

Tom Seidenstein  
IAASB Chair  
Filed via the website

Brussels, 24 April 2023

**Subject: Proposed International Standard on Auditing 500 (Revised): Audit Evidence**

Dear Chairman, Dear Tom,

Accountancy Europe is pleased to provide you with its comments on proposed International Standard on Auditing 500 (ISA 500).

We believe that the project has not fully achieved its public interest objectives. The evolution of technology in relation to audit evidence, in particular, has not been addressed properly and the project was a piecemeal revision rather than a comprehensive review of the audit evidence-related ISAs to in 500 series.

Although ED-ISA 500 includes a short list of principles-based requirements, the application material is quite extensive and we are not sure about the necessity of all the material included. More importantly, it is unclear what changes are expected from an auditor in practice upon this revision.

We agree with the input-output model suggesting that information can become audit evidence after being subject to auditor's evaluation of its reliability and relevance. The main concern in this regard is the risk of over-documentation due to ambiguity of the requirements related to the attributes of relevance and reliability. Proposed articles on attributes are open to different interpretation. Similarly, the stand-back requirement increases the risk of over-documentation and seems redundant when ISAs are considered as a single set of professional standards.

We thank you for the opportunity to comment. For further information on this letter, please contact Harun Saki on +32 488 55 25 76 or via email at [harun@accountancyeurope.eu](mailto:harun@accountancyeurope.eu).

Sincerely,



Olivier Boutellis-Taft  
Chief Executive

**ABOUT ACCOUNTANCY EUROPE**

Accountancy Europe unites 50 professional organisations from 35 countries that represent close to **1 million** professional accountants, auditors and advisors. They make numbers work for people. Accountancy Europe translates their daily experience to inform the public policy debate in Europe and beyond.

Accountancy Europe is in the EU Transparency Register (No 4713568401-18).

## ANNEX - REQUEST FOR COMMENTS

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### 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?*

Yes, the purpose and the scope of the ED-ISA 500 is clear, and it provides an appropriate principles-based framework. However, we believe that the public interest objectives set in the project proposal have not been fully met. This is mainly because the impact of technology has not been properly addressed in the revision (see our response to Question 4) and other audit evidence-related standards under ISA 500 series were not included in the scope of the project.

In addition, it is not clear what auditors will need to do differently in practice as a result of this revision and how these changes will improve audit quality. Therefore, it will be very useful if the IAASB issues a short summary of the changes compared to extant ISA 500 along with the final pronouncement.

We believe that ISAs should be viewed as a single set of professional standards. Consequently, it is not always helpful, and thus not necessary, to remind a concept (such as professional scepticism and use of professional judgement) or to repeat a requirement from a specific ISA in another standard. Auditors already shall consider and comply with all ISA requirements applicable to the engagement they conduct. Excessive cross-referencing can be distracting and increase complexity of the standard without adding any value.

In this regard, we invite IAASB to reconsider the linkages included in the ED-ISA 500 based on drafting principles and guidelines, namely principles 4.2.1 and 4.2.2.

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?*

The requirement for evaluating the relevance and reliability of information intended to be used as audit evidence is clear. It also makes sense that information constitutes audit evidence only after being subject to auditor's evaluation.

One challenge for the auditor will be how to document the evaluation of each piece of audit evidence. The relevance and reliability of the audit evidence will be very straightforward for some types of information whereas it might be quite complicated for others. It is important to ensure that work effort is concentrated on what is really needed and we agree with the paragraph A40 that the auditor should not be expected to document the consideration of every attribute of relevance and reliability (see also our response to question 9).

In many cases, audit procedures applied to certain information could allow the auditor to concurrently evaluate the relevance and the reliability of the information. The evaluation is therefore not going to be a separate exercise. In such cases, the auditor should not be required to have additional documentation with respect to evaluation and this should be specified in ED-ISA 500.

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

The application and other explanatory material are too extensive, in some cases repetitive, and too much like a textbook. Many of the examples given are over-simplified and just reflect common sense (e.g. in A24, the examples within the bullet points of A41 – except the second one that actually includes

remote observations). Instead, we would have liked to see more useful examples, such as how to use technological tools in order to obtain information to be used as audit evidence.

In addition, certain application material either just duplicates the content of other ISAs, for example paragraph A26; or another part of the ED-ISA 500 itself; for example, paragraph A36 repeats requirements from paragraph 9; paragraph A46 refers to and duplicates paragraph A12, A65 refers back to A37, and A67 refers back to A48.

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?*

No, we do not believe that the public interest objective of modernizing the ISA 500 to recognise the evolution in technology has been fully achieved.

Developments in technology have affected how audits are performed, for example, by increased use of automated tools and techniques, data analytics, robotic process automations, machine learning and artificial intelligence (AI). The IAASB will ultimately need to go further in clarifying what auditors are required to do for the evaluation of audit evidence obtained through these technologies. This can be accomplished by principles-based requirements and relevant application material leveraging on the recent non-authoritative material published by the IAASB.

In addition, some technology-enabled audit procedures cannot be categorised either as “substantive analytical procedures” or as “test of details”. This creates challenges for engagement teams applying ISAs. We would therefore encourage the IAASB to further explore how to provide more guidance in this area, in coordination with the IAASB Technology Working Group.

Finally, data visualization and process mining could be added to the Appendix of the ED-ISA 500 as types of audit procedures. These are particularly helpful for auditors to better understand the entity and to perform refined risk assessment.

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

Yes, the application material of the ED-ISA 500 is expected to reinforce the exercise of professional scepticism by the auditor.

Professional scepticism is one of the fundamental concepts in financial statements audit and its definition in ISA 200 refers to critical assessment of audit evidence. ED-ISA 500 could clarify that the auditor needs to critically assess the “persuasiveness” of audit evidence. Alternatively, the definition in ISA 200 can be revised as a conforming amendment.

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## 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?*

Yes, we agree with the theoretical definition of audit evidence and the input-output model as prescribed in the ED-ISA 500. We also support treating information produced by the entity generally in the same way as other types of information intended to be used as audit evidence.

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

Yes, the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence in paragraph A6. It should also be clarified that there is no need to consider the sufficiency of information in cases where the auditor concludes that the information is not appropriate.

We would also support the IAASB working on a definition of persuasiveness in the context of the ISAs, to ensure a common understanding by all stakeholders.

*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, overall, we believe that ED-ISA 500 will support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence, without prejudice to our responses to Questions 4, 9 and 10. The documentation requirements pertaining to auditor's evaluation should be clarified to avoid the risk of unnecessarily extensive audit documentation.

*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 that the auditor shall perform audit procedures about the attributes of relevance and reliability that are applicable in the engagement circumstances. This is already established by paragraph 9(b) of the ED-ISA 500 and relevant application material lists several attributes, including completeness and accuracy.

However, emphasising these two attributes with a separate conditional requirement creates ambiguity. The explanatory memorandum claims that this was done as response to inspection findings from audit regulators. According to paragraph A63, these attributes will ordinarily be applicable for information generated internally from the entity's information system. Therefore, we understand that regulators expect auditors to do more work for evaluating the audit evidence obtained from the entity's information system. In any case, this conditional requirement should be revised by replacing "the auditor shall obtain audit evidence" with "the auditor shall perform audit procedures". Otherwise, there will be ad infinitum evaluation of audit evidence obtained by the auditor to evaluate the reliability and relevance of audit evidence.

The examples provided in paragraph A64, we believe, do not seem to clarify this requirement and we invite the IAASB to provide more specific cases based on the inspection findings referred in the explanatory memorandum.

We also note that the term "completeness" is used in the ISAs both as an audit assertion (for example, in ISA 315 revised) and as an attribute of information to be used as audit evidence (in the ED-ISA 500). We encourage the IAASB to consider using different words to avoid potential confusion.

*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?*

No, we believe that this requirement is redundant. There is already a stand back requirement with the same objective in paragraph 26 of ISA 330 and this, together with the stand-back requirement in ISA 700 on whether the financial statements give a true and fair view, helps the auditor meet the intended objectives of ED-ISA 500.

As noted above, we believe that ISAs should be viewed as a single set of professional standards whose requirements and related objectives are considered as a whole by the auditor.

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.*

There is also a need to explain how the evaluation requirement of paragraph of the ED-ISA 500 relates to the paragraph 13 of ISA 240 according to which records and documents may be accepted as genuine, unless the auditor has reason to believe the contrary. A57 of the ED-ISA 500 explains that ISA 240.13 is about the authenticity attribute only and auditor may or may not determine that this attribute is applicable. We would find it helpful to clearly state that in most cases, the auditor will not find authenticity applicable (i.e., unless there is a reason to believe the contrary).

Furthermore, the link between audit evidence that provides an appropriate basis for risk identification and assessment as per paragraph 13 of in ISA 315 (Revised), and the sufficiency and appropriateness of the audit evidence as defined in ED-ISA 500 is missing. This could be addressed by a conforming amendment to ISA 315 which would clarify what sufficiency and appropriateness mean for audit evidence obtained for risk identification and assessment.

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### Request for General Comments

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 do not see any specific issue with regards to translating the standard.

- 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 support suggested time frame as many of the new and revised requirements are already part of current procedures performed by auditors.