



For the attention of Mr. Willie Botha
Technical Director
International Auditing and Assurance Standards Board
529 Fifth Avenue, 6th Floor
New York, New York, 10017
USA

[Submitted via IAASB website]

28 April 2023

Dear Mr. Botha,

**IAASB Exposure Draft: Proposed International Standard on Auditing 500 (Revised)
*Audit Evidence***

We¹ appreciate the opportunity to comment on the IAASB's Exposure Draft for proposed ISA 500 (Revised) ("ED-500").

Overarching comments

Principle-based requirements that support consistent professional judgements

We support the Board's objectives of seeking to enhance the focus on the relevance and reliability of information intended to be used as audit evidence and supporting the effective exercise of professional scepticism. To achieve those stated objectives, we believe that certain of the proposed concepts and requirements require clarification for the standard to be operable and to support auditors in making consistent professional judgements, when presented with similar facts and circumstances, about:

- the nature, timing, and extent of procedures necessary to evaluate the relevance and reliability of information the auditor intends to use as audit evidence; and
- documentation expectations with respect to the auditor's consideration of the attributes of relevance and reliability of such information.

The specific comments section below highlights the more significant areas where we believe revisions are necessary.

Technology

We broadly support the limited guidance and examples that have been included within ED-500 that seek to explain that automated tools and techniques may be used to obtain audit evidence. We note, however, that such guidance is likely to fall short of many stakeholders' expectations of what the revisions would achieve with respect to how technology can be used in the audit to obtain audit evidence. We recognise the challenge in developing standards that strike a balance between reflecting how evolving technology may be used in the audit and developing content that risks rapidly becoming

¹ This response is being filed on behalf of the network of member firms of PricewaterhouseCoopers International Limited and references to "PwC", "we" and "our" refer to the PwC network of member firms.

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obsolete or appearing dated. Furthermore, we agree that not all of those expectations can be addressed through revisions to this ISA alone. In our view, to respond fully to the questions that are being faced in practice, a more holistic focus on how technology affects the audit is needed to fully modernise the ISAs in line with the IAASB's stated objective. That includes addressing recurring questions such as how audit procedures can be designed and performed using automated tools and techniques, and how such tools and techniques can contribute directly to obtaining audit evidence.

In our recent response to the IAASB's consultation on its "Proposed Strategy and Work Plan for 2024-2027" we strongly encouraged the IAASB to prioritise its potential "omnibus" project on technology. While we acknowledge the work performed by the IAASB's Technology Consultation Group, the non-authoritative guidance published by this group does not appear to have gained much traction, resulting in questions persisting in practice.

Specific comments

Relevance and reliability of information intended to be used as audit evidence

We support the intent of paragraph 9 – evaluating the relevance and reliability of information intended to be used as audit evidence is an essential aspect of an audit, underpinning the auditor's conclusion that sufficient appropriate audit evidence has been obtained. We believe that the enhanced focus in the requirement on evaluating *information*, including from both internal and external sources, will drive appropriate behaviours and enhance the robustness of the auditor's consideration of the relevance and reliability of information intended to be used as audit evidence. However, we believe that further changes are needed to the requirement to ensure that it is both operable and proportionate. It is also critical that the application material provides sufficient principles-based guidance to support auditors in making consistent professional judgements about the work effort that is appropriate in the circumstances, guarding against the risk of a "checklist approach" interpretation to complying with the requirement.

Key concepts require clarification

Paragraph 9(b) requires the auditor to consider the attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures, and paragraph 10 requires the auditor to obtain audit evidence about the accuracy and completeness of the information. We support the concept of "attributes of relevance and reliability", but believe these two requirements lack sufficient clarity to support consistent and appropriate auditor judgements for three reasons:

- The risk of inconsistent interpretation of the intent of the phrase "the intended purpose of the audit procedures", as described in the section below;
- Insufficient guidance on how to judge "applicable in the circumstances" in the context of paragraph 9(b), as explained in our response to question 8; and
- Perceived mixed messaging about how auditors are expected to comply with paragraph 10 with respect to information obtained from sources external to the entity in circumstances when the auditor has no access to that source, as explained in our response to question 9.

We believe these three reasons also give rise to uncertainty about what auditors will be expected to document about their consideration of the attributes of relevance and reliability of information that are applicable in the circumstances.

We recommend that paragraph 9 be restructured and redrafted to better emphasise that the auditor's consideration of the source of the information and attributes of relevance and reliability is driven by how the auditor intends to use that information in contributing to the audit evidence obtained and, specifically, the degree of importance of that information to the auditor's audit procedures and overall ability to obtain sufficient appropriate audit evidence.

Our proposed approach to addressing accuracy and completeness

We do not support paragraph 10 in its current form, which requires the auditor to obtain audit evidence over the accuracy and completeness of information when these attributes are deemed applicable in the circumstances. We believe the expected work effort is too subjective and will lead to inconsistent interpretation and application. In particular, we have significant concerns about the ability of an auditor to comply with paragraph 10 in relation to information obtained from sources external to the entity when the auditor has no rights of access to obtain audit evidence over the accuracy and completeness of information obtained from that external source.

To address these concerns, we suggest bifurcating the requirement into two parts. Firstly, we recognise the regulatory concern in removing the existing requirement of extant ISA 500 – to obtain evidence over the accuracy and completeness of information produced by the entity – and therefore propose that this requirement be retained. Secondly, to address the challenges in obtaining evidence over accuracy and completeness of information obtained from sources external to the entity, we recommend the second element of the requirement be articulated as a required consideration by the auditor about what is necessary in the circumstances when using information from external sources. Building on our proposal for paragraph 9 for the auditor to take into account how the information will be used and its overall significance to the auditor's work, the auditor should consider whether it is necessary in the circumstances to design and perform audit procedures to evaluate the accuracy and completeness of such information. That is not to say that if the auditor considers it necessary but is unable to obtain such evidence, the auditor can just use that information. It may be possible that information from other sources may help corroborate the accuracy and completeness of that information. However, in circumstances when the auditor cannot satisfy themselves as to the accuracy and completeness of information, when necessary to the auditor's work effort, the auditor has a limitation on scope, as described in paragraph A46 of the standard.

Our responses to question 8 and 9 in the accompanying appendix describe our detailed recommendations to clarify the intent and scope of work effort required under both paragraph 9 and 10.

Intended purpose of audit procedures and stand-back

We believe the intent of paragraph 8(b) (how the auditor designs and performs appropriate procedures), and how it relates to concepts addressed in ISA 330, lacks clarity. Specifically, we believe the proposed phrase "the intended purpose of those audit procedures" is subject to varying interpretations and, therefore, the intent of the requirement is not easily understood.

Overall, we do not believe there is a gap in the requirements of ISA 315 (Revised 2019) and ISA 330, in identifying relevant assertions for which there is a risk of material misstatement, designing responses to those assessed risks, and subsequently assessing whether sufficient appropriate audit evidence has been obtained, that creates a compelling need for the requirement proposed in paragraph 8(b). We recommend this paragraph be deleted.



We support paragraph 13(b), which reminds the auditor that all audit evidence obtained, whether corroborative or contradictory, needs to be evaluated, as an important professional scepticism safeguard. However, related to our observations on paragraph 8(b), we do not support proposed paragraph 13(a) that requires the auditor to evaluate whether the audit evidence obtained meets the intended purpose of the audit procedures. We believe that this introduces confusion between the purpose of ISA 500 and the requirements of ISA 330 as they relate to evaluating the sufficiency and appropriateness of audit evidence obtained. We do not believe paragraph 13(a) will be consistently understood and applied in practice and recommend that this be deleted.

If the Board determines that additional guidance is needed to support the auditor's professional judgements about whether sufficient appropriate audit evidence has been obtained, we recommend that the appropriate location for this is in ISA 330, where the requirement to make that judgement is located. As we described in our response to the "Proposed Strategy and Work Plan for 2024-2027", we do not believe there is a compelling need for ISA 330 to be revised at this time. Consequently, if the Board decides that further guidance is warranted on this matter, we recommend that the Board consider only a narrow scope amendment project on ISA 330.

We hope our observations in this letter and the accompanying appendix provide useful input in achieving the Board's goal. We would be happy to discuss our views further with you.

If you have any questions regarding this letter, please contact Gilly Lord, at gillian.lord@pwc.com, or me, at james.chalmers@pwc.com.

Yours sincerely,

A handwritten signature in black ink that reads "James Chalmers". The signature is written in a cursive, slightly slanted style.

James Chalmers
Global Assurance Leader



Appendix - Responses to specific 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?

The requirements in ED-500 are sufficiently principles-based. However, we believe that certain of the proposed concepts and requirements require clarification for the standard to be operable and to support auditors in making consistent professional judgements, when presented with similar facts and circumstances, about:

- the nature, timing, and extent of procedures necessary to evaluate the relevance and reliability of information the auditor intends to use as audit evidence; and
- documentation expectations with respect to the auditor's consideration of the attributes of relevance and reliability of such information.

Our responses to questions 2 and 5-10 describe the aspects of those concepts and requirements that we believe do not currently provide a sufficient framework for making consistent judgements and our recommendations for how these aspects may be addressed.

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

With the exception of the relationship between ISA 500 and ISA 330, we find the linkages to other ISAs to be sufficiently clear and appropriate. With respect to the relationship between ISA 500 and ISA 330, we have concerns about the proposed wording of the requirement in paragraph 8(b) and the need for the requirement in paragraph 13(a), as explained below.

We believe the intent of paragraph 8(b), and how it relates to concepts addressed in ISA 330, lacks clarity. Specifically, we believe the proposed phrase "the intended purpose of those audit procedures" is subject to varying interpretations and, therefore, the intent of the requirement is not easily understood. For example, this can be interpreted as meaning:

- risk assessment procedures or further audit procedures (or both);
- to obtain evidence about the operating effectiveness of controls or obtain evidence from performing substantive tests, including tests of details; or
- specific evidence to be obtained over one or more relevant assertions.

If the intent is to refer to the purpose as being risk assessment or further audit procedures, we do not believe the requirement serves any meaningful purpose beyond what is addressed in ISA 315 (Revised 2019) and ISA 330. We believe the intent may be to drive the auditor to think about whether the specific *type* of procedure to be performed generates the audit evidence that was expected in performing that procedure. However, we find the combination of application material paragraphs in A15-A17 and A24-A33 to be confusing, as it discusses the nature, purpose, categories and types of procedure, and selection of items for testing, without a sufficiently clear linkage back to the intent of the requirement.

The intended meaning of the phrase is also confused by its use in the plural versus the singular. Explaining the intended purpose of a specific procedure may be a more easily explained and

understood concept, for example obtaining evidence relating to an assumption used by management in an accounting estimate. However, referring to “the intended purposes of the audit procedures” introduces the ambiguity described above about the specific intent of the phrase as used in the requirements.

Overall, we do not believe there is a gap in the requirements of ISA 315 (Revised 2019) and ISA 330 (identifying risks of material misstatement, designing responses to those assessed risks, and subsequently assessing whether sufficient appropriate audit evidence has been obtained) that creates a compelling need for the requirement proposed in paragraph 8(b). Indeed, there is a circularity between the opening sentence of paragraph 8 and 8(b), that arguably makes 8(b) irrelevant. Our preference, therefore, would be for requirement 8(b) to be deleted.

However, if the Board decides to retain it, we recommend that, at a minimum, paragraph 8(b) needs to be amended to more directly link to the subsequent requirements in the standard, as follows:

Recommendation for paragraph 8(b):

“The nature, timing and extent of which are appropriate in the circumstances to ~~provide~~obtain relevant and reliable audit evidence to ~~meet the intended purpose of those audit procedures.~~”

This would act as a bridge between the proposed new requirement to evaluate the relevance and reliability of information intended to be used as audit evidence and the need for the audit procedures to be performed to be both appropriate and effective, which together affect whether the audit evidence obtained is relevant and reliable. As explained, our preference is for paragraph 8(b) to be deleted. However, if retained, we believe this would at least be a more meaningful requirement that would be more understandable to auditors.

We believe the use of the phrase in paragraph 9(b) can also be replaced with alternative language that better explains the intent as used in the context of that requirement. We further address this matter in our response to question 8.

We do not support the related paragraph 13(a) and believe that this introduces confusion between the purpose of ISA 500 and the requirements of ISA 330 as they relate to evaluating the sufficiency and appropriateness of audit evidence obtained, in addition to the concerns described above. We do not believe paragraph 13(a) will be consistently understood and applied in practice. We further address this matter in our response to question 10.

2. What are your views about whether the proposed revisions in ED-500, when considered collectively, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?

We believe that the proposed changes in ED-500, when considered collectively, aim to emphasise the importance of exercising professional scepticism and applying professional judgement when evaluating the sufficiency and appropriateness of audit evidence obtained by auditors. We support these aims.

The outcomes intended by the more granular requirements addressing consideration of the source of



information and the attributes of relevance and reliability (specifically the intent of the revisions from paragraphs 9 and 10) are likely already best practice behaviour in high-quality audits. Audit teams delivering high-quality audits exercise professional scepticism in deciding what procedures are appropriate in the circumstances to evaluate information. Such judgements are based on the auditor's risk assessment and involve applying a questioning mindset and critically evaluating the information received, including consideration of the source of the information and its relevance to the planned audit procedures to be performed.

Seeking to embed these best practices through revisions to the standard should help to promote consideration of the source and attributes of information that is planned to be used as audit evidence.

While we support, in principle, the proposed change to evaluate the relevance and reliability of all information intended to be used as audit evidence, whether from sources internal or external to the entity, it is important to acknowledge the inherent limitations that may exist on the auditor's ability to obtain evidence about attributes of information obtained from sources external to the entity. We agree that is appropriate to ensure sufficient focus is given to the relevance and reliability of information obtained from external sources. However, we believe that changes are needed to ensure that the proposed requirements are operable and that there is sufficient principle-based guidance to support auditors in making consistent professional judgements about the work effort that is appropriate in the circumstances, guarding against the risk of a "checklist approach" interpretation to complying with the requirement. We further address this matter in our response to question 8.

Paragraph 9(b) requires the auditor to consider the attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures, and paragraph 10 requires the auditor to obtain audit evidence about the accuracy and completeness of the information. We believe these two requirements lack sufficient clarity to support consistent and appropriate auditor judgements for three reasons:

- The risk of inconsistent understanding of the intent of the phrase "the intended purpose of the audit procedures", as explained in our response to question 1(b);
- Insufficient guidance on how to judge "applicable in the circumstances" in the context of paragraph 9(b), as explained in our response to question 8; and
- Perceived mixed messaging about how auditors are expected to comply with paragraph 10 with respect to information obtained from sources external to the entity in circumstances when the auditor has no access to that source, as explained in our response to question 9.

We believe these three reasons also give rise to uncertainty about what auditors will be expected to document about their consideration of the attributes of relevance and reliability of information that are applicable in the circumstances. Providing additional clarity around the judgements described above would also serve to bring further clarity around the required documentation, helping to avoid perceptions of an excessive documentation burden that could act as a potential barrier to making informed and reasonable judgements and potentially detract from audit quality.

3. What are your views about whether ED-500 has an appropriate balance of requirements and application material?

The number of requirements is reasonable, addressing the primary principle-based considerations relevant to evaluating audit evidence, consistent with the extant ISA. Our comments in response to other questions address our views on the individual merits of specific requirements.

There is a significant increase in overall volume of application material, however this is not disproportionate. As explained in our comments in response to questions 2 and 8, there is likely a need for additional application material to clarify the expectations for requirements 9 and 10 of the proposed standard.

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?

Technology is an integral part of the audit process, and it continues to change and disrupt the way information is obtained and validated and how audits are conducted. Many businesses today process large volumes of transactions in digital environments and information is often only available in electronic form with no physical version of the source information/data. Entities and auditors have to adapt in the current business and audit environment in order to keep pace with technological advancements and with the expectations of stakeholders.

We recognise the challenge in developing standards that strike a balance between reflecting how evolving technology may be used in the audit and developing content that risks rapidly becoming obsolete or appearing dated. It is also important that standards do not inadvertently inhibit innovations in how technology is used in an audit that enhance audit quality. Furthermore, we agree that not all of those expectations can be addressed through revision to this ISA alone.

We broadly support the limited guidance and examples that have been included within ED-500 that seek to explain that automated tools and techniques may be used to obtain audit evidence. However, in our view, to respond fully to the questions that are being faced in practice, a more holistic focus on how technology affects the audit is needed to fully modernise the ISAs in line with the IAASB's stated objective. That includes addressing recurring questions such as how audit procedures can be designed and performed using automated tools and techniques, and how such tools and techniques can contribute directly to obtaining audit evidence.

In our recent response to the IAASB's consultation on its "Proposed Strategy and Work Plan for 2024-2027" we strongly encouraged the IAASB to prioritise its potential "omnibus" project on technology. While we acknowledge the work performed by the IAASB's Technology Consultation Group, the non-authoritative guidance published by this group does not appear to have gained much traction, resulting in questions persisting in practice.

As part of such an omnibus project, we urge the IAASB to explore ways in which the ISAs can more directly incorporate examples of how automated tools and techniques can be used to support effective and efficient audit procedures and assist the auditor in obtaining relevant and reliable audit evidence. Such examples would include data analytics and visualisation tools, artificial intelligence, machine learning, remote observation tools, and robotic process automation. There are likely ways such guidance and examples can be incorporated into relevant ISAs that would allow the IAASB to refresh them on a more expedited basis to avoid the risk of the content becoming unduly out of date. For example, appendices to relevant ISAs could be more easily updated as part of a periodic technological update project without needing to re-open the body of the applicable standards.

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

We are supportive of the additional emphasis given in ED-500 to consideration of auditor biases and the need to consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements. See also our response to question 2 in respect of professional judgement, for which our comments apply equally to the exercise of professional scepticism.

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 agree with the concept of the “input-output” model (audit evidence is information to which audit procedures have been applied) and, in principle, therefore support the proposed revised definition. It is, however, quite a conceptual definition and we suggest that some additional application material may be useful, which could emphasise that it is the *outcome* of applying audit procedures to underlying information that results in audit evidence, and that the nature, timing and extent of such procedures varies based on the source of the information and nature of the audit evidence to be derived from such information.

It would also be useful to explicitly state up front that such procedures include procedures undertaken by the auditor to evaluate the relevance and reliability of such information and, when applicable, further audit procedures to “test” such information. Depending on the nature of the information, the only procedures the auditor may need to perform to obtain audit evidence may be those necessary to evaluate the relevance and reliability of the information, for example, agreeing assumptions used by management to publicly available data published by a recognised authoritative external source. Elevating paragraph A34 and supplementing this with the matters we describe could achieve this purpose.

While we support the proposed definition, there is an inherent circularity flaw (infinite loop) in requiring, as set out in paragraph 9, audit evidence to be obtained about information intended to be used as audit evidence. We address this matter in our response to question 9, explaining our views on paragraph 9.

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

We believe that the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence is appropriately described. We believe the final two sentences of paragraph A13 should be relocated to paragraph A14 as they address the sufficiency (quantity) of evidence rather than appropriateness.

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 support the intent of paragraph 9 – evaluating the relevance and reliability of information intended to be used as audit evidence is an essential aspect of an audit, underpinning the auditor’s conclusion that sufficient appropriate audit evidence has been obtained. We believe that the enhanced focus in the requirement on evaluating *information*, including from both internal and external sources, will drive appropriate behaviours and enhance the robustness of the auditor’s consideration of the relevance



and reliability of information intended to be used as audit evidence.

We are supportive of the concept of “attributes of relevance and reliability”. However, we believe the requirement provides insufficient direction to auditors about what it is they need to “consider” with respect to such attributes. As explained in response to question 2, the lack of clarity and risk of misunderstanding of the meaning of the phrase “intended purpose of the audit procedures” raises uncertainty about what is meant by “the attributes of relevance and reliability that are applicable in the circumstances”.

There is a very broad array of “information” that an auditor will use in an audit, and we think it is important to emphasise that there is a spectrum of work effort in evaluating the relevance and reliability of information that may be appropriate based on both the nature of the information (what it is) and the importance of the information to obtaining sufficient appropriate audit evidence.

In the vast majority of circumstances, it is less a question of whether an attribute of relevance and reliability is “applicable in the circumstances” (i.e., it is hard to argue they are ever really not applicable) but more a question of the degree to which it is important to the auditor that the information to be used exhibits certain of those attributes. The “degree” is briefly mentioned in paragraph A53, but simply states that this is a “matter of professional judgement”.

We recommend that paragraph 9 be restructured and redrafted to better emphasise that the auditor’s consideration of the source of the information and attributes of relevance and reliability is driven by how the auditor intends to use that information in contributing to the audit evidence obtained and, specifically, the degree of importance of that information to the auditor’s audit procedures and overall ability to obtain sufficient appropriate audit evidence. This would more directly support the auditor’s application of professional judgement about the extent of work effort necessary in the circumstances. We believe this would also help directly address concerns about the scalability of the requirement.

Recommendation for paragraph 9:

“The auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall take into account the significance of the information to the auditor’s planned audit procedures and consider:

- (a) The source of the information; and
- (b) The aAttributes of relevance and reliability inherent within the information that are applicable in the circumstances, given the intended purpose of the audit procedures.”

Restructuring the requirement as we suggest would lead to consequential restructuring of the supporting application material. Addressing these key drivers first (for example by building out paragraphs A35-A36) before addressing, respectively, the related additional guidance on the source and attributes, would provide a framework and context for the application material describing how the auditor then considers the source of the information and the attributes of relevance and reliability.

Further to our comments regarding the “applicability” of attributes, we are concerned by the assertion in the application material (paragraph A63) that when information is “obtained from a source external to the entity, the auditor may be more focused on other attributes of reliability”. This can be perceived as conflicting, or overriding, the intent of paragraph 9, as presented in ED-500. We believe that the changes we propose for paragraph 9 above, in conjunction with the change we propose for paragraph



10, in response to question 9 below, resolve this perceived conflict.

For similar reasons, we disagree with the assertion in paragraph A64 that the attributes of accuracy and completeness may not always be applicable when performing risk assessment procedures. It is not the case that the auditor is unconcerned about whether information to be used for risk assessment procedures is accurate or complete and that these attributes are therefore “not applicable” and can be disregarded – inaccurate information would be a significant concern. Rather, as we describe above, the degree of accuracy or completeness of the information may be less important for purposes of making informed risk assessments than for, by comparison, further audit procedures.

We believe the changes we describe above (in particular the removal of the concept of applicability in the circumstances) would help to address this potential misconception, providing a basis for this application material to be redrafted accordingly. The application material could also be clarified by further explaining that the more credible the source of the information is judged to be, this may (indirectly) give the auditor some level of comfort about the likelihood of the information from that source being accurate and complete (e.g., information obtained from governmental agencies).

See also our response to question 9 for our further views on the attributes of accuracy and completeness of information and proposed requirement paragraph 10.

Lastly, we note that the concept of “authenticity” is included as an attribute in paragraph A56. This concept is addressed in ISA 240. We believe the inclusion of this attribute in ED-500 may lead to the perception that evaluating the authenticity of information intended to be used as audit evidence is expected in all circumstances, which is in conflict with the requirements and guidance of ISA 240. While paragraph A57 draws attention to the requirement in paragraph 14 of ISA 240 that explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary, we recommend that paragraph A57 be updated to include the guidance from paragraph A10 of ISA 240. We believe this would help make clear that evaluating the authenticity of information may not be equally as common or necessary as evaluating other attributes.

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 do not support the proposed requirement in its current form. We believe the expected work effort is too subjective and will lead to inconsistent interpretation and application, in particular with respect to information obtained from sources external to the entity.

As explained in our response to question 8, we believe the requirement in paragraph 9 to consider attributes of relevance and reliability of information intended to be used as audit evidence needs to primarily be driven by how the auditor intends to use that information in contributing to the audit evidence obtained and, specifically, the degree of importance of that information to the auditor’s audit procedures.

We have significant concerns about the ability of an auditor to comply with paragraph 10 in relation to information obtained from sources external to the entity when the auditor has no rights of access to obtain evidence over the accuracy and completeness of information obtained from that external source.



To address these concerns, we suggest bifurcating the requirement into two parts. Firstly, we recognise the regulatory concern in removing the existing requirement of extant ISA 500 – to obtain evidence over the accuracy and completeness of information produced by the entity – and therefore propose that this requirement be retained as the first element of paragraph 10 as shown below. The corresponding application material that states that accuracy and completeness would ordinarily be applicable could therefore be deleted. This is again consistent with our observations in question 8 on the question of “applicability”.

Secondly, to address the challenges in obtaining evidence over accuracy and completeness of information obtained from sources external to the entity, we recommend the second element of the requirement be articulated as a required consideration by the auditor about what is necessary in the circumstances when using information from external sources. Building on our proposal for paragraph 9 for the auditor to take into account how the information will be used and its overall significance to the auditor’s work, the auditor should consider whether it is necessary in the circumstances to design and perform audit procedures to evaluate the accuracy and completeness of such information. That is not to say that if the auditor considers it necessary but is unable to obtain such evidence, the auditor can just use that information. It may be possible that information from other sources may help corroborate the accuracy and completeness of that information. However, in circumstances when the auditor cannot satisfy themselves as to the accuracy and completeness of information when necessary to the auditor’s work effort, the auditor has a limitation on scope, as described in paragraph A46 of the standard.

Recommendation for paragraph 10:

“In making the evaluation in accordance with paragraph 9, the auditor shall:

- (a) Evaluate the accuracy and completeness of information produced by the entity; and
- (b) Consider whether it is necessary in the circumstances to evaluate the accuracy and completeness of information obtained from sources external to the entity.”

See also our response to question 8 with respect to relevant application material. In the circumstance that an auditor considers it necessary to obtain evidence over the accuracy and completeness of information from a source external to the entity and it is not possible to do so, a supplemental requirement could be added to require the auditor to determine the implications for the audit. Such a requirement could take a similar form to paragraph 12 of ED-500, or it may simply be more appropriate for the application material to our proposed paragraph 10 to refer directly to such circumstances as being an outcome that would result in paragraph 12 being applicable.

In proposing the alternative requirement above, we have referred to “evaluating” the accuracy and completeness of information due to the inherent circularity in the requirement in ED-500 that requires the auditor to “obtain audit evidence about” information intended to be used as audit evidence. This is best illustrated by incorporating the definition of “audit evidence” into the ED-500 proposed requirement:

“If the auditor considers that the accuracy and completeness attributes are applicable in accordance with paragraph 9(b), the auditor shall obtain [information, to which audit procedures have been applied....] about the accuracy and completeness of the information.”

We believe this circularity needs to be resolved.

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?

We support paragraph 13(b), which reminds the auditor that all audit evidence obtained, whether corroborative or contradictory, needs to be evaluated, as an important professional scepticism safeguard.

However, further to our comments in response to question 1(b) with regard to paragraph 8(b), we do not believe paragraph 13(a) is necessary as it appears duplicative with the requirement in ISA 330 and requirements in other subject matter specific ISAs. The relationship between the evaluation of audit evidence obtained required in this requirement and the auditor’s evaluation of whether sufficient appropriate audit evidence has been obtained in ISA 330 is not clear.

The ISAs already have a number of stand back assessments, including the requirement in ISA 315 (Revised 2019) to evaluate whether the audit evidence obtained from risk assessment procedures provides an appropriate basis for the auditor’s risk assessment, and the requirement in ISA 540 to evaluate whether sufficient appropriate audit evidence has been obtained with respect to the entity’s accounting estimates. Together with the core requirement in ISA 330 to evaluate whether sufficient appropriate audit evidence has been obtained, we believe the ISAs contain sufficient “checkpoints”. Paragraphs A84 and A85 (excluding the final sentence) of the application material effectively make this argument. We did not find the final sentence of paragraph A85 to provide clarity on what was expected in complying with paragraph 13(a). We recommend paragraph 13(a) is deleted.

If the Board determines that additional guidance is needed to support the auditor’s professional judgements about whether sufficient appropriate audit evidence has been obtained, we recommend that the appropriate location for this is in ISA 330, where the requirement to make that judgement is located. As we described in our response to the “Proposed Strategy and Work Plan for 2024-2027”, we do not believe there is a compelling need for ISA 330 to be revised at this time. Consequently, if the Board decides that further guidance is warranted on this matter, we recommend that the Board consider only a narrow scope amendment project on ISA 330.

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.

Paragraph A48 acknowledges that information intended to be used as audit evidence may come from different sources, including a service organisation, a management’s expert or an auditor’s expert. Paragraph A49 also states that an external individual or organisation cannot be both an external information source and a management’s expert in respect of any particular set of information. While factually accurate, this may be perceived as incomplete with respect to paragraph A48. We recommend that paragraph A3 of extant ISA 500, which explicitly states that an external individual or organisation cannot, in respect of any particular set of information, be both an external information source and a management’s expert, or service organisation or auditor’s expert, be retained in full.

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 the ED-500.

We have no specific comments on translation. As explained in our comments in responding to other questions, ensuring clarity of the intended meaning of requirements, driven by the selection of terms and phrases used, is important. Any ambiguity inherent in the English language used is likely to be exacerbated upon translation.

(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.

In principle, we support an effective date of at least eighteen months after the approval of the final standard by the PIOB. However, based on an assumed approval by the Board of the final standard at its June 2024 meeting and a presumed effective date of periods beginning on or after 15 December 2025, we note that publication of a final draft in early July 2024 will result in approximately seventeen months before the effective date. Assuming approval by the PIOB in September 2024 and release of the final publication in October 2024, the perceived implementation period would be reduced to approximately fourteen months.

Our experience with implementation of revised standards is that a sufficient amount of time is needed to properly embed the proposed changes into methodology, supporting tools and technical implementation training. We are also aware that providers of methodology and audit software often do not commence updates until a final standard has been published. Allowing insufficient time for an effective implementation creates a risk to achieving the intended enhancements to audit quality envisaged by the changes, at least in the initial period after the revised standard comes into effect.

Local jurisdictions that adopt ISAs into their national standards will also need time to conduct their due process and issue exposure drafts in their jurisdictions. Our view is that any implementation period that is less than eighteen months may not allow sufficient time for such jurisdictional processes and, consequently, may impact the adoption of the revised standard with a consistent effective date globally.

We encourage the Board to take these matters into account in determining an appropriate effective date.