



Audit Evidence (Update)

Bob Dohrer, Audit Evidence Working Group Chair

IAASB CAG Meeting, New York

Agenda Item I

March 11, 2020



**International Auditing
and Assurance
Standards Board**

Audit Evidence – Recap

- IAASB meeting June 2019
 - Issues related to audit evidence (AE) as contemplated by ISA 500, including potential actions to address such issues (such as standard setting or guidance)
 - The Board recommended
 - Further information-gathering and research activities (IG&R)
 - Establishing an '***Audit Evidence Workstream Plan***'
- Workstream plan sets out
 - Objective – to provide informed recommendations to the Board by **June 2020**
 - Targeted outreach with stakeholders
 - Other information gathering activities, including academic research

Audit Evidence – Targeted Outreach Process

- Development and distribution of background paper
 - Background and context
 - Questions
 - Possible issues identified (appendix – adapted from June 2019 IAASB paper)
- Video or teleconferences conducted to date
 - Selection of medium-tier firms
 - Inspectors from audit oversight bodies
 - Representatives from CEAOB
 - IOSCO
 - Rapid Response Task Force – SMPC

Questions to stakeholders:

- (a) Which issues are creating the most difficulties?
- (b) What other issues are there (not identified in appendix)?
- (c) How are firms, regulators, national standard setters and member organizations currently dealing with these issues?
- (d) What actions do you believe should the IAASB take, and how urgent are these?

Audit Evidence – Targeted Outreach Process

Outreach activities in process / to be completed

- National Standard Setters, Member Organizations and GPPC
 - Information sessions in January 2020 to provide background and emphasize the objective of the information gathering
 - Requested stakeholders to solicit input from their stakeholders and networks – encouragement to focus on those who are “on the ground”
 - Written feedback requested by April 17, 2020
- Public Sector
 - In-person discussion at INTOSAI meeting March 2020 (Kampala, Uganda)
- IFIAR
 - In-person discussion at IFIAR Standards Coordination Working Group meeting March 2020 (Rome)
- FOF
 - In-person discussion at FOF meeting March 2020 (London)
 - Session intended for those firms that have not already engaged with IAASB

Audit Evidence – Targeted Outreach Process

What Have We heard So Far?

- Medium-tier firms
- Representatives and inspector from audit oversight bodies
- IOSCO
- SMPC Rapid Response Task Force
- Other sources



Feedback presented to the CAG is based on a preliminary analysis of information gathering activities by Staff in coordination with the WG Chair. All input will be analyzed in detail and shared with the AEWG for deliberation in Q2 of 2020.

Audit Evidence – What Have We Heard So Far?

- Broad support for issues – Summary of significant issues

Issue:	Medium tier firms	Oversight Bodies	IOSCO	SMPC
Concept of sufficient appropriate audit evidence (SAAE)	√	√		√
Concern about reliability of external information, questions about social media	√		√	
Questions about how technology affects:				
• Sampling – e.g. questions about the nature and extent of the audit response when technology identifies or assesses risk	√	√	√	√
• Analyzing data versus ‘testing’ data	√	√	√	
• Materiality		√		√
Professional skepticism (PS) – enhance application material to demonstrate how the auditor exercise PS	√	√		√
Broadly agree with issues and support for standard setting or	√	√	√	√

Audit Evidence – What Have We Heard So Far?

- Other Issues Raised By Stakeholders
 - Medium-Tier Firms
 - Technology not optimally utilized due to different interpretations by Regulators (also in the context of risk of over-reliance on technology)
 - Acknowledgement of objectivity concerns, however the nature of an audit results in natural bias towards confirmatory evidence
 - Where client, such as some less complex entities (LCE), have weak controls – how does this affect the auditor's use of automated tools and techniques (ATT)?
 - Status or acceptability of oral confirmations / representations
 - Representatives and Inspectors from Audit Oversight Bodies
 - Use of technology – Quality management practices to be implemented by firms
 - IOSCO
 - General concern with auditor's exercise of PS (including use of technology, management experts)
 - Reliance on the client's information system ('black box') without reconciling inputs and outputs
 - Recognizing extent of fraudulent or false information – should the AEWG include a forensic specialist?

Audit Evidence – What Have We Heard So Far?

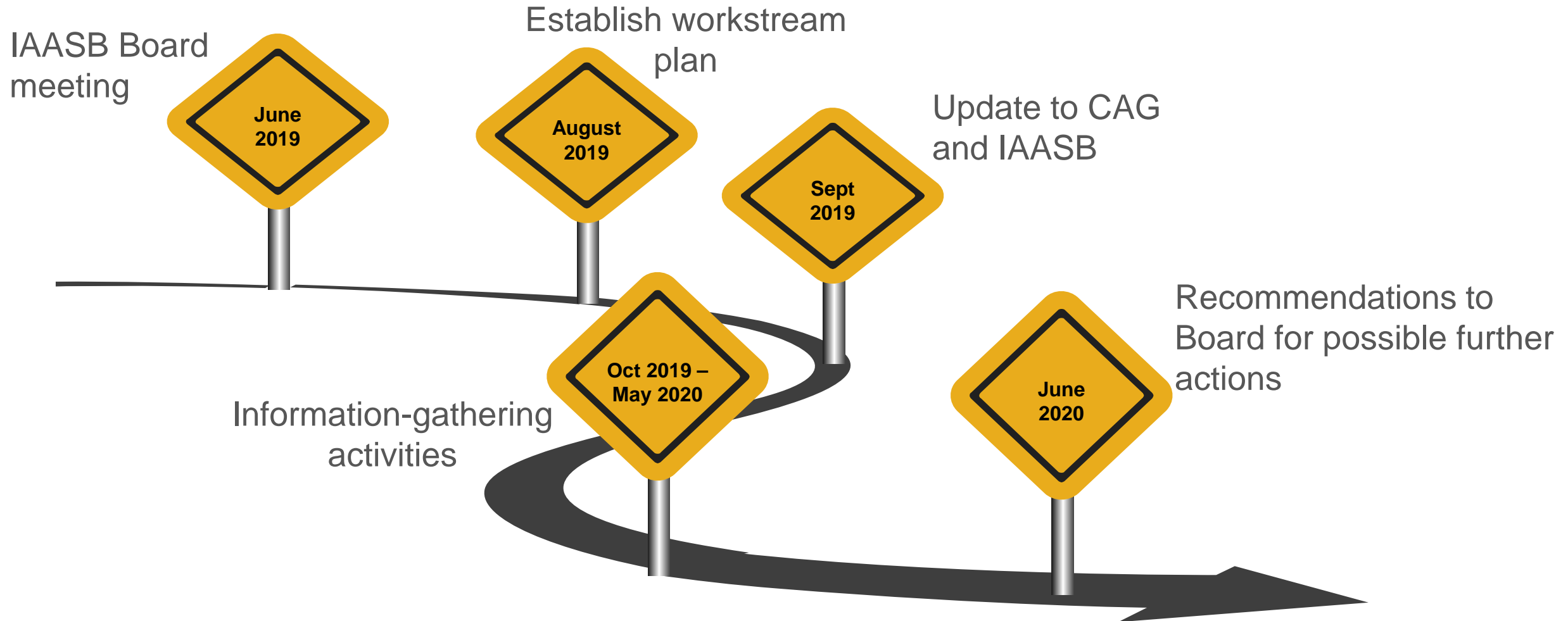
- Other Issues Raised By Stakeholders
 - SMPC
 - Questions how the auditor's use of technology affects audit documentation
 - Other broader concerns (not limited to AE) – although supportive of AE initiative, caution against 'automation bias'
 - High cost of ATT, including training of staff
 - Concern about inferring that the use of ATT is required to achieve audit quality
 - Revise standards but 'speed' is not the main goal – fit for purpose for all auditors
- What should the IAASB do?
 - Broad support for standard setting
 - Keep the standards principle based
 - PS requirements are adequate – enhance application material

Audit Evidence

- Other Resources of IG&R
 - Academic research
 - AICPA Auditing Standards Board
 - Project to revise AU-C section 500, *Audit Evidence*
 - Exposure Draft (ED) June 2019
 - Forty comment letters
 - ASB to vote on standard in April 2020



Audit Evidence – The Journey so Far and the Journey Ahead





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