



The Chairman
International Auditing and Assurance Standards Board
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Sent electronically through the IAASB Website (www.iaasb.org)

EXPOSURE DRAFT: PROPOSED INTERNATIONAL STANDARD ON AUDITING 500 (REVISED),
AUDIT EVIDENCE, AND PROPOSED CONFORMING AND CONSEQUENTIAL AMENDMENTS TO
OTHER ISAS

PREFACE

The Pan-African Federation of Accountants (“PAFA”, “we” and “our”), welcomes the International Audit and Assurance Standards Board (IAASB)’s publication of the Exposure Draft: Proposed International Standard on Auditing 500 (Revised), Audit Evidence, And Proposed Conforming and Consequential Amendments to Other ISAs.

PAFA represents Africa’s professional accountants, and our objective is to accelerate the development and strengthen the voice of the accountancy profession within the continent and worldwide. In its unique regional capacity to work with Professional Accountancy Organisations and present a unified position for the profession, PAFA hereby presents its responses to the Exposure Draft.

We detail our responses to specific questions in the appendix to the letter below. We hope that our comments will positively contribute to the IAASB future’s deliberations. Should you have further concerns regarding our comments, please do not hesitate PAFA Director: Technical Excellence Ms Lebogang Senne on lebogangs@pafa.org.za

A. OVERALL QUESTIONS

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?**

PAFA Response

The purpose and scope of ED-500 is clear and provides an appropriate principles-based reference framework for auditors to make judgments about audit evidence throughout the audit. The relationship, to and linkages with other ISAs are well articulated. Examples included to improve the understanding of the proposed changes were also found to be very effective.

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?

PAFA Response

We believe that the proposed revisions will result in enhanced auditor judgments when obtaining audit evidence and evaluating it. However, we are concerned about the volume of changes and number of cross references, as well as the level of examples which we believe will ultimately just lead to more documentation and not substantially change or enhance auditor behaviour when obtaining and evaluating audit evidence, especially for those who conduct fairly simple audits of uncomplicated entities.

Question 3

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

PAFA Response

It is our view that, while the requirements are short and understandable, the volume of application material to the requirements seems disproportionate. We are concerned the high volume of the application material may create difficulties for auditors in identifying what is important thus resulting in it failing to meet its intended purpose.

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?

PAFA Response

We support the principles-based approach that accommodates the use of technology, including automated tools and techniques and believe that the proposals in the standard are appropriately balanced without being too prescriptive. This will certainly be valuable considering the difference in technological advancements at both an auditor and auditees. We further support the inclusion of automation bias, the need for auditors to rely on specialists and emphasis on professional skepticism.

Question 5

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

PAFA Response

PAFA agrees that the requirements and application material appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence.

B. SPECIFIC QUESTIONS

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?

PAFA Response

Yes, we support the revised definition audit evidence. We agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it.

Question 7

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

PAFA Response

We have noted that the term “persuasiveness” has not been defined in the standard and are concerned that this may lead to different interpretation and disparity in practice. We suggest that this is given further consideration due to the differences in interpretation of what this word means by practitioners from different countries. We recommend that the Board provide clarity in A13 and consider defining persuasive audit evidence or provide more examples in the application material to promote consistency among auditors.

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?

PAFA Response

Generally, we believe that the requirements and application material in the standard support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence. However, we are concerned that paragraph 9 may lead regulators to expect auditors to explicitly document the relevance and reliability of all information intended for use as audit evidence, which could be overly burdensome and may not substantially improve the quality of the audit. The shift from "consider" to "evaluate" with regards to relevance and reliability implies a change in the required level of effort, presenting practical challenges as auditors may not always be certain about the appropriate level of work and documentation necessary for these attributes. Furthermore, there are concerns that this could result in regulators questioning practitioners' judgments and evaluations.

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?

PAFA Response

In principle, we support the separate conditional requirement to obtain audit evidence on the accuracy and completeness of information those attributes are applicable in the circumstances. We are, however, concerned about the level of effort required by an auditor to verify the accuracy and completeness of information before it can be used as reliable audit evidence.

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?

PAFA Response

We generally agree with the new “stand back” requirement and have noted that there has been a trend in the latest ISA projects to include stand-back requirements. We are concerned that this may create a risk of auditors overlooking information that contradicts the audit evidence when standing back to assess the overall persuasiveness of the evidence gathered to address assertion-level risks. It may be helpful for the board to enhance the documentation requirements and provide more detailed application guidance regarding the auditor’s conclusions reached during the implementation of the new “stand back” requirement.

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.

PAFA Response

We have no additional comments outside of those indicated in the responses provided above.

C. REQUEST FOR GENERAL COMMENTS

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 comment 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.**

PAFA Response

We are not aware of any potential translation issues, however, as translating the standard can take a significant amount of time in some countries and therefore reduce the actual implementation period, we recommend the Board considers an effective date of no less than 24 months from the approval of the final ISA.