

**Meeting:** IAASB Consultative Advisory Group (CAG)

**Meeting Location:** Virtual Zoom Meeting

**Meeting Dates:** September 8–9, 2021

## Agenda Item

# D

### Audit Evidence – Cover and Report Back

#### Objective of Agenda Item

1. The objectives of this agenda item are to:
  - (a) Update Representatives on the progress of the audit evidence project since the March 2021 IAASB CAG meeting; and
  - (b) Report back on the CAG Representatives' comments on Audit Evidence at the March 2021 meeting.

#### Project Status

2. During the March 2021 IAASB CAG meeting, a general update of the audit evidence project was provided to the Representatives, which included information about:
  - (a) The approved Audit Evidence Project Proposal.
  - (b) The proposed project timeline.
  - (c) Progress on key issues to date.
  - (d) Key issues to be discussed at the March 2021 IAASB meeting.
3. The proposed project timeline for Audit Evidence, as presented to the IAASB CAG in March 2021, was based on the "IAASB Revised Detailed Work Plan Table for 2020–2021" published in February 2021. In terms of the February 2021 work plan, the key milestones for the Audit Evidence project were as follows:
  - (a) Expected approval of the exposure draft of Proposed ISA 500 (Revised): March 2022
  - (b) Expected approval of the final standard of ISA 500 (Revised): June 2023.
4. However, in May 2021, the IAASB published a [Revised Detailed Work Plan Table for 2020–2021](#) that superseded its work plan published in February 2021. The work plan was revised to account for the continued impact of the COVID-19 pandemic on both the Board's operations and stakeholders' capacity to implement new standards and participate in the IAASB's due process. The effect of the revisions to the IAASB's work plan has resulted in the expected approval of the exposure draft of Proposed ISA 500 (Revised) being moved to September 2022.
5. Since the March 2021 IAASB meeting, the Audit Evidence Task Force (AETF) focused its efforts on further progressing the public interest issues identified. In July 2021, the AETF discussed the following key matters with the IAASB:
  - (a) Relevance and reliability of information intended to be used as audit evidence;

- (b) Reinforcing the exercise of professional skepticism with respect to audit evidence;
  - (c) The purpose and scope of ISA 500, and the requirements that the standard should address;
  - (d) Addressing the concept of detection risk in the requirements of ISA 500; and
  - (e) Proposed approach in presenting examples to support the application of principles and concepts of the requirements in ISA 500.
6. For reference purposes, Representatives may access all the relevant Audit Evidence meeting materials at [IAASB Mid-Quarter Board Call - July 20-21, 2021](#).
  7. A full draft of proposed ISA 500 (Revised) will be presented to the Board and the CAG in March 2022.
  8. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on the topic of Audit Evidence.

#### IAASB CAG Discussion in September 2021

9. The IAASB CAG discussion in September 2021 will comprise a general update on the progress made on key public interest issues identified.
10. A presentation to guide the discussion has been provided (see **Agenda Item D.1**).

#### Feedback

11. Extracts from the draft March 2021 IAASB CAG meeting minutes, as well as an indication of how the AETF or IAASB has responded to the Representatives' comments, are included in the table below.

Representatives' Comments	IAASB or AETF Response
GENERAL	
<ul style="list-style-type: none"> <li>Mr. De Tullio noted the completed project of the Auditing Standards Board of the American Institute of Certified Professional Accountants' (AICPA) to revise clarified (AU-C) Section 500 and asked whether there were any opportunities for the AETF to leverage the work already undertaken by the AICPA.</li> </ul>	<ul style="list-style-type: none"> <li>Ms. Almond noted that the development of AU-C Section 500 (Revised) was monitored as it was developed. Ms. Almond acknowledged that the AICPA's standard is a useful reference point for the IAASB, however there are areas where a different approach may be appropriate given the different environments, in particular regarding the use of terminology in an international environment. Ms. Almond also noted that the IAASB's Audit Evidence Task Force includes some members of the AICPA's Audit Evidence Task Force</li> </ul>
<ul style="list-style-type: none"> <li>Mr. Hirai noted his support for a principles-based approach in addressing issues related to the relevance and reliability of information to be used as audit evidence.</li> </ul>	<ul style="list-style-type: none"> <li>Support noted</li> </ul>

<ul style="list-style-type: none"> <li>Ms. Meng noted her support for the general direction of the project and the key issues identified, in particular with respect to technology.</li> </ul>	<ul style="list-style-type: none"> <li>Support noted</li> </ul>
<ul style="list-style-type: none"> <li>Mr. Hirai emphasized that any revisions to ISA 500 should not give rise to undue cost and effort for auditors, noting the importance of an appropriate balance between the cost and benefit of revisions to ISA 500.</li> </ul>	<ul style="list-style-type: none"> <li>Concern noted.</li> <li>The <a href="#">Audit Evidence Project Proposal</a><sup>1</sup> notes that, regardless of the outcome of this project, there will be cost and benefit implications for audits of financial statements. However, as the auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level, such changes are expected to positively impact the quality of audits, which is in the public interest.</li> </ul>
<ul style="list-style-type: none"> <li>Mr. Hirai supported the AETF's intention to coordinate with other IAASB Task Forces or Working Groups, including the Technology Working Group and Professional Skepticism Working Group.</li> </ul>	<ul style="list-style-type: none"> <li>Support noted.</li> </ul>
<ul style="list-style-type: none"> <li>Ms. Weng also encouraged the AETF to coordinate with the IAASB's Fraud Working Group, as applicable.</li> </ul>	<ul style="list-style-type: none"> <li>Ms. Almond noted the AETF intends to coordinate with other IAASB Working Groups and Task Forces.</li> </ul>
<ul style="list-style-type: none"> <li>Mr. Yurdakul noted the importance of the auditor's documentation from the perspective of regulatory and oversight bodies, and recommended that documentation is carefully considered by the AETF.</li> </ul>	<ul style="list-style-type: none"> <li>Ms. Almond explained that ISA 230<sup>2</sup> deals with the auditor's responsibilities related to documentation and noted that the AETF will consider conforming and consequential changes that are required to other ISAs as a result of the revisions to ISA 500. Ms. Almond emphasized that the issues related to audit evidence being addressed as part of the ISA 500 project are not related to audit documentation and therefore documentation is beyond the scope of the project to revise ISA 500.</li> </ul>
<ul style="list-style-type: none"> <li>Messrs. Pavas and Hansen noted the observations of the AETF about the relationship between audit procedures and audit evidence. In particular, Mr. Hansen supported the AETF's conclusion that audit evidence is an output of audit procedures and he noted that this clarification in the revised standard would be helpful to auditors.</li> </ul>	<ul style="list-style-type: none"> <li>Support noted.</li> </ul>

<sup>1</sup> Section VII – paragraph 52

<sup>2</sup> ISA 230, *Audit Documentation*

<ul style="list-style-type: none"> <li>Mr. Hansen asked to clarify that there may no longer be a distinction between internal and external sources of information, in particular when making judgments about their relevance and reliability.</li> </ul>	<ul style="list-style-type: none"> <li>Mr. Botha and Ms. Almond clarified that the proposal of the AETF is that when dealing with information to be used as audit evidence, the auditor will be required to consider the relevance and reliability of the information, regardless of whether it is from an internal or external source.</li> <li>Mr. Botha further explained that the source of information continues to remain an important consideration of the auditor when evaluating information to be used as audit evidence.</li> <li>Ms. Almond further added that the distinction between these sources of the information is becoming more blurred, which gives rise to challenges in distinguishing requirements in the ISAs.</li> </ul>
Mr. Dalkin noted concerns about the volume of application material, also noting that over time, the ISAs have increased in volume, length and complexity, which has affected their understandability.	Ms. Almond noted that the AETF will consider such concerns in its approach when revising the application material.

## Material Presented – IAASB CAG Papers

Agenda Item D.1	Presentation
Agenda Item D.2	20210720 IAASB Agenda Item 1 Audit Evidence Issues Paper (For Reference)
Agenda Item D.3	20210720 IAASB Agenda Item 1-A Proposed Application Material in support of paragraph 7 (For Reference)

## Appendix A

### Project Details and History

Link to IAASB Project Page: [Project Page](#)

#### Summary of Discussions

	IAASB CAG Meeting	IAASB Meeting
Preliminary discussions, information gathering and the development of the Audit Evidence Workstream Plan	March 2019 September 2019 March 2020	March 2019 June 2019 September 2019 June 2020
Project Proposal	September 2020	December 2020
Development of Exposure Draft	March 2021	March 2021 July 2021

**IAASB CAG Discussions: Detailed References**

Preliminary discussions, information gathering and the development of Audit Evidence Workstream Plan	<p><u>March 2019</u></p> <p>See IAASB CAG meeting material (Agenda Item D):</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-1</a></p> <p><u>September 2019</u></p> <p>See IAASB CAG meeting material (Agenda Item E – presentation only):</p> <p><a href="https://www.ifac.org/cag/meetings-IAASB-CAG-Agenda_Item-E">https://www.ifac.org/cag/meetings-IAASB-CAG-Agenda_Item-E</a></p> <p><u>March 2020</u></p> <p>See IAASB CAG meeting material (Agenda Item I)</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-3</a></p>
Project Proposal	<p><u>September 2020</u></p> <p>See IAASB CAG meeting material (Agenda Item D)</p> <p><a href="https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york">https://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york</a></p>
Development of Exposure Draft	<p><u>March 2021</u></p> <p>See IAASB CAG meeting material (Agenda Item F)</p> <p><a href="#">IAASB CAG Meeting - March 8-9, 2021 (Virtual)   IFAC</a></p>