

Colin Semotiuk, CPA CA  
Wayne Morgan, PhD, CPA CA, CISA  
Office of the Auditor General of Alberta<sup>1</sup>  
Edmonton, Alberta, Canada

April 23, 2023

International Auditing and Assurance Standards Board  
New York, NY

Dear IAASB,

We have only answered questions 3, 4 and 8 of *Exposure Draft: Proposed International Standard on Auditing 500 (Revised)*. Our response to questions 3, 4 and 8 of the Exposure Draft is below:

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

In our view, ED-500 continues the trend to move more and more requirements into the overarching and planning standards. ISA 315 (Revised) moved the concept of audit evidence into risk assessment. Similarly, increasing the standard to evaluate the relevance and reliability, is moving judgements that are part of execution into planning. This is not in an effective and efficient order and the IAASB should redirect the focus to the execution phases of the audit where it more appropriately belongs.

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?

ED-500 (Revised) should be improved by adding guidance dealing with exceptions identified through automated tools and techniques (ATT). For example, how many exceptions are required to be investigated? Are all exceptions investigated? What type of evidence is needed to support an exception or not? Are exceptions part of audit evidence? Can exceptions under a specific threshold be ignored or must they all be considered?

The IAASB's non-authoritative guidance is not as strong as including specific guidance and examples in ISA 500 (Revised) on this issue.

The problem of exceptions found in ATT is exasperated by ISA 500 being silent on this matter. ED-500 may allow an auditor to argue the intended purposes of the ATT procedure was to show the control was working and not to identify all (each and every) instance where the control was not working, or that the intended purpose was only to show the class or transaction or account balance had only few errors, not many, and so ignore the ATT and not consider it evidence (corroborating or contradictory) because the intended purpose of the ATT was not met. ED-500 should include guidance on whether all exceptions need to be investigated further, when the ATT test can be ignored, when only a few of the exceptions need to be investigated, or perhaps they can be added together and recorded as an audit difference.

---

<sup>1</sup> The views expressed herein do not necessarily reflect the views of the Office of the Auditor General of Alberta.

IAASB should add a specific example of what the auditor does when an ATT identifies thousands of potential exceptions and give specific guidance of what the auditor then does, for when ATT is a control test and when the ATT is a substantive test.

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 disagree with the concept of “evaluation” of the relevance and reliability of information intended to be used as audit evidence. In our view, it should only be “consideration.”

ED-500.09 states, “*the auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence...*” This is problematic because this changes the requirement from “*consider the relevance and reliability*” (500.07) to “*evaluate the relevance and reliability of information...*” The term “evaluate” is included in the glossary of terms and defined as “*identify and analyze the relevant issues, including performing further procedures as necessary, to come to a specific conclusion on a matter. “Evaluation,” by convention, is used only in relation to a range of matters, including evidence, the results of procedures and the effectiveness of management’s response to a risk.*” Evaluation would include “*performing further procedures as necessary*” on the information intended to be used as audit evidence. We are concerned that this will lead to auditing the audit evidence and create inefficient audits. Therefore we encourage the IAASB to keep the existing requirement to “consider the relevance and reliability” rather than “evaluate the relevance and reliability.”

We note that ISA 315.A15 still states “auditor considers relevance and reliability” and this is not changed in the consequential amendments. In our view, ISA 500 should remain consistent with ISA 315 in this regard.

We also have concerns with the last sentence in ED-500.A40, which states, “*does not require the auditor to document the consideration of every attribute of relevance and reliability of information.*” The issue is the word “every” is unclear and will create inconsistency and inefficiency among auditors, or lead to checklists of all the attributes, to avoid practice inspection risk. The IAASB should clarify the guidance by stating “does not require the auditor to document the consideration of the attributes of relevance and reliability of information.”

Thank you for the opportunity to comment.

Sincerely,

Colin Semotiuk  
Wayne Morgan