

24 April 2023

Mr W Botha  
Technical Director  
International Auditing and Assurance Standards Board (IAASB)  
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USA

By email: [WillieBotha@iaasb.org](mailto:WillieBotha@iaasb.org)

Dear Mr Botha

**COMMENTS ON THE IAASB'S PROPOSED INTERNATIONAL STANDARD ON AUDITING (ISA) 500 (REVISED) AUDIT EVIDENCE AND PROPOSED CONFORMING AND CONSEQUENTIAL AMENDMENTS TO OTHER ISAs**

This is a joint letter prepared by the Independent Regulatory Board for Auditors' (IRBA) Committee for Auditing Standards (CFAS) Task Group and the Institute of Chartered Accountants of Namibia (ICAN). We value this opportunity at regional cooperation, and seek to identify other similar opportunities with future consultations.

The IRBA is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors; and the promotion of investment and employment in the Republic. The statutory CFAS is responsible for assisting the IRBA to adopt, develop, maintain, issue and prescribe auditing pronouncements.

ICAN is a membership-based institute and all of Namibia's registered auditors, who are also chartered accountants, are registered with it. The Institute currently has 825 members, with 96 of them in public practice as registered auditors.

We appreciate this opportunity to comment on the Proposed ISA 500 (Revised), Audit Evidence, and Proposed Conforming and Consequential Amendments to Other ISAs developed by the IAASB.

Furthermore, we commend the IAASB for aligning its work on proposed ISA 500 (Revised) with the International Ethics Standards Board for Accountants' (IESBA) provisions related to inquiries and professional judgment in the IESBA Code, as well as the proposed technology revisions to the IESBA

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Code. This effort, we consider will harmonise the requirements that auditors need to apply in an assurance engagement. We also note the collaboration that is evident in the liaison with other IAASB working groups.

Our comments are set out under the following sections:

- A. Overall Questions;
- B. Specific Questions; and
- C. Request for General Comments.

If you require further clarity on any of our comments, please email us at [kmatambo@irba.co.za](mailto:kmatambo@irba.co.za).

Yours sincerely,

***Signed electronically***

Imran Vanker

**Director: Standards**

***Signed electronically***

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Carmen Penderis CA (NAM)

**Technical Executive**



## A. OVERALL 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?**
- b) **Are the relationships to, or linkages with, other ISAs clear and appropriate?**

1. The purpose and scope of ED-500 are clear. The exposure draft provides a suitable principles-based reference framework for auditors to make judgments about audit evidence.
2. We appreciate the introduction of the Appendix in ED-500 and the relocation of some explanatory material from extant ISA 500 because all these propositions are helpful. We also acknowledge and welcome the inclusion of useful examples that enhance our understanding of the proposed changes. The references to ISA 315(Revised), ISA 330 and other ISAs that may require the auditor to obtain audit evidence for specific matters are clear and appropriate.

### 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?**

3. The removal of the distinction between the information produced by the entity (IPE) and external information creates a problem. This will impact how the auditor determines the applicability of the attributes of relevance and reliability. We recommend that this distinction in extant ISA 500 be restored.
4. We are concerned about the relaxing of requirements for audits (compared to extant ISA 500), specifically with respect to making the testing of certain attributes of reliability and relevance conditional. This could have unintended consequences; auditors will have the discretion to determine the applicability of testing the accuracy and completeness of IPE, instead of being required to test these attributes. It should be clear that the attributes of accuracy and completeness are as important as authenticity, bias and credibility, and testing of these attributes should also be made a requirement. Please see our comments in paragraphs 22-27 for a further discussion in this regard.
5. Another concern is the lack of documentation requirements for situations where the auditor is allowed to exercise judgment on, for instance, the testing of accuracy and completeness as well as the stand-back requirement. The specific documentation requirements should be in the audit evidence standard, with appropriate links to ISA 230, *Audit Documentation*.
6. Other than these concerns expressed in this comment letter, we are of the view that the proposed revisions in ED-500 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)?**

7. Our view is that the balance is not appropriate. Some application material should be elevated to requirements. For example, paragraph 10 only points to two attributes – accuracy and completeness – of the reliability of audit evidence. Paragraph A56 of ED-500 lists authenticity, bias and credibility as other attributes to be considered by the auditor in considering the degree to which information intended to be used by the auditor as audit evidence is reliable. This could lead auditors to take accuracy and completeness as the only attributes of relevance and reliability that are required to be considered in terms of paragraph 9 of ED-500. We therefore recommend that authenticity, bias and credibility be elevated to requirements, in addition to accuracy and completeness.
8. Factors to be considered that affect the auditor’s professional judgment regarding the attributes of relevance and reliability are given as examples in paragraphs A59 and A60 of ED-500. These should be considered in creating a documentation requirement in determining the attributes of relevance and reliability of audit evidence that will be tested by the auditor.

**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?**

9. Yes. We commend the IAASB on the proposals to revise this audit evidence standard. Since the extant standard became effective in 2009, the world of business has changed significantly. Technology, changes in ways of working and other factors, such as fraud, have necessitated updates to the standard.
10. We support the project’s scope and also support its exclusion of how to design and perform audit procedures through the use of automated tools, as that is an area that is continuously evolving. For ISA 500 (Revised) to remain future-proof, it needs to maintain the principles rather than prescribe specific procedures. This approach aligns with the principles-based approach in making judgments about information that is intended for use as audit evidence.

**Question 5**

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

11. Yes. We acknowledge that the IAASB aims to emphasize the importance of applying professional skepticism in ED-500 (paragraph 4). However, the applicable application material lacks sufficient detail regarding the auditor’s expectation and the critical role of professional skepticism. The ISAs should align with changes to the IESBA Code that promote the role and mindset of professional

accountants. This will ensure a universal requirement for all auditors, regardless of the jurisdiction's relevant ethical requirements. We acknowledge that this issue may be addressed in a broader project to align ISAs with the IESBA's definition of professional skepticism.

## B. SPECIFIC QUESTIONS

### 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?**

12. Yes, the model clarifies that auditors must subject the information they intend to use as audit evidence to audit procedures. However, we urge caution regarding how this requirement interacts with the new stand-back requirement in paragraph 13 of ED-500. Please refer to our comments in paragraphs 28-29 for further clarification.

### Question 7

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

13. We are concerned that the IAASB has not defined the term “persuasiveness” in ED-500 (in the context of its ISAs), despite the aim to reduce uncertainty for auditors. The application material for ED-500 and conforming amendments to ISA 330 use the term “persuasiveness” in certain contexts that require further clarification. Therefore defining the term, or alternatively, including examples of what would be considered persuasive audit evidence will be beneficial.
14. A definition of “persuasiveness” will be useful for auditors to understand how it is used in the context of the standard, and it will also clarify the link between persuasiveness, appropriateness and sufficiency.
15. The meaning of paragraph A13 in ED-500 could be unclear to auditors, as it may be misinterpreted. It suggests that more relevant and reliable information is of higher quality and could be more persuasive as audit evidence. However, it then goes on to state that if audit evidence is more persuasive, the auditor may determine that it is sufficient for supporting the conclusions that form the basis of their opinion. This could be confusing because relevance and reliability are linked to quality, while sufficiency is linked to quantity. To address this, we recommend that the IAASB provides clarity in A13 and considers defining persuasive audit evidence, or provides more examples in the application material to promote consistency among auditors.
16. In paragraphs A3 and A17 of ED-500, the term “persuasiveness” is used in reference to the use of automated tools and techniques in auditing. While the use of these can enhance the persuasiveness of audit evidence, it is important for the IAASB to specify that the opposite may also be true, if auditors fail to adequately evaluate the relevance and reliability of information input into the automated tools, or if they neglect to appropriately test exceptions or outliers identified by the automated tools and techniques. Without additional context or clarification, the suggestion that the use of automated tools and techniques can yield more persuasive audit evidence may worsen automation bias and reduce audit quality.

17. In paragraph A19 of ISA 330, the term “persuasiveness” is used in reference to obtaining information from an external source. It would be helpful for auditors to have a better understanding of what makes external information more appropriate and therefore more persuasive. Examples would be useful in clarifying when external information is more persuasive than IPE.

**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?**

18. Yes, but with some concern regarding certain paragraphs in the application material (such as A59 and A64). These may lead auditors to perform less testing of information attributes related to relevance and reliability when that data is used for risk assessment procedures, compared to information used for further audit procedures.
19. In cases where information is used in risk assessment procedures, an auditor may determine that no risk of material misstatement exists and no further audit procedures need to be performed.
20. As the auditing profession moves towards more data-driven audits, the reliability of the data used by auditors will become increasingly important. Using automated tools and techniques to identify and assess assertion-level risks can improve audit quality, but this is only possible with relevant and reliable data. If the data used is neither relevant nor reliable, that can have a negative impact on audit quality.
21. We recommend that the IAASB emphasises in the application material that the amount of testing required for information attributes related to relevance and reliability is not as simple as performing more testing for further audit procedures and less testing for risk assessment procedures. The effort required for information used in risk assessment procedures could be just as significant, as it may support the auditor’s conclusion that there are no assertion-level risks of material misstatement associated with a class of transactions, which would then justify less further audit procedures.

**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?**

22. We disagree with the separate conditional requirement for obtaining audit evidence about accuracy and completeness for IPE in ED-500. While such requirements are necessary, given the variety of information sources available to auditors, we are concerned that paragraph 10 in ED-500 relaxes the requirements in extant ISA 500, paragraph 9(a). Consequently, we suggest that paragraph 10 of ED-500 should still refer to IPE, and if auditors consider the accuracy and completeness attributes as not applicable, they should document their significant judgments in determining that certain attributes such as accuracy and completeness of IPE utilized within risk assessment or other audit procedures were not considered as applicable. Additionally, the IAASB

should consider prescribing criteria for determining when accuracy and completeness are not applicable.

23. This proposal could result in an inappropriate reliance on IPE by auditors, which is an area that has attracted numerous inspection findings by audit regulators worldwide. We are also concerned that the IAASB views testing accuracy and completeness of IPE as burdensome and prefers a separate conditional requirement.
24. The importance of testing accuracy and completeness of IPE is well described in extant ISA 500.A60 and acknowledged in ED-500.A63. Retaining this requirement is crucial, and we suggest the inclusion of an explanation that it may not always apply if the information is external, which is a problem caused by the deletion of the definition of external information.
25. Paragraph 9 of the explanatory memorandum does not clearly articulate this key public interest issue.
26. Some of the terms included in the application material in relation to the conditional requirement in paragraph 10 of ED-500 require clarification. Paragraph A64 includes references to the terms “ordinarily” and “may not always”. The clarification could be done by indicating that 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.
27. In addition, we recommend that the other attributes contained in the application material be elevated to requirements, i.e. authenticity, bias and credibility.

#### **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?**

28. No. We are concerned that auditors might exclude information that contradicts audit evidence when standing back to evaluate the persuasiveness of evidence obtained to respond to assertion-level risks. This exclusion could be justified by the IAASB’s proposed stand-back requirement in paragraph 13(b), which might be misinterpreted. It is important to note that this information would not yet be audit evidence, as it would not have been subjected to audit procedures. We then suggest that the stand-back requirement be expanded to include all information obtained during the audit, and not be limited to just audit evidence, i.e. information that has been subjected to audit procedures.
29. If the IAASB retains the new stand-back requirement, the documentation requirements and application guidance about the conclusions reached by the auditor when performing this requirement should be clarified.



**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.**

30. We do not support the proposal to remove the explicit requirement in paragraph 8(c) of extant ISA 500 – which requires auditors to evaluate the appropriateness of management’s expert’s work as audit evidence. This may lead to more auditors failing to appropriately evaluate such work. The IAASB’s rationale for removing this requirement is that it is redundant, due to the requirement in paragraph 8(b) of ED-500. However, it may not always be apparent to auditors that the requirement is now implicit in ED-500, and this could result in auditors deferring to management’s experts without a proper evaluation. We recommend that clarity be provided that the explicit requirement in paragraph 8(c) of extant ISA 500 is now in 8(b) of ED-500 or that it is restored.
31. In reference to the requirement outlined in paragraph 12(a) of ED-500, pertaining to the identification of doubts about the relevance or reliability of information intended for use as audit evidence, we suggest that the IAASB amends the wording in the requirement to “determine which” instead of “determine whether”. This is because we cannot envision a scenario where no modifications or additions to audit procedures would be required when doubts are identified. Therefore, the requirement should be to “determine which” modifications or additions are necessary.
32. We suggest that the IAASB restores the language found in the application material of the extant standard – which states that inquiry alone usually does not provide sufficient audit evidence – in the application material of ED-500, rather than relocating it to the appendix, as proposed.

## C. REQUEST FOR GENERAL COMMENTS

### 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.**
- 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.**

- 33. We have not identified any translation issues within our jurisdictions.
- 34. We support the proposed effective date, as it allows for adequate time to undertake training. Implementation guidance is not a substitute for a clear standard; however, we recommend that the IAASB should provide implementation guidance in areas that may be susceptible to misinterpretation, as noted in our comments above.

\*\*\*END\*\*\*