufficiently discusses the nature, timing and extent of procedures therefore it could be excluded from the requirement paragraph.

**Question 6: Do you support the revised definition of audit evidence? In particular, do you agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it?**

The revised definition reinforces the need to apply audit procedures to the information before the auditor can use it to form their audit opinion. However, it is not clear if the audit procedures applied are limited to those referenced in Paragraph A2 (which include risk assessment procedures, further procedures and other audit procedures required to comply with other ISAs) or if it requires additional relevance and reliability evaluation procedures.

When reading the revised definition together with Paragraph 9 it appears to imply the latter, which are additional procedures to evaluate relevance and reliability. We appreciate that the ED paragraph A37 calls out that “evaluating the relevance and reliability may be performed concurrently with the audit procedures applied to the information”. Audit procedures as referenced in A2 do not always consist of procedures to evaluate relevance and reliability, and this may be appropriate. For example, we may inquire of management or those charged with governance at various points in the engagement without necessarily adding procedures around relevant or reliability of each response.

Further, we do not support the “input-output model”. While the input-output model is a simplified way to illustrate the relationship between the information intended to be used as audit evidence and the audit

evidence obtained, it is important to recognize that the evaluation of relevance and reliability is not always a linear process. An audit procedure designed to test an assertion might also be the same procedure that evaluates the relevance and reliability of the information intended to be used as audit evidence.

**Question 7: Does the application material appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence?**

Overall, we believe the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

We identified that both paragraphs A13 (regarding appropriateness of audit evidence) and A14 (regarding sufficiency of audit evidence) have sentences explaining that increasing the quantity of audit evidence may not provide more persuasive audit evidence. We recommend that this sentence be removed from A13 as that paragraph is pertaining to the appropriateness (quality) of audit evidence and not the sufficiency (quantity).

**Question 8: Will the requirements and application material in ED-500 support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence?**

We appreciate that ED-500 provides a principle-based approach. In some areas there may be a wide range of interpretation and we feel additional examples or guidance would be helpful such as an expansion of A50.

We also appreciate the board's caution against creating unnecessary burden on auditors in evaluating the relevance and reliability of information intended to be used as audit evidence. Paragraph 9 may be interpreted to mean that a minimum of one attribute must be considered for every piece of information intended to be used as audit evidence which may be unnecessarily onerous to perform and document.

For example, it would be onerous to have separate documentation around relevance and reliability for each bank reconciliation statement, the corresponding bank statement, listing of payments in transit and listing of deposits-in-transit.

Paragraph 9 should be amended to be flexible enough to accommodate instances where separate procedures and corresponding documentation would not be required based on the nature of the information.

**Question 9: Do you agree with the separate conditional requirement to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances?**

We agree. However, the wording should be clarified to avoid an excessive iterative process for each subsequent piece of information.

We suggest that the language be revised to "...the auditor shall perform audit procedures to support the accuracy and completeness of the information". This would allow for the auditor to either obtain additional audit evidence or perform some other audit procedure to support the accuracy and completeness of the audit evidence and also provide a stopping point.

**Question 10: Do you agree with the new “stand back” requirement for the auditor to evaluate audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained?**

We would appreciate clarification on the intent of the “stand back” requirement as the new requirement in Paragraph 13(b) is largely a duplication of ISA 330, Paragraph 26 as well as ISA 700 Paragraph 11(a). Maybe it is not necessary to add this “stand back” requirement here if it is already stated elsewhere in the standards.

If the requirements and the corresponding application material stay, we also recommend that in paragraph A86, that the word “significant” be added in front of “class of transactions, account balance or disclosure” so that it is consistent with paragraph A85.

**Question 11: Are there any other matters you would like to raise regarding ED-500? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.**

1. A63, “accuracy and completeness ordinarily will be applicable for information generated internally from the entity’s information system.”

We are not certain whether “accuracy and completeness” would ordinarily be applicable. For example, regarding management’s estimates, we would consider the “bias” attribute to be more applicable than accuracy and completeness.

Similarly, when management provides internal documents to support their report, the authenticity of those documents maybe more applicable than completeness or accuracy.

In addition, some of the most requested information is the general ledger or trial balance. Different interpretations may result in substantially different expectations of audit procedures.

2. A64, “The attributes of accuracy and completeness ordinarily will be applicable for information generated internally from the entity’s information system used in performing further audit procedures but may not always be applicable when performing risk assessment procedures”.

We support this but feel readers would benefit from elaboration and examples on how to apply this. One common example for the board to consider is the use of interim financial statements for risk assessment without performing procedures on said interim statements.

3. The documentation requirement is referenced to CAS 230 in Paragraph A40 and we appreciate the cautionary language in the paragraph that “this ISA does not require the auditor to document the consideration of every attribute of relevance and reliability of information”. However, we believe there is a need for additional guidance to avoid different interpretations between auditors and regulators. Given that the consideration of what attributes are applicable is based on the auditor’s professional judgement, is there an expectation that the auditor needs to document the rationale as to why certain attributes are or are not applicable? Also, if the standard indicates that completeness and accuracy are ordinarily applicable attributes for information generated internally by the entity, is there a higher expectation of documentation required when we determine that completeness and accuracy are not applicable in the circumstances?

4. With regards to evaluating the competence, capabilities and objectivity of management's expert, paragraph A73 states that "...a management's expert employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity".

In Canada, management's experts are often members of professional bodies that have their own professional conduct and licensing standards. In many cases, management's expert especially if they are external, should be more objective than other employees.

5. Paragraph A78 provides guidance on how the information prepared by the expert is used by management may result in a control deficiency. The guidance is not clear on how that could occur; therefore, we recommend that an example be added to demonstrate this.

6. Additionally, the attributes related to reliability are mostly positive attributes except for "bias", which can be viewed as a negative attribute. To be consistent with the rest of the attributes, the term "bias" should be revised to be a positive attribute such as "free of bias" or "objectivity", etc.

**Question 12: The IAASB is also seeking comments on the matters set out below:**

- (a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-500.**

We are not aware of any issues related to the translation the standards.

- (b) Effective Date—Recognizing that ED-500 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.**

We believe the 18-month effective date may be too short, especially considering translation requirements, to develop and release additional methodology, enablement, and training for the revised standard. A 24-month timeline would better benefit practitioners to allow time for effective change management, quality implementation guidance and sufficient training.

We would be pleased to offer assistance to the IAASB in further exploring issues raised in our response or in finding alternative solutions.

Yours truly,

**MNP LLP**

*Dana Ray*

Dana Ray, CPA  
Partner, Assurance Professional Standards Group