Audit Evidence

Objective of Agenda Item
1. To review and approve ISA 500 (Redrafted), “Audit Evidence.”

Task Force Members
2. The members of Task Force are:
   - John Fogarty (Chair) IAASB Member
   - John Kellas IAASB Chairman
   - Gérard Trémolière IAASB Member

Background
3. The exposure draft of proposed ISA 500 (Redrafted) was issued in April 2007, with a response date of September 15, 2007. Significant issues raised in 45 responses were included in an Issues Paper that was discussed at the March 2008 (NY) meeting. A 46th response was received immediately prior to the March meeting. That response, from IOSCO, was tabled at that meeting but not discussed. It is available at http://www.ifac.org/Guidance/EXD-Comments.php?EDID=0080&Group=Regulators.

4. The IAASB agreed at the March meeting that proposed ISA 500 (Redrafted) should be brought back to this meeting for consideration of unresolved issues raised during the March meeting, and issues raised in the IOSCO response.

Changes made since the March meeting
5. Apart from some editorial changes and some minor amendments to ensure consistency with proposed ISA 200 (Revised and Redrafted),1 the changes made since the March meeting are in response to comments received at that meeting, or issues raised in IOSCO’s comments including:
   - The additional text in paragraph 10 regarding the effect of an inconsistency or doubt over the reliability of information on aspects of the audit other than reporting.

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1 Proposed ISA 200 (Revised and Redrafted), “Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing.”
• Clarification of the language in paragraph A2.
• Reinstating the reference to minutes of meetings in paragraph A8.
• Noting in paragraph A10 that tests of controls are not always undertaken.
• The addition of a reference in paragraph A32 to proposed ISA 520 (Redrafted), “Analytical Procedures.”

6. Also, a number of IOSCO’s comments were similar to comments received from other respondents that had led to changes in the version of proposed ISA 500 (Redrafted) discussed at the March meeting.

Due Process

Re-exposure

7. Agenda Item 2-A presents a mark-up of the revised draft of the proposed ISA 500 (Redrafted) showing changes from the ED. The Task Force is of the view that the changes made are responsive to matters respondents have raised on exposure, and do not introduce new principles or represent other changes of substance compared with the ED. Accordingly, the Task Force is of the view that re-exposure is not necessary.2

Conforming Amendments

8. The attached draft includes, in italicized text, conforming amendments in relation to experts and external confirmations, as proposed in exposure drafts of proposed ISA 620 (Revised and Redrafted)3 and proposed ISA 505 (Revised and Redrafted)4 This text has been included so the IAASB can see the impact on ISA 500 (Redrafted) of these conforming amendments should they be approved as part of the separate processes to approve proposed ISA 620 (Revised and Redrafted) and proposed ISA 505 (Revised and Redrafted). This italicized text does not form part of proposed ISA 500 (Redrafted) that the IAASB is being asked to approve at this meeting.

Material Presented

Agenda Item 2-A  Draft ISA 500 (Redrafted) (Mark-up from March 2008 meeting)
(Pages 595 – 610)

Agenda Item 2-B  Draft ISA 500 (Redrafted) (Clean)
(Pages 611 – 624)

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2  IAASB Working Procedures regarding re-exposure state: “Situations that constitute potential grounds for a decision to re-expose may include, for example: substantial change to a proposal arising from matters not aired in the exposure draft such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a final conclusion; substantial change arising from matters not previously deliberated by the IAASB; or substantial change to the substance of an International Standard or Practice Statement.”

3  Proposed ISA 620 (Revised and Redrafted), “Using the Work of an Auditor’s Expert.”

4  Proposed ISA 505 (Revised and Redrafted), “External Confirmations.”
Draft for Use at the Meeting

9. The marked-up version of the draft (Agenda Item 2-A) will be discussed at the meeting.

Action Requested

10. IAASB is asked to review the revised draft of proposed ISA 500 (Redrafted), and approve it as a final standard, subject only to final approval of the italicized conforming amendments in relation to experts and external confirmations that are subject to separate due process to approve proposed ISA 620 (Revised and Redrafted) and ISA 505 (Revised and Redrafted).