



April 28, 2023

Mr. Willie Botha – IAASB Program & Technical Director

cc: Mr. Tom Seidenstein – IAASB Chair

Ms. Sue Almond – IAASB Member and ISA 500 Task Force Chair

International Auditing and Assurance Standards Board

529 Fifth Avenue

New York, New York 10017

Re: Exposure Draft Proposed International Standard on Auditing 500 (Revised)

Dear Mr. Seidenstein, Mr. Botha and Ms. Almond,

Mazars welcomes the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB or the Board) Exposure Draft ISA 500 (Revised) (ED-500).

Mazars is a leading international audit, tax and advisory organisation, operating as a united partnership¹. Founded in Europe, we have grown into a global, connected partnership of over 47,000 professionals - 30,000 in our integrated partnership, 17,000 via the Mazars North America Alliance - with a presence in over 95 countries and territories, working seamlessly as one integrated team across borders, services and sectors.

Mazars is a member of the IFAC Forum of Firms, and thus fully supports, for more than 16 years, the initiatives of IAASB, IESBA, as well as those of the regulators in these areas of common concern for public interest, in promoting high quality standards as part of the international roll-out of audit engagements. All Mazars firms and correspondents are committed to support and apply those initiatives.

General comments

We are supportive of the ED-500 objectives as stated, broadly to provide a principles-based approach to considering and evaluating information to be used as audit evidence as well as modernizing the audit evidence standard for the current environment, clarifying purpose and scope, including the interrelationship with other standards, and emphasizing the importance of professional scepticism when considering the sufficiency and appropriateness of audit evidence.

We support the relocation of the types of audit procedures to the Appendix in ED-500, including the addition of examples to demonstrate the use of automated tools and techniques (ATT). We are, however, disappointed with the extent of revisions in respect of technology throughout the application

¹ Mazars integrated transparency report: [Group transparency report 2021/2022 - Mazars Group](#)

material, also noting that the evolution of technology was identified as a key public interest issue in the Audit Evidence project proposal. As explained in our response to question 4, we encourage the IAASB to include an explicit acknowledgement that the auditor may perform substantive audit procedures, including substantive analytical procedures, by using ATT.

We have significant concerns about auditors' ability to obtain evidence about the accuracy and completeness of external information when those attributes are assessed as being applicable. The standard could be clearer in setting out that other attributes may be more applicable to external information (e.g., reliability/credibility).

We respectfully ask the IAASB develop a roadmap of what has changed and what auditors are expected to do differently when the standard is revised to support effectiveness in implementation.

Our specific responses below also consider whether ED-500 will change auditor behaviour including professional judgment and scepticism aimed to enhance consistency and quality and "when is enough audit evidence really enough?".

Responses to Consultation questions

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?

In principle we agree with principle-based standards, however regulators may take different positions in different jurisdictions, making it difficult to apply a consistent global methodology. A key challenge in this standard, regarding regulator perspectives and interpretation, is "When is enough evidence really enough"?

Enhanced consideration of relevant attributes of information to be used as evidence may improve audit quality in larger/more complex engagements, although see our comments elsewhere regarding scalability. We are concerned that the standard may increase costs on smaller engagements, but it is less clear whether there will be sufficient increase in quality in these engagements.

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

Yes, we believe the relationships and linkages are clear, but see our comment on the stand back requirement and the links with ISA 330.

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?

We believe that the standards will lead to enhanced judgement in evaluating audit evidence, particularly in relation to the relevant attributes. However, we are concerned about scalability. Revised ISAs are increasingly focussed on larger/more complex and listed/PIE audits and, as a result, are increasingly difficult to apply to smaller, less complex engagements.

We note that "information" is not defined in the standard, and it may be helpful to provide a definition.

We support removing the distinction between internal and external audit evidence (including IPE) from the revised standard and assessing all audit evidence against relevant attributes (however, see our comments elsewhere on the accuracy and completeness of external information).

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

As with other recent changes to the auditing standards, the extent of application material is longer than previous versions with 91 application material paragraphs for a standard with only 14 requirements; however, we do note that the application material does include useful information/examples.

As expressed elsewhere, we are concerned about regulator interpretations, and it is not unusual for regulators to assess application material as equivalent to requirements in the standards. For example, in this instance, despite the guidance in para. A40, we are concerned that some regulators might interpret the standard to require documentation of all attributes for audit evidence, including assessment of those that are not relevant. Further guidance may be necessary to clarify whether documentation is necessary to support why the other (or certain other) attributes were not considered to be applicable in the circumstances. Consider the example: Based on the exercise of professional judgment (para. A53), the auditor considers that three attributes (e.g., accuracy, completeness and bias) are applicable in the circumstances in meeting the intended purpose of the audit procedure. The questions that arise include:

- a) Is there an expectation for the auditor to document why other or certain other attributes were not deemed applicable in the circumstances? We don't believe the guidance in para. A40 addresses this question.
- b) In the same example, if the auditor identified fraud indicators during the audit, is there an expectation that the "authenticity" attribute is always applicable in the circumstances?

Also see our comments elsewhere for suggestions in relation to the application material.

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?

Although the application material includes some technology-based examples, and the IAASB has published staff alerts in relation to the use of technology, we are disappointed that the proposed revisions to ISA 500 do not go further in respect of the use of technology in audits. The revision of ISA 500 was an opportunity to really drive change in the use of technology in obtaining higher quality audit evidence by assessing/analysing entire populations and identifying outliers for further investigation rather than adopting traditional sampling techniques.

The standard could be enhanced by establishing the type of evidence that can be obtained from the use of technology. We are particularly disappointed that there is no explicit acknowledgement that the auditor may perform substantive procedures, including substantive analytical procedures, by using ATT. The lack of clarity in international standards makes it difficult for firms in international networks to consistently adopt and enhance the use of technology in their audit methodologies. This further runs the risk of fragmentation of the audit market, with the largest firms more willing and able to invest in technologies that the mid-tier and smaller firms may not consider owing to apparent restrictions in the auditing standards.

We note that automation bias is discussed in the application material, but note that as currently written, this may be interpreted as a barrier to the adoption of technology, rather than encouraging the use of ATT.

The IAASB may wish to consider whether more guidance can be provided on the use of technology, including techniques such as predictive analytics, process mining, data visualisation and whether such guidance could form a further appendix to the standard or in further staff guidance. We also note the

IAASB's intention to undertake a technology omnibus project, of which this further guidance could be part.

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

Overall, we believe that the revised content will help in reinforcing the exercise of professional scepticism, but we suggest adding clearer linkages with ISA 540 revised.

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 "input-output", although it is not clear how it will be applied practically, and how it is scalable for smaller and less complex audits.

Although the term "information" is widely used in the requirements and application material in this ED, it not clearly defined. Further clarity is certainly also required about the meaning of the term "data" in the context of the definition of audit evidence, and whether it has the same meaning as information. The term "data" is used approximately 16 times in ED-500, is also pervasive throughout the ISAs, including ISA 540 and ISA 520. Further clarity is thus required to assist auditors in assessing for which information / audit evidence they are required to assess the relevant attributes. This is particularly important as the requirements of paragraph 9 may lead to onerous documentation requirements, particularly in some jurisdictions depending upon regulatory interpretation.

The definition of "accounting records" in ISA 315 (Revised 2019), although not new, may cause some difficulty in the context of the proposed revisions to IED-500 where "accounting records" are mentioned as an example of "information" subject to relevance and reliability procedures. Given the use of accounting records is wide, there are concerns about the extent of work expected to evaluate relevance and reliability on some of these accounting records before using them as audit evidence.

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

No, we do not believe that this interrelationship is clear. As noted in our introductory comments, we are concerned about "when is enough audit evidence really enough?" For example, while we support the IAASB's intention to develop principles-based requirements that is capable of demonstrating the varying degree of work effort needed in the particular circumstances, we are not convinced that the application material meets this objective.

The concept of persuasiveness is important and potentially very useful to auditors understanding of whether they have obtained sufficient appropriate audit evidence.. We would suggest an amendment to paragraph 8(b) to include reference to designing and performing audit procedures to obtain persuasive audit evidence. In doing so, it may also be useful to define the concept of the persuasiveness of audit evidence.

Furthermore, a graphical representation of the relationship/correlation between appropriateness and sufficiency in achieving persuasiveness would be helpful to explain the interrelationship, either in application material or in supporting implementation guidance.

Even if we support (see above our answer to question 2) removing the distinction between internal and external audit evidence, IAASB should nevertheless consider whether greater focus could be given to the persuasiveness of the audit evidence rather than reliance/reliability in all cases. There are some

instances (for example, bank confirmations, legal letters, supplier statements) where external evidence will clearly be of higher quality than internal evidence and would therefore be more persuasive. It would be helpful if the standard could draw out this distinction of a “subset” of evidence where directly obtained third party external evidence will be better. The extent of documentation required in these instances would also be reduced.

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 overall, the requirements and application material in ED-500 support an appropriate evaluation of the relevance and reliability of information. However, we are concerned that the extent of documentation required for consideration of attributes could become onerous, especially on smaller and less complex audits. The standard could be enhanced by more clearly stating the extent of documentation required; for example, requiring only documentation of the attributes which have been considered as applicable in the circumstances in accordance with paragraph 9(b) of ED-500, and avoiding the need for the auditor to document why a particular attribute may not be relevant or to document all information that could theoretically be available (see our response to question 3).

We appreciate that there are numerous examples of information (nature, source etc.) in the application material, this could be enhanced by providing more guidance on “how” procedures may be applied. For example, to support the para 9(a) (“the auditor shall consider the source....”) the standard would be enhanced by incorporating application guidance on “how” to perform the requirement, what type of documentation is expected etc.

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 in principle that accuracy and completeness should be considered, when applicable, regardless of the source of information. However, we have significant concerns as to how the auditor can be expected to obtain evidence about the accuracy and completeness of external information, when these attributes are applicable. It may be appropriate to give more prominence to the principles in A63 that other attributes may be more relevant for external information, such as credibility and bias, perhaps by incorporating this into paragraph 10?

Nonetheless, in reading paragraph 50 of the Explanatory Memorandum, it is our view that paragraph 10 is intended to address concerns by some stakeholders (e.g., regulators) about the robustness of ED-500 when compared extant ISA 500, i.e., a requirement to evaluate accuracy and completeness in certain circumstances. In other words, paragraph 10 of ED-500 is intended to highlight the importance of the accuracy and completeness attributes, particularly for information generated internally from the entity’s information system.

If our understanding is correct, we are not convinced that paragraph 10 (as currently drafted), addresses this objective. The requirement in paragraph 10 appears to be more prescriptive than is perhaps intended, as it gives more prominence to completeness and accuracy than other attributes, with the remaining requirements talking more widely about relevant attributes that are applicable in the circumstances.

If the intention of paragraph 10 is to require the auditor to obtain audit evidence about the accuracy and completeness of internal sources of information (intended to be used as audit evidence), then perhaps the wording could be closer aligned to the requirement in paragraph 9 of extant ISA 500.

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?

No, we do not agree with the new "stand back" requirement as it is not clear. The EM suggests these procedures (ED-500 para. 13) are at the same level as the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained in accordance with paragraph 26 of ISA 330. However, the use of different contexts is confusing and if intentional, then redundant.

The introduction of para. 13 refers to para. 26 of ISA 330, which relates to whether sufficient appropriate audit evidence was obtained in forming an opinion. Para. 13 (a) requires the auditor to evaluate whether the audit evidence obtained meets the intended purpose of the audit procedure and therefore *supports* the conclusions in ISA 330.

Removing the precise reference to ISA 330 para 26 and changing para 13 introduction to be more broadly about evaluating the audit evidence obtained may resolve the inconsistency.

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 proposed text in ISA 500.A27 talks about using technology to “Identify and Select” items to test. This may be interpreted as meaning that technology may be used to identify a list of higher risk items, or outliers (for example, using risk or other characteristics of items in a population), from which the auditor may then select a sample of which items to test. It would be very helpful to auditors to clarify if this is the intention of the text.

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.

There is an apparent circularity in paragraph 10 which requires the auditor to evaluate the relevance and reliability of information by obtaining audit evidence, although audit evidence is defined as information that you apply audit procedures to. As currently drafted, this paragraph may cause confusion on translation and, consequently, application of the standard.

The term completeness is used in different contexts in ISA 315 (as an Assertion) and ISA 500 (as an attribute), which may cause some confusion in 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.

Yes, we believe that this is an appropriate period for implementation.

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Yours faithfully,

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