

Addressing the Project Objectives Included in the IAASB's [Audit Evidence Project Proposal](#)

Agenda Item E.5 provides a summary of the project objectives, including the major issues to be addressed, and how the AETF's proposals address those objectives and issues. As the project objectives are directly related to the public interest issues, this summary also illustrates how the public interest issues are being addressed. This paper is provided to the IAASB CAG Representatives for reference purposes.

A. Project Objective (Overarching): Clarify the Purpose and Scope of the Standard and its Relationship with Other Standards			
<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5–A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
1. Questions about whether:			
(a) ISA 500 ¹ is intended to be a performance standard, as opposed to a standard designed to provide context for auditor performance requirements in other standards; and	<ul style="list-style-type: none"> AETF's view is that proposed ISA 500 (Revised) is a conceptual standard and intended to address overarching requirements for the auditor throughout the audit when making judgments in relation to the audit evidence (informally referred to in AETF discussions as a "reference framework"). AETF's proposals are based on Board conclusions in March 2021 that: <ul style="list-style-type: none"> All audit procedures performed in accordance with the ISAs (not only risk assessment procedures and further audit procedures) provide audit evidence, although persuasiveness may vary, and 	<p>Introductory paragraphs: 1-3</p> <p>Requirements: 8–9</p> <p>Application material:</p> <ul style="list-style-type: none"> A1–A2 Appendix: paragraph 1 	Paragraphs: 11, 32, 19–21 and 96–99

¹ ISA 500, *Audit Evidence*

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	<ul style="list-style-type: none"> Information intended to be used as audit evidence (the input) needs to be subject to audit procedures to become audit evidence (the output). 		
(b) The objective of the standard is sufficiently distinct from the objective in ISA 330. ²	<ul style="list-style-type: none"> As discussed above, proposed ISA 500 (Revised) provides overarching requirements and guidance for evaluating audit evidence when designing and performing procedures in accordance with the ISAs. Accordingly, the proposed objective is outcome based, i.e., evaluate audit evidence to provide a basis for concluding [in accordance with ISA 330] that sufficient appropriate audit evidence has been obtained. 	Objective: 6 Requirements: 13 Application material: <ul style="list-style-type: none"> A1–A2 A83–A85 	Paragraphs: 87–89 and 99
2. Based on the outcome of the discussions about the purpose and scope of ISA 500, there may be consequences for the relevance or placement of extant ISA 500 requirements.	<ul style="list-style-type: none"> As discussed with the Board in July 2021, the AETF has not proposed moving any extant ISA 500 requirements to other ISAs. However, certain specific requirements have been subsumed into broader, overarching requirements with more detailed application material: <ul style="list-style-type: none"> Paragraph 10 of extant ISA 500 (regarding selecting items for testing) has been subsumed 	Requirements: 8(b), 9 Application material: <ul style="list-style-type: none"> A23–A28 A29–A56 	Paragraphs 26–28 and 52–68

² ISA 330, *The Auditor's Responses to Assessed Risks*

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<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5–A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
	<p>in the requirement to design and perform audit procedures that are appropriate in the circumstances to provide audit evidence to meet the purposes of the audit procedure (paragraph 8(b)).</p> <ul style="list-style-type: none"> ○ Paragraph 9 of extant ISA 500 (regarding information produced by the entity) has been subsumed in a principles-based requirement to evaluate the relevance and reliability of information intended to be used as audit evidence from any source (paragraph 9). 		
3. In addition to the objective, also consider whether the relationship of ISA 500 with other standards, including ISA 330, is adequately explained.	<ul style="list-style-type: none"> • The AETF view is that the relationship of proposed ISA 500 (Revised) with the other ISAs has been adequately explained in the Introduction section, application material and Appendix. In addition, the requirement in paragraph 8 refers to designing and performing audit procedures in accordance with the ISAs. 	<p>Introductory paragraphs: 1–3</p> <p>Requirements: 8</p> <p>Application material: A2 and Appendix</p>	<p>Paragraphs 11, 32, 19–21 and 96–99</p>

B. Project Objective: Sources of Information

- **Enhance and clarify the auditor's responsibility regarding information to be used as audit evidence, for both internal and external sources of information**
- **Develop a principles-based approach to considering and making judgments about information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained**

Issues to be Addressed	AETF's Discussions and Proposals	Paragraphs in Draft Standard (Agenda Item 5–A)	Reference in Issues Paper (Agenda Item 5)
<p>1. Many of the audit evidence issues creating the most difficulties in practice are closely related to the concept and evaluation of sufficient appropriate audit evidence, particularly in view of the evolution in the nature and sources (as well as volume) of information and the use of technology in designing and performing audit procedures. In this regard, the IAASB will explore:</p>	<ul style="list-style-type: none"> • AETF discussed with the Board in March 2021 the factors that influence the concept of sufficient appropriate audit evidence (see paragraphs 51–64 of Agenda Item 2 of the March 2021 meeting). Given the Board's strong support, these factors have been retained and are explained in the proposed application material. 	<p>Requirement: 8</p> <p>Application material:</p> <ul style="list-style-type: none"> • A9–A15 • A20–A22 	<p>Paragraphs 13–16 and 43–45</p>
<p>(a) Whether the definitions of appropriateness and sufficiency of audit evidence remain appropriate, including whether the definition of sufficiency should have a broader focus that quantity alone.</p>	<ul style="list-style-type: none"> • In March 2021, the AETF considered possible changes to the definitions of the sufficiency (of audit evidence) and appropriateness (of audit evidence). However, the Board expressed concerns about introducing changes that may not affect auditor behavior. On reflection, the AETF agreed that these concepts are well embedded and not broken, and fundamental to the ISAs as whole. The AETF has therefore proposed to substantially retain terminology used in the extant definitions, with limited 	<p>Definitions: 7(a), 7(d)</p> <p>Application material: A10–A11</p>	<p>Paragraphs 13 and 29–30</p>

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	changes to align with other terminology in the proposed revised standard.		
(b) What factors or attributes may need to be considered by the auditor in evaluating whether sufficient appropriate audit evidence has been obtained. In doing so, the IAASB will explore whether the development of a set of relevant factors or attributes is useful in enhancing auditor judgments.	<ul style="list-style-type: none"> • Key features of the AETF's proposals and the Board's discussion about the factors or attributes to evaluate information intended to be used as audit evidence included: <ul style="list-style-type: none"> ○ Introducing the concept of "attributes of information," based on a principles-based requirement that applies to all information intended to be used audit evidence, i.e., no longer having a specific requirement that applies only to information produced by the entity. – The attributes of information would be considered by the auditor when making judgments about the relevance and reliability of information to be used as audit evidence. 	Requirement: 9(b) Application material: A47–A56	Paragraphs 46–55 and 64–65

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	<ul style="list-style-type: none"> – Work effort: Based on direction from the Board, the auditor is required to “evaluate” the relevance and reliability of information (the use of “evaluate” is consistent with the Drafting Principles and Guidelines as proposed by the IAASB's Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group (“the CUSP Guidelines”). – Applicability of specific attributes: Based on direction from the Board, the requirement continues to specifically address the “accuracy” and “completeness” of the information, as necessary in the circumstances. 		
(c) The relevancy of the notion of the persuasiveness of audit evidence in the context of ISA 500, given the auditor's responsibility to obtain more persuasive audit evidence the	<ul style="list-style-type: none"> • In the December 2020 meeting, the Board supported a proposal to include the concept of persuasive audit evidence in proposed ISA 500 (Revised), but not a definition of persuasiveness. 	Application material: A9–A15	Paragraphs 14–16 and 43–45

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higher the auditor's assessment of risk.	<ul style="list-style-type: none"> Accordingly, the AETF has added application material to describe the interrelationship of the concepts of sufficiency and appropriateness of audit evidence, and how together they affect the persuasiveness of audit evidence. This application material indicates that increasing the quantity of audit evidence may not provide more persuasive audit evidence in all circumstances (see issue B.1(a) above). 		
(d) Regarding the reliability of information to be used as audit evidence, whether the focus in extant ISA 500 on evaluating the reliability of information produced by the entity remains appropriate.	<ul style="list-style-type: none"> The principles-based requirement in proposed ISA 500 (Revised) applies to all information, irrespective of source. However, as noted above, the requirement continues to specifically address the “accuracy” and “completeness” of the information, as necessary in the circumstances. 	Requirement: 9	Paragraphs 52 – 55 and 58–63
2. The IAASB will explore whether changes are needed related to:			
(a) Challenges when distinguishing between internal and external information.	<ul style="list-style-type: none"> The introduction of a principles-based requirement to evaluate the relevance and reliability of information intended to be used as audit evidence applies to both 	Requirement: 9 Application material: A41–A46	Paragraphs 58–63

	<p>internal and external information. The AETF view is that the source of information may affect the attributes that are applicable in the circumstances, and the auditor's work effort in evaluating the relevance and reliability of information to be used as audit evidence. Accordingly, the AETF has proposed application material that:</p> <ul style="list-style-type: none"> ○ Describes examples of possible information sources ○ Explains and illustrates how the source of information may affect the attributes that are applicable in the circumstances, and the auditor's work effort in evaluating the relevance and reliability of information to be used as audit evidence. ○ Explains that a precise classification of either internal or external may not be necessary. Instead, proposed guidance explains that if the source of the information is not subject to the influence of management, the auditor may not be as concerned about bias in evaluating the reliability of such information. ○ Introduces a description of an External Information Source, in lieu of the definition that was added to extant ISA 500 as a conforming and consequential amendment of ISA 540 (Revised).³ While a definition is not needed in line with the CUSP guidelines, the AETF is of the view that a description of an External Information Source is still necessary to distinguish this source from a management's expert. 		
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³ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

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<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5–A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
<p>(b) Challenges in considering the reliability of external information (e.g., information produced by the entity, external information sources, a management's expert, and a service organization).</p>	<ul style="list-style-type: none"> • The AETF has developed application material intended to address the Board's feedback on: <ul style="list-style-type: none"> ○ Possible challenges in gaining access to information, and in particular, acknowledging that despite availability, accessibility or understandability challenges, it may be the only or best audit evidence available. ○ Proposed guidance (including a linkage with ISA 220 (Revised)⁴) to emphasize availability bias, and in particular, noting that remaining alert for information that may be more suitable for the auditor's purposes, instead of information that immediately comes to mind or is readily available, may assist the auditor in mitigating the risk of availability bias. ○ Circumstances where it may not be practicable for the auditor to consider certain attributes in evaluating the reliability of information intended to 	<p>Application material:</p> <ul style="list-style-type: none"> • A36–A38 • A16–A19, A31 • A55 • A30–A35 	<p>Paragraphs 56–57</p>

⁴ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

B. Project Objective: Sources of Information			
<ul style="list-style-type: none"> Enhance and clarify the auditor's responsibility regarding information to be used as audit evidence, for both internal and external sources of information Develop a principles-based approach to considering and making judgments about information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained 			
Issues to be Addressed	AETF's Discussions and Proposals	Paragraphs in Draft Standard (Agenda Item 5–A)	Reference in Issues Paper (Agenda Item 5)
	<p>be used as audit evidence, such as the evaluation of the accuracy and completeness of information obtained from a source external to the entity.</p> <ul style="list-style-type: none"> Circumstances where information intended to be used as audit evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information, or due to war, civil unrest or outbreaks of disease. 		
<p>(c) Challenges related to possible overreliance on information from certain sources.</p>	<ul style="list-style-type: none"> The AETF has previously considered the importance and value of external information, if available and accessible to the auditor (to mitigate, for example, an over-reliance on internal sources). However, the AETF noted concern with a suggestion that external information may be superior in all circumstances, because: <ul style="list-style-type: none"> The persuasiveness of audit evidence needed is driven by a number of factors (e.g., the assessed risk of material misstatement); and 	<p>Application material:</p> <ul style="list-style-type: none"> A15 A16–A19 A61 	<p>Paragraphs 14, 22, 37–42, 43–45 and 63</p>

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Issues to be Addressed	AETF's Discussions and Proposals	Paragraphs in Draft Standard (Agenda Item 5–A)	Reference in Issues Paper (Agenda Item 5)
	<ul style="list-style-type: none"> ○ External information is not always more reliable than internal information (e.g., information on social media may not be reliable). • However, application material recognizes that in order to avoid auditor biases when designing and performing audit procedures (e.g., confirmation bias, availability bias or anchoring bias), the auditor may need to obtain information from multiple sources. • Application material also addresses automation bias (risk of over-reliance on technology) 		
(d) Whether information to be used as audit evidence should be subject to consideration of the same factors or attributes and work effort, irrespective of its source, when considering its relevance and reliability.	<ul style="list-style-type: none"> • The AETF view is that the application material describing the factors that may affect the auditor's professional judgment in evaluating information intended to be used as audit evidence address the specific issue raised in the project proposal, i.e., information intended to be used as audit evidence when performing risk assessment procedures may not need to be as precise or reliable as information intended to be used in performing further audit procedures. The application material also explains that the purpose for 	Application material: A51–A56	Paragraphs 52–55 and 64–68

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	which the information is intended to be used affects the auditor's professional judgment about the attributes of relevance and reliability that are applicable in the circumstances.		
3. The IAASB will also explore whether changes are needed related to the notion that information from any source may be susceptible to different biases, including auditor bias in considering information to be used as audit evidence.	<ul style="list-style-type: none"> • The concept of bias is addressed as part of the proposals to reinforce the auditor's exercise of professional skepticism (see Project Objective D in this paper). • Application material recognizes that various types of biases may be applicable, including auditor biases when designing and performing audit procedures (e.g., confirmation bias, availability bias or anchoring bias). In particular, it is explained that obtaining audit evidence in an unbiased manner may involve obtaining information from multiple sources. • Application material also explains that the source of the information intended to be used as audit evidence may affect the auditor's professional judgment regarding the attributes of relevance and reliability that are applicable in the circumstances. For example, if the source of the 	Requirement: 8(a) Application material: <ul style="list-style-type: none"> • A16–A19 • A43–A45 • A61 	Paragraphs 22, 37–42 and 63

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	information is not subject to the influence of management, the auditor may not be as concerned about bias in evaluating the reliability of such information.		

C. Project Objective: Technology

- *Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era.*

<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5–A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
1. Retain a principles-based approach that would contribute to the standard being scalable to a wide variety of circumstances and that remains fit for purpose. In general, the intention is not to be prescriptive with respect to the use of technology, but rather recognize or accommodate the use of technology, for example, including application	<ul style="list-style-type: none"> AETF's proposals are intended to be principles-based and are therefore not prescriptive with respect to the use of technology, but rather intended to accommodate the use of technology by the auditor or the entity. These principles, including the use of examples to demonstrate how the auditor may use automated tools and 	Application material: A3	Section E: Paragraphs 100–103

C. Project Objective: Technology			
<ul style="list-style-type: none"> Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era. 			
Issues to be Addressed	AETF's Discussions and Proposals	Paragraphs in Draft Standard (Agenda Item 5–A)	Reference in Issues Paper (Agenda Item 5)
material to demonstrate how the principles may apply when technology is involved.	techniques, are explained in the application material.		
2. New technologies have raised the following questions about audit procedures performed using automated tools and techniques:			
(a) How such procedures fall within the types of audit procedures that may be performed (e.g., inspection, observation, inquiry, etc.).	<ul style="list-style-type: none"> The AETF recognizes concerns about increasing challenges in pinpointing the nature or type of audit procedure when using automated tools and techniques. Therefore, the AETF proposals focus on designing and performing audit procedures that are appropriate in the circumstances to provide audit evidence to meet their intended purposes, and not on categorizing the types of audit procedures performed to obtain it. The proposals include: <ul style="list-style-type: none"> Relocating the application material in extant ISA 500 describing the types of audit procedures to the Appendix of Agenda Item 5–A); and Providing examples to supplement such descriptions in demonstrating the modernization of the types of audit procedures. 	Application material: <ul style="list-style-type: none"> A6–A7 Appendix: Paragraphs 2–11 	Paragraphs 33–36

C. Project Objective: Technology			
<ul style="list-style-type: none"> Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era. 			
Issues to be Addressed	AETF's Discussions and Proposals	Paragraphs in Draft Standard (Agenda Item 5–A)	Reference in Issues Paper (Agenda Item 5)
<p>(b) The nature of the audit procedures (i.e., risk assessment procedures or further audit procedures), and in particular whether an audit procedure could be both a risk assessment procedure and a further audit procedure (i.e., can achieve more than one objective).</p>	<ul style="list-style-type: none"> The AETF has developed application material about whether an audit procedure could be both a risk assessment procedure and a further audit procedure. The AETF is of the view that the notion of “risk assessment procedures” and “further audit procedures” is foundational to the ISAs. However, the AETF observed that there is some degree of categorization of audit procedures in ISA 330, as it describes tests of controls, tests of details and substantive analytical procedures. The AETF noted that further consideration of such categories may be appropriate as part of a future project on ISA 330. 	<p>Application material: A8</p>	<p>Paragraph 36(b)</p>
<p>3. The IAASB will consider other challenges arising from the continual developments in technology, for example, technology enabling the auditor to use information from a wider range of sources; and the use of innovative audit techniques to obtain, prepare or analyze information, and to process and consider increasing volumes of information and data. Such challenges may include:</p>			
<p>(a) The impact of technology in relation to sources of information and whether and how the risk of the auditor over-relying on</p>	<ul style="list-style-type: none"> Proposed application material explains the concept of automation bias, noting both the benefits of using technology as well as the risks of automation bias. In explaining the 	<p>Application material:</p> <ul style="list-style-type: none"> A16 A18–A19 	<p>Paragraphs 39, 41–42, 68, 101(b), 101(g)</p>

C. Project Objective: Technology • Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era.			
<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5–A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
technology should be addressed or clarified.	risks of automation bias, application material includes possible actions that the auditor may take to mitigate these risks (which was primarily based on non-authoritative guidance issued by the IAASB's Technology Consultation Group).	<ul style="list-style-type: none"> A61 	
(b) Whether the standard remains relevant and appropriate in relation to the selection of items for testing.	<ul style="list-style-type: none"> Paragraph 10 of extant ISA 500 (selecting items for testing) has been subsumed into paragraph 8 of proposed ISA 500 (Revised). The means of selecting items for testing is a consideration in designing and performing audit procedures that are appropriate in the circumstances to provide audit evidence to meet the purposes of the audit procedure. 	Application material: A23–A28	Paragraphs 26–28
(c) The required work effort to follow up on exceptions identified when using automated tools and techniques in performing audit procedures.	<ul style="list-style-type: none"> The AETF added application material to address this issue. 	Application material: A80	Paragraph 84

D. Project Objective: Professional Skepticism

- **Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.**

<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5-A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
<p>1. Based on its information gathering activities, the IAASB concluded that ISA 500 could more robustly address the need for professional skepticism when making judgments about information to be used as audit evidence and whether sufficient appropriate audit evidence has been obtained. In particular, it was suggested that the IAASB elaborate on what the phrase 'a critical assessment of evidence' in the definition of professional skepticism entails (e.g., by seeking to enhance ISA 500).</p>	<ul style="list-style-type: none"> • The AETF agreed that the exercise of professional skepticism and professional judgment is fundamental to obtaining and evaluating audit evidence. The AETF concluded that the discussion of professional skepticism in proposed ISA 500 (Revised) should be linked to ISA 200⁵ and ISA 220 (Revised). The concept of "a critical assessment of evidence" is referenced in the application material. • Also see issue D.3 below. 	<p>Introductory paragraphs: 4</p> <p>Application material: A16</p>	<p>Paragraphs 104–107</p>
<p>2. The IAASB will explore whether, and if so, how, to draw upon the material in ISA 220 (Revised) regarding pressures on engagement team members that impede the appropriate exercise of professional skepticism, including when evaluating audit evidence, and the need for the auditor to take appropriate action to mitigate those impediments.</p>	<ul style="list-style-type: none"> • The AETF has proposed application material that refers to the impediments to the appropriate exercise of professional skepticism when designing and performing audit procedures and evaluating audit evidence, and unconscious or conscious auditor biases, as explained in ISA 220 (Revised). This application material further explains that an awareness of unconscious or 	<p>Application material:</p> <ul style="list-style-type: none"> • A16–A17 • A31 	<p>Paragraphs 37–40 and 57</p>

⁵ ISA 200, *Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing*

D. Project Objective: Professional Skepticism

- Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.**

<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5-A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
	conscious auditor biases may enable the auditor to avoid such biases when designing and performing audit procedures.		
3. The IAASB will also explore how proposed ISA 500 (Revised) can reinforce the role of professional skepticism when making judgments about information to be used as audit evidence, irrespective of the auditor's use of manual procedures or automated tools and techniques.	<ul style="list-style-type: none"> The AETF initially presented its proposals in relation to professional skepticism to the Board in July 2021. In response to the Board's feedback, the AETF has proposed the following requirements, including related application material, to reinforce the auditor's exercise of professional skepticism when forming judgments about audit evidence: <ul style="list-style-type: none"> Designing and performing audit procedures in a manner that is not biased towards obtaining audit evidence that may corroborate the assertions in the financial statements, or towards excluding audit evidence that may contradict the assertions in the financial statements. Responding when there are doubts over the reliability of information to be used as audit evidence. 	<p>Requirements : 8(a), 11, 12, 13</p> <p>Application material:</p> <ul style="list-style-type: none"> A16–A19 A75–A77 A78–A82 A83–A85 	Paragraphs 22, 37–42, 57, 75–78, 80–84 and 87–89

D. Project Objective: Professional Skepticism

- ***Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.***

<i>Issues to be Addressed</i>	<i>AETF's Discussions and Proposals</i>	<i>Paragraphs in Draft Standard (Agenda Item 5-A)</i>	<i>Reference in Issues Paper (Agenda Item 5)</i>
	<ul style="list-style-type: none"> ○ Responding when audit evidence is inconsistent with other audit evidence. ○ Evaluating whether the audit evidence obtained meets the auditor's purposes, as a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330. In doing so, the auditor shall consider all relevant audit evidence, including audit evidence that is consistent or inconsistent with other audit evidence or assertions in the financial statements. 		