

24 April 2023

Willie Botha — Technical Director  
International Auditing and Assurance Standards Board  
International Federation of Accountants  
529 Fifth Avenue, 6th Floor  
New York, NY 10017

Dear Mr. Botha:

Deloitte Touche Tohmatsu Limited (DTTL) is pleased to have the opportunity to provide comments on the exposure draft, proposed International Standard on Auditing (ISA) 500 (Revised), *Audit Evidence* (“ED-500” or the “proposed standard”) and Proposed Conforming and Consequential Amendments to Other ISAs issued by the International Auditing and Assurance Standards Board (“IAASB” or the “Board”) in October 2022.

DTTL supports the overall direction of ED-500, in particular with respect to the continued efforts to reinforce a principles-based “reference framework” for considering the relevance and reliability of information intended to be used as audit evidence, given the ever-increasing changes in the nature and number of information sources and the evolution of technology. The attributes of relevance and reliability will appropriately enhance auditor’s judgments, given the intent that the auditor should apply professional judgment in determining whether, and the degree to which, certain attributes of relevance and reliability are necessary to consider in the circumstances.

However, several of the key views expressed by the Board in the Significant Matters section of the Explanatory Memo are not fully embodied in the language of the requirements or application material and DTTL believes their inclusion could further enhance the standard, including the following key views (see the Appendix for our specific recommendations for enhancements):

- Within paragraph 42 of Section 2-G of Significant Matters in the Explanatory Memo, the Board expresses their intent that the requirement within paragraph 9 reflect a “principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).” Further, within paragraphs 47 and 48 of Section 2-G, the Board emphasizes that the attributes of relevance and reliability in ED-500 are “not intended to be used as a checklist” and “not require the auditor to document the consideration of every attribute of relevance and reliability of information.” However, DTTL believes that the proposed standard should be revised to make these intensions clear and has proposed revisions in our answers to questions 6, 8, and 9 included in the Appendix.
- The Board acknowledges within paragraph 36 of Section 2-F of Significant Matters in the Explanatory Memo that “the use of new audit tools and techniques may involve a blend of types of audit procedures, or the types of procedures described in the ISAs may not fully describe the procedure being performed.” Also, the Board’s view that “it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances

(i.e., whether the audit procedures are appropriately designed to achieve their intended purpose and have been effectively applied by the auditor) rather than the type of audit procedure (i.e., in which “category” the audit procedure falls).” It is DTTL’s view that through evolving technology, the tools that auditors use will continue to improve. For this standard to remain adaptable, the language should reflect this emphasis on performing procedures that achieve their intended purpose, even if these procedures may not fall into a specific category of procedure as currently contemplated in the auditing standards. Therefore, DTTL believes that the proposed standard should be revised to make the Board’s views clear and has proposed revisions in our answer to question 4 included in the Appendix.

As noted above, the Appendix includes suggested edits to address the above matters, as well as other recommendations for the Board’s consideration.

Finally, DTTL recognizes that the adoption and adaptation of artificial intelligence is rapidly evolving and will have a profound impact on the future-state of information – both in terms of how it is produced and how it may be analyzed. DTTL suggests that the Board consider whether potential implications to the auditor’s responsibilities in regard to artificial intelligence, either used by an entity subject to audit or used by the auditor in applying audit procedures, should be contemplated and incorporated into the proposed standard prior to finalizing this project.

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DTTL hopes that the comments articulated in this letter, including the responses in the [Appendix](#), “Response to Requests for Specific Comments,” will assist the IAASB as it continues its important deliberations.

DTTL appreciates the opportunity to provide perspectives on ED-500 and would be pleased to discuss this letter with you or your staff at your convenience. If you have any questions, please contact me via email ([mzietsman@deloitte.com](mailto:mzietsman@deloitte.com)) or at +1 203 563 2530.

Very truly yours,



Megan Zietsman  
Deloitte Global Audit & Assurance Quality  
Leader Deloitte Touche Tohmatsu Limited

## APPENDIX

### RESPONSE TO REQUESTS FOR SPECIFIC COMMENTS

DTTL's responses to the detailed questions included in the IAASB's Explanatory Memorandum accompanying the proposed standard are set forth in this appendix. In these comments, recommended additional text is shown using **bold underline**; recommended deletions to the text are shown using double ~~strikethrough~~.

#### 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?**

DTTL agrees that the proposed standard has improved upon extant ISA 500 to make it more principles-based, with a few exceptions. As reflected in our cover letter, as well as responses to question 8 and question 9, DTTL recommends certain revisions to the language within the requirements and application material to further emphasize the principles-based framework, rather than prescriptive requirements concerning auditor's judgments and documentation.

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

DTTL is of the view that the linkages to the other ISAs and the proposed ISQMs are clear and appropriate.

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

DTTL agrees that the proposed standard will lead to enhanced auditor judgments when obtaining and evaluating audit evidence. Within this appendix, DTTL has provided various recommendations related to areas of ED-500 that can be enhanced to further improve the prudent exercise of auditor judgment.

**3. What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 of Section 2, Significant Matters)?**

DTTL agrees that the overall balance is appropriate, given the objective of developing a principles-based reference framework.

**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?**

DTTL believes the application material should be enhanced to reflect the Board's position stated in paragraph 36 of the Explanatory Memorandum, that the use of new audit tools and techniques may involve a blend of types of audit procedures, as well as the Board's stated view that "it is more

important for auditors to focus on the appropriateness of those audit procedures” in the circumstances rather than “the type of audit procedure” specifically. DTTL recommends the following paragraph be added immediately following application material paragraph A18 to incorporate the Board’s stated position, which is integral to achieving an auditing standard that is future-fit:

*A18. The auditor may design and perform an audit procedure that achieves more than one purpose. For example, ISA 315 (Revised 2019) explains that the auditor may perform substantive procedures or tests of controls in accordance with ISA 330 concurrently with risk assessment procedures, when it is efficient to do so. For an audit procedure to achieve more than one purpose, the auditor complies with the requirements of the relevant ISAs. For example, when an audit procedure serves as both a risk assessment procedure and a further audit procedure concurrently, the auditor is required to comply with the requirements of ISA 315 (Revised 2019) and ISA 330, and any other relevant ISAs (e.g., a topic-specific ISA, such as ISA 540 (Revised)) that deals with the design and performance of such procedures.*

**A18X. The use of automated tools and techniques may facilitate designing and performing an audit procedure that achieves more than one purpose, as such tools and techniques often blend types of audit procedures together. It is more important to focus on the appropriateness of an audit procedure to achieve its intended purpose rather than the type of audit procedure specifically.**

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

DTTL believes that the requirements and application material in ED-500 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?

DTTL agrees with the “input-output model” concept. However, we recommend the Board include additional application material that acknowledges that “the audit procedures that an auditor may apply” lie within a spectrum of alternatives and, therefore, should be scalable to calibrate the magnitude of the procedure in the context of the circumstances, including the nature and source of the information. Further, although the Appendix to ED-500 does not presume to be an exhaustive list of all audit procedures, it does not contemplate audit procedures that are simpler and yet adequate. For example, in certain circumstances, “consideration of relevance and reliability” may be sufficient procedures performed on information to become audit evidence. Further, DTTL recommends the application material acknowledge that the absence of information may also constitute audit evidence.

As a result, DTTL recommends that the definition of audit evidence in paragraph 7(b) include a reference to additional application material which could include the following:

**AXX. The nature of the audit procedures that the auditor performs on information in order to**

use it as audit evidence may range from simple to extensive audit procedures. In some circumstances, such as the use of external information, the auditor's procedures to evaluate that information would be largely focused on the relevance and reliability of the information, including the credibility of the source providing the information. In other circumstances, such as the use of information prepared by the entity, more extensive audit procedures, including tests of internal control, may be necessary to evaluate the accuracy and completeness of the information. In yet other circumstances, the absence of information may be used by the auditor as audit evidence and, accordingly, the auditor may perform procedures designed to identify whether such information existed.

DTTL observed that the Board has proposed to remove the penultimate sentence of paragraph A30 of ISA 200. Consistent with our text recommended above, related to the auditor's consideration of the absence of information as audit evidence, we request the Board reconsider such deletion from ISA 200.

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

DTTL does not believe that the application material is clear in describing the interrelationship. A number of paragraphs within application guidance where "persuasive" or "persuasiveness" are used are contradictory. For example, within paragraph A5, the relative persuasiveness of the evidence is considered a factor in concluding if sufficient appropriate evidence has been obtained:

*"As explained in ISA 330, the auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by a number of factors, including the persuasiveness of the audit evidence."*

However, paragraph A6 states that sufficiency and appropriateness are factors that equate to a resulting degree of persuasiveness:

*"Sufficiency and appropriateness together affect the persuasiveness of audit evidence, taking into account the assessed risks of material misstatement and relevant assertions."*

DTTL does not believe that it is necessary to include application material seeking to describe the interrelationship between these three concepts within the proposed standard. The use of "persuasiveness" within established requirements and application material in ISA 200, ISA 315, and ISA 330 are understood to have separate meanings within the context of the respective guidance. We recommend that these application material paragraphs (A5 and A6 of ED-500) be removed from the proposed standard.

**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?**

DTTL believes that the change in verb usage within the requirement regarding "relevance and reliability of information intended to be used as audit evidence" may create an undue burden by requiring auditors to document procedures for every piece of information intended to be used as audit evidence. Specifically, Paragraph 9 of the proposed standard requires the auditor to **evaluate** the relevance and reliability of information intended to be used as audit evidence in contrast to paragraph 7 of extant ISA 500, which requires the auditor to **consider** relevance and reliability of

information intended to be used as audit evidence.

In accordance with the Work Effort Verbs in Appendix 2 of the IAASB's drafting principles and guidelines, use of the action verb **Evaluate** suggests documentation implications, including the auditor's considerations and basis for the auditor's conclusions, whereas the action verb **Consider** suggests that documentation may be necessary if the auditor's consideration is significant.

The above implication of documentation requirements is further reenforced in A40 of the proposed standard which reminds auditors that the ISA 230 documentation requirements also apply to the documentation of the auditor's evaluation of the relevance and reliability of information intended to be used as audit evidence. Although it is explained within the Explanatory Memorandum that that the attributes of relevance and reliability are not intended to be used as a checklist, the use of the verb **Evaluate** in context of the IAASB's drafting principles suggests otherwise. Therefore, we suggest revision to paragraph 9 and A40 as follows:

- 9. The auditor shall ~~evaluate~~**consider** the relevance and reliability of information intended to be used as audit evidence, by taking into account.~~In making this evaluation, the auditor shall consider:~~ (Ref. Para. A34–A47)*
- (a) The source of the information; and (Ref. Para. A48–A52)*
  - (b) The attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures. (Ref. Para. A53–A62)*

To further clarify the Board's position that that the attributes of relevance and reliability are not intended to be used as a checklist, we also recommend the following addition to application material:

*A40. ISA 230 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. The documentation of audit procedures performed in accordance with other ISAs may include documentation about the auditor's consideration of attributes of relevance and reliability that are applicable in the circumstances (e.g., the credibility of a particular external information source used in auditing an accounting estimate in accordance with ISA 540 (Revised)). However, this ISA does not require the auditor to document the consideration of every attribute of relevance and reliability of information. Documentation of the auditor's consideration of a particular attribute may be appropriate if the judgment involved in the consideration of such attribute is significant.*

9. Do you agree with the separate conditional requirement (paragraph 10) to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances?

DTTL believes additional application material should be added to clarify that in applying paragraph 10, the auditor should use their professional judgement (similar to how A53 provides such guidance for paragraph 9(b)). DTTL would therefore recommend the inclusion of the following application material to for paragraph 10:

*AXX. Whether the accuracy and completeness attributes of information to be used as audit evidence are applicable in the circumstances is a matter of professional judgment and depends*

on the circumstances, including the nature, source and intended use of the information.

DTTL further acknowledges that application material in paragraphs A63 and A64 provide additional guidance regarding an auditor's consideration of attributes of relevance and reliability when information is obtained from external sources and when information is used in risk assessment. Consistent with what DTTL understands is the Board's intent (i.e., to provide a principles-based reference framework having the necessary flexibility that will lead to enhanced auditor judgments), DTTL recommends the following modifications, which support the auditor's exercise of professional judgment and scalability of procedures as well as acknowledges practical challenges associated with information from external sources:

*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, evaluating certain attributes, such as completeness, may not be practicable. The auditor may ~~be more focused on~~ consider other attributes of reliability to instead be applicable, including the credibility of the source providing the information.*

*A64. As explained in paragraph A58, the intended purpose of the audit procedure affects the auditor's professional judgment about the attributes of relevance and reliability that are applicable in the circumstances. 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.*

**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?**

DTTL appreciates the intent of the stand back requirement as a means to enhance professional skepticism in line with the project objective. However, in consideration of the stand back requirements included in ISA 315, paragraph 35, related to audit evidence obtained in risk assessment, as well as ISA 330 paragraph 26, which addresses the auditor's responsibility to conclude whether sufficient appropriate audit evidence has been obtained, DTTL believes the inclusion of paragraphs 13 and 14 in the proposed standard is therefore redundant and we recommend they be deleted.

**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?**

DTTL would like to suggest the following conforming updates be made to ISA 501 as they relate to revisions from ED-500. Paragraphs A41-A42 and the Appendix of ED-500 explain how auditors may perform the required audit procedures to attend physical inventory counting through manual or automated techniques. DTTL believes the following conforming amendments should be made to ISA 501 to acknowledge that automated techniques may be used to observe management's inventory count procedures.

*A5. Observing the performance of management's count procedures, for example, those relating*

to control over the movement of inventory before, during and after the count, assists the auditor in obtaining audit evidence that management's instructions and count procedures are adequately designed and implemented. Typically, the auditor will be physically present at the specific location during management's count procedures. However, there may be instances in which the auditor can obtain sufficient appropriate audit evidence through automated techniques such as live video, screensharing or video footage from a drone. In addition, the auditor may obtain copies of cutoff information, such as details of the movement of inventory, to assist the auditor in performing audit procedures over the accounting for such movements at a later date.

DTTL has the following recommendation to clarify that authenticity is an attribute of the information and an attribute of the source producing the information:

~~A56: Authenticity – The source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered.~~ The information has been generated by or provided by a source authorized to do so, and the information has not been altered in an inappropriate manner.

DTTL recommends the following cross reference corrections:

*A36. Evaluating the relevance and reliability of information intended to be used as audit evidence involves 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 (see paragraphs ~~A47-A51~~ A48-A52); and*
- *The attributes of relevance and reliability of the information that are applicable in the circumstances (see paragraphs ~~A52-A61~~ A53-A62).*

## 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.

DTTL did not identify any translation issues. DTTL believes the effective date proposed is reasonable.