Audit Evidence Update

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IAASB CAG Meeting
March 9, 2021
Previous CAG Discussion

- September 2020 IAASB CAG Meeting
  - Project update
  - Consideration of audit evidence project proposal

- Board approved project proposal in December 2020
Project Proposal: Highlights

• What are the public interest issues we are addressing?
  o Changes in information used by auditors
  o Modernize the standard and address technology
  o Fostering professional skepticism

• What do we aim to achieve?
  o Clarify the purpose of the standard, and relationship to other ISAs
  o Clarify auditor responsibility regarding information used as audit evidence
  o Adapt to a principles-based approach suitable and appropriate for all information
  o Recognize technology
    • No intention to be prescriptive about the use of technology; instead accommodate its use
  o Clarify the concept of sufficient appropriate audit evidence
  o Emphasize professional skepticism
Project Proposal: Timeline for Audit Evidence

- Project proposal approved: Dec 2020
- Approval of exposure draft: Mar 2022
- Comment period for exposure draft closes: Aug 2022
- IAASB approves final standard: Jun 2023
Progress on Key Issues

• December 2020 IAASB meeting: discussed key issues and initial direction
  o Purpose and scope of standard
  o Concept and evaluation of sufficient appropriate audit evidence – including persuasiveness of audit evidence
  o Information to be used as audit evidence
    • Principles-based approach in considering relevance and reliability of information to be used as audit evidence – applicable to all information irrespective of its source
    • Sources of information
    • Varying degree of work effort in considering information to be used as audit evidence
Progress on Key Issues

• March 2021 IAASB meeting: continue to discuss key issues and initial direction
  o Clarify definition of audit evidence – issues to explore:
    • Does information need to be subject to audit procedures to become audit evidence?
    • What is the meaning of “audit procedures”?
    • Is audit evidence the input to the audit procedures, or the output?
  o Consider relevance and reliability of information, and evaluate whether it is sufficiently relevant and reliable for auditor’s purposes:
    • More principles-based requirement that applies to all information
    • Application material:
      o Attributes of relevance and reliability
      o Factors that affect which attributes apply, the degree to which the attributes apply, and extent of auditor’s work effort in considering relevance and reliability
Progress on Key Issues

• March 2021 IAASB meeting: continue to discuss key issues and initial direction
  o Sufficient appropriate audit evidence
    • Three factors affecting auditor’s consideration of sufficient appropriate audit evidence:
      o Assessed risks of material misstatement and results of audit procedures
      o Information to be used as audit evidence
      o Effectiveness of audit procedures and whether audit procedures have been appropriately applied
  o Modernization: examples in application material to demonstrate how principles apply when information is in digital form, client uses technology or auditor uses technology
Questions or Comments?