



Office of the
Auditor General
of Canada

Bureau du
vérificateur général
du Canada

April 21, 2023

International Auditing and Assurance Standards Board

529 Fifth Avenue
New York, New York 10017
United States of America

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

Thank you for the opportunity to provide feedback on the above Exposure Draft. I am responding on behalf of the Office of the Auditor General of Canada.

Our response to the specific questions posed in the Exposure Draft is provided below. Responses may be limited to questions of relevance to our Office and public sector audit.

Yours sincerely,

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Specific questions posed by IAASB:

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?

(a) Yes, we agree that ED-500 provides an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit.

(b) Yes, we agree that relationships to, or linkages with, other ISAs are clear and appropriate. Paragraph 3, or the scope section of ISA 500 (Revised) could reference the Appendix directly, as this content may be overlooked. Other standards such as ISA 501 and 510 could also be mentioned in the Appendix, in order to have a more comprehensive list.

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?

We believe that ISA 500 (Revised) enhances 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)?

We believe that ISA 500 (Revised) has an appropriate balance of requirements and application material.

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?

Yes, we agree that ISA 500 (Revised) accommodates the use of technology by the entity and the auditor. However, limited examples are provided on the use of technology. Additional examples of the use of technology in audit or non-authoritative guidance may be helpful.

Question 5

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

Yes, we agree that ISA 500 (Revised) appropriately reinforces the exercise of professional skepticism in obtaining and evaluating audit evidence.

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?

Yes, we agree with the revised definition of audit evidence. We also agree with the input-output model.

Question 7

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

No, the application material under *Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence* does not appropriately describes the interrelationship between the three concepts.

Paragraph A5 refers to ISA 330 paragraph A62. However, in A62 the concept of persuasiveness is not mentioned nor can it be reasonably inferred, which could lead to misinterpretation. Perhaps the application material should have referred to ISA 330, A64, which includes the mention of persuasiveness.

Paragraph A6 states that sufficiency and appropriateness of audit evidence are interrelated and together affect the persuasiveness of audit evidence. The term "affect" seems too general and may lead to different interpretations. This paragraph could be removed.

Paragraph A7 states that ISA 330 requires the auditor to obtain more persuasive audit evidence the higher the assessment of risk. Examples of how this can be achieved or references to other ISAs would be useful as noted in ISA 701 A12: "*When obtaining more persuasive audit evidence because of a higher assessment of risk, the auditor may increase the quantity of the evidence, or obtain evidence that is more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence or by obtaining corroborating evidence from a number of independent sources*".

Paragraph A8 states that results of audit procedures may result in a revised risk assessment in accordance with ISA 315, thus more persuasive audit evidence may be needed. This statement

does not describe the interrelationship between the three stated concepts. This paragraph could be removed.

Paragraph A9 does not describe the interrelationship between the three elements, rather it lists factors that affect the separate elements of persuasiveness, namely sufficiency and appropriateness. Examples provided in bullet one and three are repeated content from previous application material. This paragraph could be removed.

We encourage the Board to consider referencing paragraph A13 under *Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence* as it explains some of the characteristics of the interrelationship between the three concepts. In addition, providing more context, examples and a definition of persuasiveness would be useful to the users of the standard.

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?

Yes, the requirements and application material in ISA 500 (Revised) support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.

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?

Yes, we agree with the separate conditional requirement as stated in ED-500. We also agree with the combination of the requirements under extant ISA 500 paragraph 7 and paragraph 9 into a single simplified requirement. We also agree with the removal of the qualifier "*when using information produced by the entity*" to simply "*information*" as it reflects the new reality of using information from various sources, especially in the context of data analytics.

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?

Yes, we agree with the concept of 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 note this requirement already exists under ISA 330. If further sub-requirements or clarification are needed, it would be more practical to add it to ISA 330. If the stand back

requirement is added under ISA 500, examples of how this requirement should be applied in practice, above and beyond what is already expected from other ISAs would be beneficial.

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.

ISA 500 (Revised) paragraph 4 may be redundant as the examples provided are part of the requirements under paragraphs 8, 9 and 13. Paragraph 4 could be removed.

In general, we have concerns about the understandability of the standard. The approach in ISA 500 (Revised) has led to requirements that may be too accommodating and less directive. This may result in inconsistent applications and/or different interpretations of the standards in practice.

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 comments 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.

(a) No translation issues noted.

(b) The 18 months after approval should provide a sufficient period to support effective implementation of the ISA.