



Audit Evidence

Bob Dohrer, Audit Evidence Working Group Chair

IAASB CAG Meeting

Agenda Item D

September 8, 2020



International Auditing
and Assurance
Standards Board

Targeted Outreach Feedback

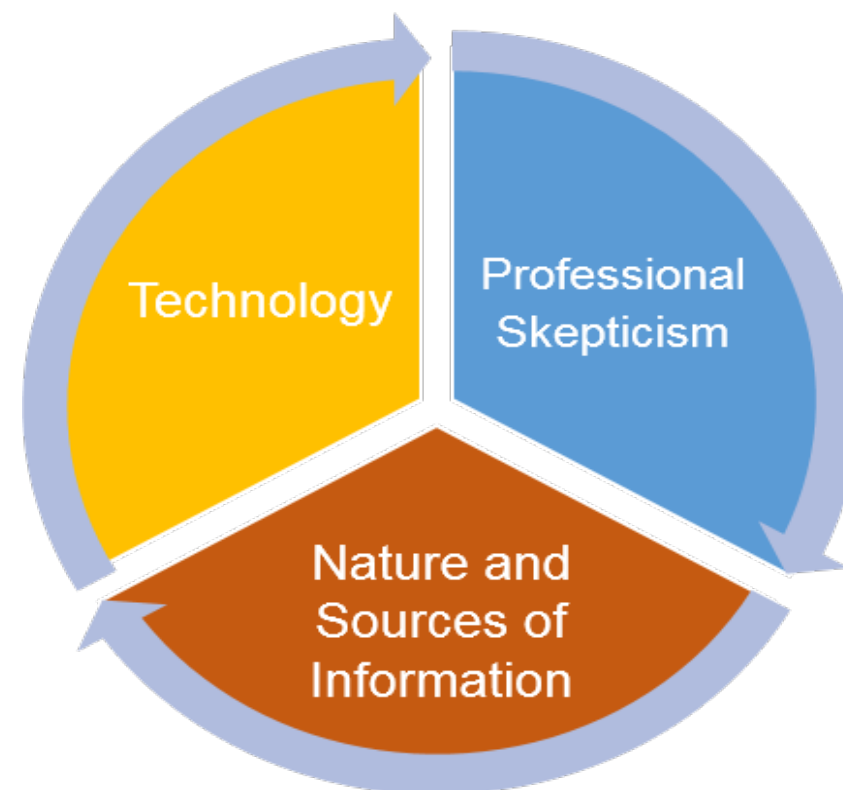
- Overall feedback presented to IAASB – June 2020 Audit Evidence issues paper
 - Reference paper for CAG (**Agenda Item D.3**)
 - Includes listing of possible issues
- Targeted outreach
 - All issues considered important, except issues related to subsequent events and going concern
 - Issues creating the most difficulties in practice closely related to concept and evaluation of sufficient appropriate audit evidence (SAAE)
- Other issues identified – added after Audit Evidence Working Group's (AEWG) evaluation
 - Explaining relationship between ISA 500 and other ISAs, including ISA 315 (Revised 2019) and ISA 330
 - Using electronic platforms in obtaining external confirmations
- What actions should the IAASB take?
 - Stakeholders proposed either or both of the following
 - Revising ISA 500, including conforming and consequential amendments
 - Developing non-authoritative guidance to address issues during the interim period

Other Information Gathering Activities

- Academic research
 - General concern about the use of technology by auditors
 - Mixed views about whether audit standards sufficiently address technology
 - Auditors' perceived resistance to use technology driven by questions about whether audit standards adequately address characteristics of SAAE
- Monitoring the activities of national standard setters and others
 - AICPA Project to revise AU-C section 500
- Based on these information gathering activities no different issues were identified

Audit Evidence – Listing of Issues

- The AEWG developed a **listing of issues**, directly related to ISA 500, which was posted as part of the **Project Update** to the Audit Evidence Project Page
- Categorized into the following topics
 - Changes in sources of information, and how the information is processed, communicated and used
 - Continual developments in technology
 - Professional Skepticism



AEWG's Recommended Actions to Board in June 2020

- Project to revise ISA 500, including conforming and consequential amendments to other standards
 - Some technology related issues to be addressed by another working group (other than the AEWG)
 - Non-authoritative support materials
 - Targeted project to address technology across ISAs (e.g. omnibus standard focused on technology)
 - Defer more fundamental revisions to other standards (e.g. ISA 330, ISA 501, ISA 505, ISA 520 and ISA 530) for future projects
- Board **supported**
 - Project to revise ISA 500, including conforming and consequential amendments (Project scope)
 - Development of project proposal to be considered at December 2020 IAASB meeting
- Board **suggested** to issue a project update

Project Proposal – How the Project Serves the Public Interest

- Responding to changes in the information that is being used by auditors, including the nature and **source of the information**
- Modernizing and supporting a principle-based standard that recognizes the evolution in **technology**
- Fostering the maintenance of **professional skepticism** when making judgments about SAAE

Project Proposal – Project Objectives

- Sources of information
 - Explain the scope of ISA 500 and its relationship with other standards
 - Evaluate appropriateness of ISA 500 definitions
 - Clarify the auditor's responsibilities in relation to different sources of information to be used as audit evidence
 - Develop enhanced set of factors or attributes of information that must be considered in evaluating and concluding on whether SAAE has been obtained
- Technology
 - Update the ISA to be sufficiently adaptable to the current business and audit environment and to better reflect the digital era
- Professional Skepticism
 - Emphasize the role of professional skepticism in relation to information to be used as audit evidence and evaluating audit evidence obtained

Project Proposal – Major issues that will be addressed

- Clarifying the objective
 - Relationship with other ISAs, in particular ISA 330
- Concept and evaluating of SAAE
 - Evaluate definitions, in particular ‘*sufficiency of audit evidence*’
 - Develop enhanced set of factors or attributes of information that must be considered in evaluating and concluding on whether SAAE has been obtained
- Sources of information, explore whether
 - The distinction in work effort between information produced by the entity and other information remains appropriate
 - Changes are required to the notion that information from any source may be susceptible to different biases
 - Information to be used as audit evidence should be subject to the same rigor, irrespective of the purpose of the audit procedure (e.g. risk assessment procedures versus substantive test of details)

Project Proposal – Major issues that will be addressed (cont.)

- Continual developments in technology
 - Clarifying the categorization of audit procedures when using automated tools and techniques
 - Explore whether the use of automated tools and techniques may allow the auditor to perform a risk assessment procedure and a substantive procedure concurrently
- Emphasize the role of professional skepticism
 - Complexity of business and financial reporting, including greater use of estimates and management judgment
 - Issues emphasized by COVID-19

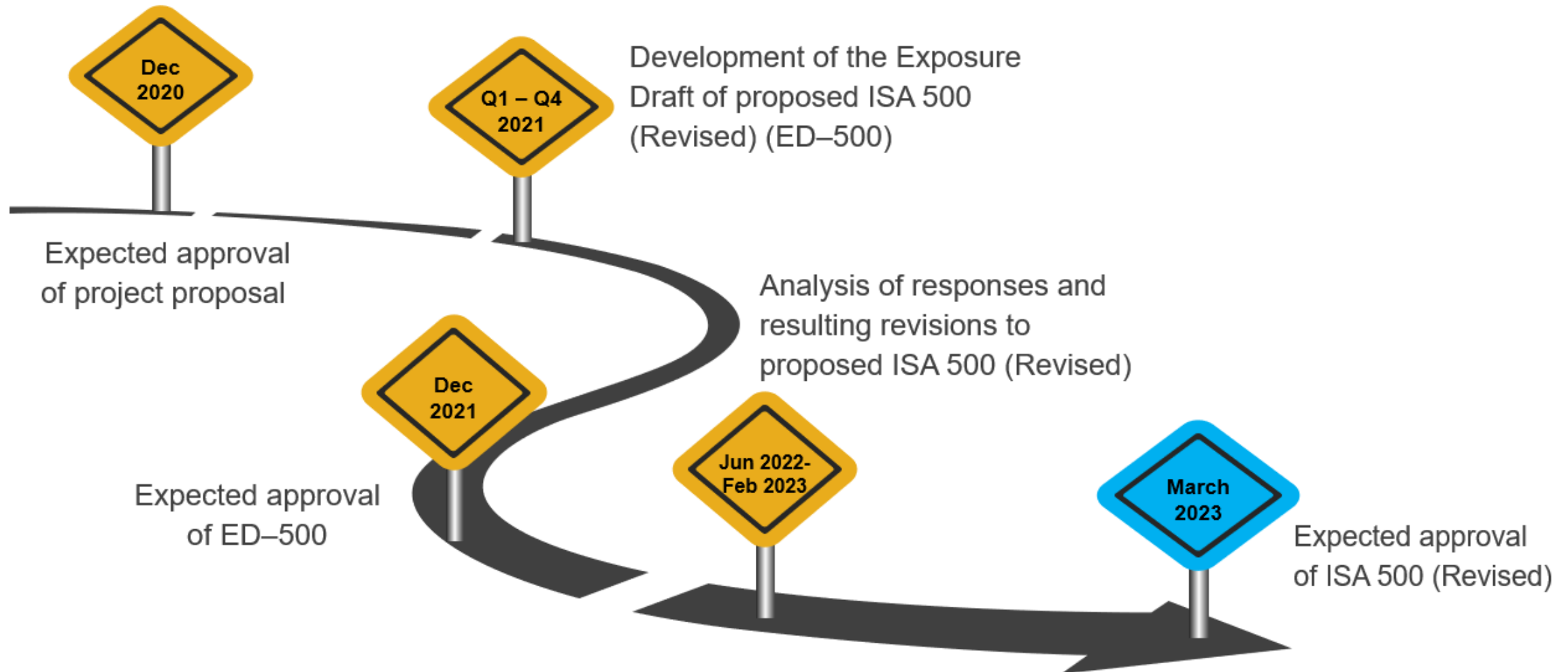
Matter for IAASB CAG Consideration

Question

The Representatives are asked for their views on the draft project proposal as presented in **Agenda Item D.2**, and in particular:

- a) Whether the major issues to be addressed are appropriate
- b) Whether the project has any implications for any specific persons or stakeholder groups, and if so, why

Audit Evidence – Way Forward





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