



24th April 2023

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

Overall Questions

1. Is the purpose and scope of ED-500 clear? **Yes** 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?

Yes, however inclusion of examples relating to the use of automated tools and techniques (ATT) will assist the auditor to put into practice the principles highlighted, including the link between ATT and data analytics and substantive procedures.

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

Yes, through examples. However more examples might be needed with respect to audit evidence that satisfies the requirements of both ISA 315 (Revised 2019) and the ED ISA 500.

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?

The ED-500 is emphasising certain concepts and providing more detail and examples compared to extant ISA 500, which assists the auditor in concluding whether sufficient, appropriate and persuasive audit evidence was obtained. The ED-500 could potentially be enhanced by including more information and examples with respect to the evaluation of audit evidence, including the documentation required in this regard, potentially explaining how different situations necessitate different levels of documentation.

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

The application material gives guidance and examples of how the auditor should address the requirements. One might consider including examples related to the use of technology as part of the audit evidence.

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?

Yes, however inclusion of examples relating to the use of automated tools and techniques will assist the auditor to put into practice the principles highlighted. One would expect that the



revisions to ISA 500 would address some key questions driven by increasing use of technology in the audit, including, amongst others, the nature and sufficiency of evidence obtained when testing entire populations using automated tools or techniques, and how to address outliers in such circumstances. In addition, Data Visualisation and Process Mining could potentially be included as audit techniques in the section *Types of Audit Procedures* in the appendix to the *Proposed International Standard on Auditing 500 (Revised) Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs - The Relationship of Proposed ISA 500 (Revised) to the Other ISAs and Examples of Types of Audit Procedures*.

In addition, further guidance is required as to the distinguishing factors between “substantive analytical procedure” and “test of details” when it comes to audit procedures using technology.

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

Yes - The proposed revisions should encourage a more active consideration by auditors about the information they intend to use as audit evidence and about whether they obtained the evidence that they set out to obtain from planned procedures.

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 agree with the principle that audit evidence results from performing procedures (for example performing procedures on listings provided by the client or system generated reports).

However, clarity may be needed that certain sources of information, such as contractual agreements or external confirmations, are still subject to audit procedures for them to result in audit evidence, even if such procedures are limited to reading and reflecting on the information.

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

A definition of persuasiveness in the context of ISAs would be useful.

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?

Yes, the focus of the requirements and application material should drive behaviours that support an appropriate evaluation of information intended to be used as audit evidence.

However, there will inevitably be questions about the nature and extent of work, and documentation thereof, related to the consideration of attributes of relevance and reliability.

This is likely to include: in what circumstances are certain attributes expected to be applicable; how much work is needed to evaluate relevance and, more particularly, reliability, based on the nature and source of the information (scalability); and how to avoid a checklist mentality to the consideration of such attributes. Hence more guidance is needed in this respect.

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?

Given the importance of accuracy and completeness of information, it is reasonable to have a separate requirement to highlight the importance. However, there may be significant challenges on the ability of the auditor to obtain evidence about the accuracy and completeness of information obtained from sources external to the entity. When such attributes are considered applicable in the circumstances, what level (nature/extent) of evidence is needed in this regard, and if audit evidence cannot be obtained does this result in a limitation on scope?

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?

The “stand back” requirement is already an integral procedure done by the auditor when concluding on the sufficiency and appropriateness of the audit evidence obtained on the different financial statement line items. This is usually performed through the Overall Conclusion Analytics. In addition to potentially creating duplication of work, such new requirement could create a challenge to the audit teams on how to document procedures required through the “stand back” over and above the procedures already performed. This requirement also poses the risk of over-documentation.

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.

The link between the inherent risk factors in ISA 315 revised (complexity, subjectivity and uncertainty) and the attributes mentioned in ED-500 needs to be clearly defined.

Request for General Comments

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.

N/A



(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.

Appropriate