

IAASB

Online submission

16 March 2023

Dear IAASB,

Chartered Accountants Ireland welcomes the opportunity to comment on the Proposed International Standard on Auditing 500 (Revised) Audit Evidence.

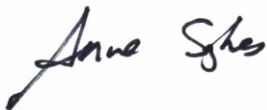
We are supportive of the updates to the standard but have some reservations concerning the documentation and the possible different interpretations of some of the requirements.

The addition of the examples of practical situations in the boxes in the application paragraphs is particularly helpful.

We attach response to the questions raised in the Exposure Draft.

If you have any questions on any of the comments in this response, please do not hesitate to contact me at anne.sykes@charteredaccountants.ie or on + 353 1 6377313.

Yours sincerely



Anne Sykes
Secretary
Assurance and Audit Technical Committee
Chartered Accountants Ireland

Overall Questions

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

We feel that the draft ISA does provide an appropriate framework and relationships with other ISAs are sufficiently clear except as noted below.

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 note the Board's stated intent to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the circumstances (i.e., is scalable). We have raised some concern as noted in the responses to this consultation, where we believe further clarification is needed to help promote enhanced auditor judgements for example in the area of risk assessment and when obtaining and evaluating audit evidence, to allow the standard to be appropriately scalable.

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 the overall balance is appropriate subject to the concerns raised below.

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 agree that the draft ISA is appropriately balanced with respect to technology.

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

We believe that the requirements and the application material appropriately reinforce the exercise of professional skepticism.

Specific Questions

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?

We have significant concerns about the operability of the input output model as currently drafted in the ED. Paragraph 9 requires the auditor to assess the relevance and reliability of information intended to be used as audit evidence. Paragraph 10 requires the auditor to obtain audit evidence

about certain attributes of relevance and reliability, namely completeness and accuracy. An auditor does not have audit evidence until they have applied procedures to the information so it would appear the auditor has to keep looking at sources of evidence until there is an original source that supports each level above, in all cases. This cyclical process will place a large burden on the auditor and appears contrary to the intent of the Board to allow flexibility and scalability.

We suggest that paragraph 10 should be amended to state that the auditor should obtain information about the accuracy and completeness of information to be used as audit evidence. This could be included as an additional point in paragraph 9.

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

The application material in the draft standard does appropriately describe the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence.

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?

Yes, we do believe that the requirements in ED 500 supports an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence. However, we do believe that the application material could be enhanced to reflect the Board's stated intention that the attributes of relevance and reliability in the ED are not intended to be used as a checklist and that there is no requirement to document consideration of every attribute.

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 believe the ED as drafted lacks clarity in relation to when completeness and accuracy are relevant attributes of the reliability of information obtained from external sources or internal information which is used in risk assessment procedures. We understand that it is the Board's intent to provide a principles-based reference framework to allow some flexibility that will lead to enhanced auditor judgements, but we believe that the ED has not achieved this. We would recommend the following amendments to be made to the application material paragraph A63, which would enable auditors to use professional judgement in determining which attributes are appropriate in the circumstances:

A63. The source of the information intended to be used as audit evidence may affect the auditor's consideration of whether the attributes of accuracy and completeness are applicable in the circumstances. For example, accuracy and completeness ordinarily will be applicable for information generated internally from the entity's information system. For information obtained from a source external to the entity, the auditor ~~may be more focused on~~ may **consider** other

attributes of reliability instead **to be applicable**, including the credibility of the source providing the information.

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?

While we support the concept that the auditor has to take a stand back view and form an overall conclusion, we have concern regarding this new “stand back” requirement. We believe there are different possible interpretations of the wording used in paragraph 13, which we are concerned will result in inconsistent application. We believe it is not clear whether auditors are being asked to perform the stand back on each piece of evidence for the purpose of the particular audit procedures or is it a holistic view at the end of the audit in forming the audit opinion? Paragraph 13 (a) seems to imply that you need to look at every piece of audit evidence and assess whether it meets the intended purpose of the procedure. We don’t believe that paragraph 13, as drafted, reflects the Board’s intent that this should be performed at an overall level. 13 (a) should be reworded to say; “Evaluate whether the audit evidence obtained meets the intended purpose of the audit.”

Furthermore, there are already stand back requirements in place in ISA 315, paragraph 35 and in ISA 330 paragraph 26, which use the same wording. Therefore, we believe that the addition of the stand back requirement in ISA 500 is duplicative and potentially redundant here.

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.

The definition of “Authenticity” in the application material (A56) states:

The source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered.

We believe that authenticity is an attribute of the information and not an attribute of the source producing the information. We would recommend this is amended for clarity. We also believe that the Board should consider adding a cross reference to ISA 240.14 which allows the auditor to accept records and documents as genuine unless the auditor has reasons to believe to the contrary.

We feel this would be clearer if it said: *the source actually generated or provided the information was authorised to do so and the information has not been inappropriately altered subsequent to generation.*

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. (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 have no comments to make on the translation issues and we are in agreement with the proposed effective date.