



MALAYSIAN INSTITUTE
OF ACCOUNTANTS

26 April 2023

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

Dear Mr Botha

Proposed International Standard on Auditing 500 (Revised), Audit Evidence, and Proposed Conforming and Consequential Amendments to Other ISAs

The Auditing and Assurance Standards Board (AASB) of the Malaysian Institute of Accountants (MIA) welcomes the opportunity to provide its comments on the Exposure Draft, ISA 500 (Revised), Audit Evidence and Proposed Conforming and Consequential Amendments to other ISAs issued by the International Auditing and Assurance Standards Board (IAASB).

Overall, our Board is generally supportive of the IAASB's proposals in the ED, especially on the principles-based approach. We recognise the importance of the IAASB to address changes in the environment, including advancements in different technologies being used both by auditors and the entities they are auditing.

Once the proposals are finalised, we would strongly recommend that the Board prepare a short summary and explanation of the changes, which includes the practical implications for the auditors and what they are expected to do differently in practice, going forward. This would be very useful to standard setters and Professional Accountancy Organisations like us in serving our members.

We attach in Appendix 1, our responses to the questions found in the Exposure Draft. We hope our comments would contribute to further deliberation by the IAASB on the matter. If you have any queries or require clarification of this submission, please contact Simon Tay Pit Eu at +603 2722 9271 or email to simontaypитеu@mia.org.my.

Thank you.

Yours sincerely

MALAYSIAN INSTITUTE OF ACCOUNTANTS

DR WAN AHMAD RUDIRMAN WAN RAZAK
Chief Executive Officer

Proposed International Standard on Auditing 500 (Revised), Audit Evidence, and Proposed Conforming and Consequential Amendments to Other ISAs

PART A: Request for Specific Comments

Overall Questions

1. Is the purpose and scope of ED-500 clear? In this regard:
 - (a) Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?
 - (b) Are the relationships to, or linkages with, other ISAs clear and appropriate?

The purpose and scope of ED-500 are clear. The principles-based reference framework allows auditors to have the flexibility in exercising judgments when obtaining audit evidence. For example, ED-500 focuses on the objective of the procedure performed and whether it achieves its intended outcome rather than on the type of audit procedure. In addition, the linkages with other ISAs are also clear.

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

The proposed revisions in ED-500 are timely given the increased usage of technology not only by management and management's experts but also auditors in generating information intended to be used as audit evidence as well as performing audit procedures. A principles-based approach is necessary especially given the evolving business environment.

Once this standard is finalised, an area the Board can seriously consider is to prepare a summary and explanation of changes that clearly include the issues the Board is seeking to address through the revised standard, the practical implications for auditors and what they are expected to do differently.

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

We believe that there is a good amount of application material explaining the objective of the requirements and how to meet those requirements. However, please see our response to Question 7.

In addition, we would urge the Board to consider whether some of the existing application materials (93 paragraphs [A1 to A93] for only 7 actual requirements per the standard) could be re-packaged as separate guidance outside of the standard or shortened and made more concise (there are some repetitions, e.g., A19 and A43, A21 and A51 regarding information from multiple sources and dealing with biases). This will enable practitioners to focus on what is important rather than wading through a high volume of application materials.

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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?

We agree that ED-500 reinforces a principles-based approach with respect to the use of technology, thereby allowing auditors to elect whether to use manual procedures or automated tools and techniques to perform audit procedures. ED-500 emphasises that, regardless of which method is to be used, the objective of the auditors is to obtain sufficient appropriate audit evidence to support the audit opinion.

With the proliferation of technology, we continue to welcome the Board to further develop examples of what is sufficient and appropriate audit evidence when leveraging on technology. This could be published outside of the standard in a non-authoritative document.

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

Yes, especially given the new “stand back” requirement. Please see our response in Question 10 below for more details.

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?

We support the revised definition of audit evidence. It clarifies that audit procedures must be performed on the information/inputs which are to be used as audit evidence. Information/inputs without the application of audit procedures remain as management assertions that are not tested/evaluated.

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

We believe that the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. However, it may be useful to further clarify whether the same rigour is to be applied on the information intended to be used as audit evidence prepared by management’s experts. Such information can be information provided by the management to the expert for use in the expert’s own work, as well as the estimates/assumptions/judgments made by the expert.

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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 believe that 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. However, further guidance is needed on the matter highlighted in Question 7 above.

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

We agree with the separate conditional requirement to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances. While the application material (A63-A65) is helpful, there remains a concern about how much work an auditor needs to do to test the accuracy and completeness before the information can be relied upon as audit evidence. More non-authoritative guidance materials showcasing how audit is being conducted especially in a company that highly leverages on technology and the necessary evidence parameters that are being applied (with the rationale) in the said audit will be useful.

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 agree with the new “stand back” requirement. Auditors should reassess the appropriateness and sufficiency of audit evidence obtained to determine whether they meet the intended purpose of the audit procedures. This concept is consistent with the principles of risk assessment in ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. The recent ISA projects have consistently highlighted the importance for auditors to take a ‘stand-back’ approach. This is consistent with the objectives of a financial statements audit. Based on our feedback, some auditors are finding it challenging to understand how to approach their audits in a holistic manner and what weight to put on various/diverse audit evidence obtained during the audit process. Further, the evaluation of the sufficiency of this ‘stand-back’ approach can be difficult to document as it relies heavily on professional judgment and experience – factors that are not necessarily tangible but vital to a quality audit. We propose more non-authoritative guidance materials to be developed in this area to assist auditors. Of pertinent interest will be examples of how the work performed based on the various ISAs interact with one another and the overall conclusion that can be derived from the ensuing results obtained.

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.

Please see our response in Question 7 above.

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General Comments

- (a) Translations—Recognising 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.

N/A

- (b) Effective Date—Recognising 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.

Yes, we agree with the effective date being set at 18 months after approval by PIOB. However, the IAASB should allow for early adoption for firms that are ready to proceed in applying the new standard. It will also be helpful if the IAASB can also share with the global audience as to the direction of timeline involving the other ISAs in the 500 series.