

Audit Evidence – Issues and Recommendations

Please note: This is the IAASB Audit Evidence Issues Paper that will be discussed by the Board at the March 2022 IAASB quarterly meeting (Agenda Item 5). This paper is provided to the IAASB CAG Representatives in March 2022 for reference purposes.

Objectives of the IAASB Discussion

The objective of this Agenda Item is to obtain the Board's input on:

- The proposed revisions to ISA 500,¹ presented in **Agenda Item 5–A**.
- Key issues considered by the Audit Evidence Task Force (AETF) in drafting proposed ISA 500 (Revised). The proposals outlined in this paper have taken into consideration feedback from the IAASB's previous discussions on these issues (see **Appendix 2**).

Materials Presented

Agenda Item 5	Issues and Recommendations Appendix 1 – Task Force members and activities, including outreach Appendix 2 – Previous IAASB discussions related to the Audit Evidence project Appendix 3 – Extracts from the approved July 2021 IAASB meeting minutes
Agenda Item 5-A	Proposed ISA 500 (Revised), <i>Audit Evidence</i>
Agenda Item 5-B	Mapping of Extant ISA 500 to Proposed ISA 500 (Revised) (For Reference)
Agenda Item 5-C	Addressing the Project Objectives Included in the IAASB's Audit Evidence Project Proposal (For Reference)

A. Introduction

1. This agenda item should be read in conjunction with the draft of proposed ISA 500 (Revised) presented in **Agenda Item 5–A**.

¹ ISA 500, *Audit Evidence*

Approach for the Discussion of this Agenda Item

2. The Task Force Chair will walk through the draft of proposed ISA 500 (Revised), starting with the requirements (paragraphs 8–13 of **Agenda Item 5–A**). The boxes at the beginning of each of the subsections of Section B (B.1–B.6) and Sections C and D of this paper indicate the respective paragraphs to be discussed, including the requirements and related application material and definitions. The “Matters for Board Consideration” at the end of these sections also highlight certain specific matters on which the AETF is seeking the Board’s views. The sections are as follows:
 - B.1 – Designing and performing audit procedures to obtain sufficient appropriate audit evidence
 - B.2 – Relevance and reliability of information intended to be used as audit evidence
 - B.3 – Information prepared by a management’s expert
 - B.4 – Doubts about the relevance and reliability of information intended to be used as audit evidence
 - B.5 – Inconsistencies in audit evidence
 - B.6 – Evaluating whether audit evidence obtained meets the auditor’s purposes
 - C – Definition of audit evidence and the description of accounting records
 - D – Introduction and objective²
3. Following the walkthrough of the draft of proposed ISA 500 (Revised), the AETF Chair will then ask the IAASB for its views on the matters discussed in sections E, F and G of this paper:
 - Section E – How technology has been addressed in proposed ISA 500 (Revised)
 - Section F – Other matters (professional skepticism and fraud)
 - Section G – Approach to the conforming and consequential amendments

Previous IAASB Discussions

4. Issues related to this project were discussed by the IAASB at the December 2020, March 2021 and July 2021 IAASB meetings. The issues discussed at each meeting, and relevant section of the issues paper for those meetings, are summarized in **Appendix 2**.
5. The approved minutes of the July 2021 IAASB meeting, presented in **Appendix 3**, provide further explanation about the proposals that were discussed at that meeting, including the Board’s views on such proposals. Throughout this paper, an overview has been included of previous IAASB discussions to provide relevant context to each matter, when appropriate.³

² The issues in Section B are also relevant to the issues relating to the scope and objective of proposed ISA 500 (Revised), described in Section D of this paper.

³ See also the [Approved Minutes December 2020 IAASB Meeting](#) and [Approved Minutes March 2021 IAASB Meeting](#)

Consultative Advisory Group (CAG) Discussions

6. The Chair of the AETF presented updates about the Audit Evidence project to the IAASB CAG at its March and September 2021 meetings. The CAG was broadly supportive of the direction being taken on this project. Key issues relating to the first draft of proposed ISA 500 (Revised) will be discussed with the IAASB CAG at its upcoming meeting in March 2022. Feedback from the CAG will be provided to the IAASB during the plenary session in March 2022.

Draft of Proposed ISA 500 (Revised)

7. In developing the first draft of proposed ISA 500 (Revised), the AETF has considered the [Drafting Principles and Guidelines](#) as proposed by the IAASB's Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group ("the Draft CUSP Guidelines") at the April 2021 IAASB meeting. The AETF acknowledges that such guidelines may change as the CUSP project is progressed and the Draft CUSP Guidelines are finalized.

Public Interest Issues and Project Objectives

8. The project proposal to revise ISA 500⁴ sets out three public interest issues:
 - (a) Responding to changes in the information that is being used by auditors, including the nature and source of the information;
 - (b) Modernizing and supporting a principles-based standard that recognizes the evolution in technology; and
 - (c) Fostering the maintenance of professional skepticism when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence.
9. In addressing the public interest issues, the project proposal includes the following key objectives:
 - (a) Overarching: Clarify the purpose and scope of ISA 500 and explain its relationship with other standards.
 - (b) Sources of Information: Enhance and clarify the auditor's responsibilities in relation to information to be used as audit evidence, for both internal and external sources of information. In doing so, the IAASB aims to 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.
 - (c) Technology:
 - (i) Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era, while retaining a principles-based approach that would contribute to the standard being scalable to a wide variety of circumstances and that remains fit for purpose.
 - (ii) Considerations when automated tools and techniques are used to obtain or prepare information to be used as audit evidence. However, in the context of ISA 500, this project

⁴ [Approved-IAASB-Audit-Evidence-Project-Proposal](#)

will not address how to design and perform audit procedures through the use of automated tools and techniques.

- (d) Professional Skepticism: Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.
10. **Agenda Item 5–C** 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.

B. Requirements and Application Material

B.1 Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

Relevant Paragraphs in Agenda Item 5-A			
Requirements	Application Material	Definitions	Other
8	A1–A28	7(a) and 7(d)	Appendix

Previous Board Discussions

Paragraph 6 of Extant ISA 500

11. In July 2021, the AETF proposed retaining paragraph 6 of extant ISA 500 (now paragraph 8 in **Agenda 5–A**), i.e., an overarching requirement to design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence. The AETF considered whether ISA 500 is the appropriate location for this requirement or whether it should be moved to another ISA, such as ISA 200.⁵ The AETF view was that ISA 500 remains the appropriate location because it contains overarching requirements for the auditor throughout the audit when making judgments in relation to audit evidence (informally referred to as a “reference framework”). The IAASB expressed broad support for the AETF’s proposals.
12. The IAASB also supported the enhancement of this paragraph to reinforce the exercise of professional skepticism in proposed ISA 500 (Revised) by requiring auditors to design and perform audit procedures in a manner that *“does not result in audit evidence that is biased towards corroborating the assertions in the financial statements or towards contradicting the assertions in the financial statements.”* However, the Board recommended the description be aligned to similar requirements in ISA 315 (Revised 2019)⁶ and ISA 540 (Revised),⁷ or be made less specific.

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

⁶ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 13

⁷ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraph 18

Sufficient Appropriate Audit Evidence and the Persuasiveness of Audit Evidence

13. In March 2021, the IAASB discussed the definitions of “appropriateness (of audit evidence)” and “sufficiency (of audit evidence).” The IAASB had mixed views about amending these definitions, including questions about whether the amendments would drive changes in auditor behavior or work effort.
14. In March 2021, the IAASB also discussed how auditors evaluate whether sufficient appropriate audit evidence has been obtained. Specifically, the AETF suggested that proposed ISA 500 (Revised) should explain the factors that influence the concept of “sufficient appropriate audit evidence.” The proposed factors were:
 - (a) The assessed risks of material misstatement, including:
 - (i) The nature of the risk of material misstatement, the relevant assertion(s), and the reasons for the assessment; and
 - (ii) The results of audit procedures performed, including whether any instances of fraud or error were identified.
 - (b) The information to be used as audit evidence.
 - (c) The effectiveness of the audit procedures and whether the audit procedures have been appropriately applied.
15. The IAASB strongly supported the three factors. Paragraphs 51–64 of [Agenda Item 2](#) of the March 2021 meeting further explain the thinking behind the factors.
16. Regarding the persuasiveness of audit evidence, the Audit Evidence Project Proposal⁸ noted that the IAASB will explore 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 higher the auditor’s assessment of risk in accordance with ISA 330.⁹ In December 2020, the Board supported a proposal to introduce the concept of persuasive audit evidence in ISA 500. However, the Board questioned whether the proposal to define persuasiveness of audit evidence is practicable, noting that the concept is intended to address the combination of the sufficiency and appropriateness of audit evidence and that there is a spectrum of persuasiveness.

Detection Risk

17. In March 2021, the IAASB discussed how detection risk may be addressed in ISA 500. As described above, one of the proposed factors influencing the sufficiency and appropriateness of audit evidence was the effectiveness of the audit procedures and whether the audit procedures have been appropriately applied. The effectiveness of audit procedures is embedded in the concept of detection risk described in ISA 200.¹⁰
18. In presenting its proposals in July 2021 to revise paragraph 6 of extant ISA 500 (now paragraph 8 of **Agenda Item 5-A**), the AETF noted that an inherent part of designing and performing an audit procedure that is appropriate in the circumstances is considering the effectiveness of the audit

⁸ Paragraph 36 of the [Approved-IAASB-Audit-Evidence-Project-Proposal](#)

⁹ ISA 330, *The Auditor’s Responses to Assessed Risks*, paragraph 6(b)

¹⁰ ISA 200, paragraphs A44–A46

procedure and whether it will serve the intended purpose. Although in agreement with the views of the AETF, the Board encouraged the AETF to continue to explore incorporating detection risk in ISA 500, through a requirement or application material.

AETF's Views

Requirement – Paragraph 8 of **Agenda Item 5–A** (Paragraph 6 of Extant ISA 500)

The interrelationship of ISA 500 with the other ISAs regarding designing and performing audit procedures

19. The auditor's responsibility to design and perform audit procedures is addressed throughout the ISAs. Although some ISAs specifically require the auditor to "design and perform procedures," such as ISA 315 (Revised 2019) and ISA 330, other ISAs instead describe the specific action required of the auditor.
20. The AETF observed that the requirement in paragraph 6 of extant ISA 500 is also focused on the auditor's responsibility to design and perform audit procedures. The AETF questioned whether such focus may be creating complexity for auditors in understanding the relationship of ISA 500 with the other ISAs.
21. As explained in paragraph 11, the IAASB previously supported the AETF view that ISA 500 contains overarching requirements for the auditor throughout the audit when making judgments about audit evidence. As a result, ISA 500 applies to all audit evidence obtained through designing and performing audit procedures in accordance with the ISAs. However, the other ISAs address the auditor's responsibilities for designing and performing audit procedures regarding specific aspects of the audit. The AETF has therefore redrafted the requirement in paragraph 8 of **Agenda Item 5–A** to refer to designing and performing audit procedures in accordance with the ISAs. This helps to clarify the relationship between ISA 500 (Revised) and the other ISAs.

Reinforcing the exercise of professional skepticism

22. The AETF considered the IAASB's feedback from July 2021 regarding how to reinforce the exercise of professional skepticism in designing and performing audit procedures. The AETF recognized the IAASB's desire to align with similar requirements in ISA 315 (Revised 2019)¹¹ and ISA 540 (Revised),¹² which state:

The auditor shall design and perform further audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.

However, the AETF is of the view that further clarity would be provided by being more specific about what the audit evidence is contradictory or corroborative to, i.e., the assertions in the financial statements. Paragraph 8(a) of **Agenda Item 5–A** has been drafted accordingly. This approach is supported by the IAASB's Professional Skepticism Consultation Group (PSCG).¹³

¹¹ ISA 315 (Revised 2019), paragraph 13

¹² ISA 540 (Revised), paragraph 18

¹³ The PSCG previously was the Professional Skepticism Working Group (PSWG) and references in this paper to the PSCG include the work of the PSWG.

Detection risk and effectiveness of the audit procedures

23. Detection risk is defined in paragraph 13(e) of ISA 200 as follows:

The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements.

24. ISA 200 further states:¹⁴

Detection risk relates to the nature, timing and extent of the auditor's procedures that are determined by the auditor to reduce audit risk to an acceptably low level. It is therefore a function of the effectiveness of an audit procedure and of its application by the auditor.

25. The AETF considered the IAASB's views that detection risk could be more robustly addressed in ISA 500. In particular, the AETF noted that, in designing and performing audit procedures, it is important that the audit procedure will be effective in meeting the auditor's purposes. In response to the Board's feedback, the AETF has proposed revising paragraph 8(b) to require the auditor to design and perform audit procedures that are appropriate in the circumstances to provide audit evidence *to meet the purposes of the audit procedure* (emphasis added). The AETF also has proposed the following revisions to the application material in **Agenda Item 5–A** to address detection risk either directly or indirectly:

- (a) Paragraph A11 explains that the appropriateness of audit evidence refers to the quality of audit evidence. Information that is more relevant and reliable may be of a higher quality, and therefore more persuasive.
- (b) Paragraph A15 explains factors that affect the sufficiency and appropriateness of audit evidence (and therefore its persuasiveness), including the design and performance of the audit procedures.
- (c) Paragraphs A20–A22 provide guidance regarding audit procedures that are appropriate in the circumstances. Paragraph A21 explains that detection risk is a function of the effectiveness of an audit procedure and the application of the audit procedure by the auditor.
- (d) Paragraphs A23–A28 deal with the selection of items for testing, which is an important consideration in addressing detection risk (as explained in paragraphs 26–28 below). In addition to enhancements to modernize this application material, the AETF clarified the factors the auditor may consider in determining what approach or technique is appropriate in selecting items for testing when designing and performing audit procedures.

Selecting items for testing

26. In the July 2021 IAASB meeting, the Board broadly supported the AETF's proposal to relocate paragraph 10 of extant ISA 500 to ISA 330. However, a key element of designing audit procedures that are appropriate in the circumstances is determining how items will be selected for testing. As a result, the AETF is of the view that the selection of items for testing is an integral part of designing

¹⁴ ISA 200, paragraphs A44–A46

and performing audit procedures that are appropriate in the circumstances to provide audit evidence to meet the intended purpose of the procedures.

27. Therefore, the AETF has subsumed paragraph 10 of extant ISA 500 into paragraph 8(b) of **Agenda Item 5–A**. The AETF noted that paragraph 10 of extant ISA 500 addresses selecting items for testing when designing tests of controls and tests of details, and requires the auditor to determine that the means of selecting items for testing is effective in meeting the purpose of the audit procedure. However, the AETF further noted that:
- (a) Extant paragraph 10 applies to tests of controls and tests of details, but not all tests of controls or tests of details may involve the need to select items for testing.
 - (b) Keeping the extant requirement and extending it to all audit procedures may be not appropriate because not all audit procedures involve the need to select items for testing. For example, certain automated tools and techniques used for risk assessment and analytical procedures may not involve the selection of items for testing for that purpose.
28. The AETF is of the view that the enhanced requirement in paragraph 8(b) of **Agenda Item 5–A** is a more robust approach in today’s environment because it is principles-based and can be applied to all audit procedures, supporting the notion that ISA 500 contains overarching requirements when forming judgments about audit evidence throughout the audit. Given the selection of items for testing is a key consideration in designing appropriate audit procedures, the application material regarding selecting items for testing has been linked to paragraph 8(b) of **Agenda Item 5–A**. In doing so, the AETF made a number of revisions to modernize the application material, including as noted in paragraph 25(d) above.

Matters for Board Consideration:

1. The Board is asked for its views on the requirement in paragraph 8 of **Agenda Item 5–A**. The Board is asked specifically to provide input on the following:
 - (a) Whether the proposals adequately address the concept of detection risk, as summarized in paragraph 25.
 - (b) The proposal to subsume paragraph 10 of extant ISA 500 within paragraph 8(b) of proposed ISA 500 (Revised), as discussed in paragraphs 26–28.

Definitions Related to Paragraph 8 of Agenda Item 5–A

Definitions of appropriateness (of audit evidence) and sufficiency (of audit evidence)

29. The AETF agreed with the concerns expressed by the IAASB in March 2021 about introducing changes to the definitions that may not affect auditor behavior, also noting Board comments that these concepts are well embedded and not broken, and fundamental to the ISAs as whole. The AETF has therefore substantially retained terminology used in the extant definitions. However, some

changes were made for the reasons outlined in paragraph 30 below. The proposed revisions to the definition of “appropriateness (of audit evidence)” and “sufficiency (of audit evidence)” are as follows:

Appropriateness (of audit evidence) in track changes from extant ISA 500:

The measure of the quality of audit evidence; ~~that is, the relevance and its reliability~~ in providing support for the conclusions that form the basis for ~~on which~~ the auditor’s opinion and report is ~~based~~.

Sufficiency (of audit evidence) in track changes from extant ISA 500:

The measure of the quantity of appropriate audit evidence in providing support for the conclusions that form the basis for the auditor’s opinion and report. ~~The quantity of the audit evidence needed is affected by the auditor’s assessment of the risks of material misstatement and also by the quality of such audit evidence.~~

30. The reasons for the changes to these definitions are further explained in the table below:

Appropriateness (of audit evidence)	Sufficiency (of audit evidence)
<p>For both definitions, the reference to “providing support for the conclusions that form the basis for the auditor’s opinion and report” was added as this aligns with the terminology in the proposed revised definition of audit evidence (see Section C of this paper). In March 2021, the AETF explained that:</p> <ul style="list-style-type: none"> Paragraph A30 of ISA 200 describes audit evidence as necessary to support the auditor’s opinion <u>and report</u>. The overall objectives of the auditor, as set out in paragraph 11 of ISA 200, also deal with both the opinion and report. 	
<p>The AETF noted that the extant definition refers to the relevance and reliability of “audit evidence,” whereas the focus in proposed ISA 500 (Revised) is on evaluating the relevance and reliability of information intended to be used as audit evidence (see Section B.2 of this paper).</p> <p>As explained in paragraph 25(b), the factors that affect the auditor’s judgment about the sufficiency and appropriateness (and therefore the persuasiveness) of audit evidence include the effectiveness of the audit procedures, i.e., whether the audit procedures are appropriate in the circumstances and have been appropriately applied.</p>	<p>Paragraphs A10 and A11 of Agenda Item 5–A explain that the sufficiency and appropriateness of audit evidence are interrelated, and together affect the persuasiveness of audit evidence. However, the AETF view is that a reference to “appropriate” audit evidence is still necessary to clarify the important linkage between the sufficiency and appropriateness of audit evidence.</p>

Appropriateness (of audit evidence)	Sufficiency (of audit evidence)
Accordingly, the AETF is of the view that the appropriateness of audit evidence is best defined by reference to the quality of audit evidence, which is affected by 1) the relevance and reliability of information intended to be used as audit evidence and 2) the effectiveness of audit procedures applied to the information. The application material in paragraphs A10–A15 of Agenda Item 5-A explains these concepts in greater detail.	

31. See paragraphs 43-45 below for a further explanation of the application material related to sufficient appropriate audit evidence and the persuasiveness of audit evidence.

Application Material Related to Paragraph 8 of **Agenda Item 5–A**

Audit procedures and audit evidence

32. In March 2021, the IAASB agreed that all audit procedures that are performed in accordance with the ISAs may provide audit evidence, although the persuasiveness of such evidence may vary based on the nature or purpose of the procedure. Paragraph A2 of **Agenda Item 5–A**, which is based on paragraph A14 of extant ISA 500, explains what may constitute audit procedures, and clarifies that audit procedures include other audit procedures that are performed to comply with the ISAs (i.e., not only risk assessment procedures and further audit procedures). This is an important clarification because it creates the link between ISA 500 and the other ISAs, underscoring the notion that ISA 500 contains overarching requirements relating to audit evidence when designing and performing audit procedures in accordance with the other ISAs.

Types of audit procedures

33. There are various descriptions of the nature and type of audit procedures across the ISAs and IAASB Handbook,¹⁵ for example:
- (a) ISA 330 explains that the nature of an audit procedure refers to its purpose (that is, test of controls or substantive procedure) and its type (that is, inspection, observation, inquiry, confirmation, recalculation, reperformance, or analytical procedure).¹⁶
 - (b) Paragraph A14 of extant ISA 500 describes the nature of audit procedures, and paragraphs A18–A29 of extant ISA 500 explain the types of audit procedures.
 - (c) The Glossary of Terms in the IAASB Handbook includes a description of
 - Each type of audit procedure, i.e., inspection, observation, inquiry, confirmation, recalculation, reperformance, or analytical procedure; and

¹⁵ See digital Handbook of [International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements](#)

¹⁶ ISA 330 paragraph A5

- Further audit procedures and risk assessment procedures.
- (d) Certain types of audit procedures are defined in the ISAs, i.e., analytical procedures¹⁷ and external confirmations.¹⁸
34. Paragraph 40 of the [Approved IAASB Audit Evidence Project Proposal](#) notes that new technologies have raised questions about how audit procedures performed using automated tools and techniques fall within the types of audit procedures described in the ISAs. Furthermore, in recent outreach undertaken by the AETF, the classification of audit procedures by nature and type was identified as a key issue that creates challenges in practice. Specifically, with new audit techniques being used, there are increasing challenges in pinpointing the nature or type of audit procedure because many techniques may involve a blend of types of procedures, or the types of procedures described in the ISAs may not describe the procedure being performed. Accordingly, it has been questioned whether the focus on the nature and type of audit procedures is appropriate because it may draw the auditor's focus away from the appropriateness of the procedure in the circumstances to meet the intended purpose and whether sufficient appropriate audit evidence has been obtained.
35. Given the challenges noted in practice, the AETF is of the view that the extensive application material in extant ISA 500 describing and distinguishing between the different types of audit procedures may no longer be the appropriate focus in today's environment. Accordingly, the AETF has proposed relocating the application material in extant ISA 500 describing the types of audit procedures to the Appendix in **Agenda Item 5–A**). In doing so, examples were added to demonstrate the modernization of the types of audit procedures.
36. In addition, the AETF has proposed other revisions to the application material consistent with this changed focus of proposed ISA 500 (Revised). For example:
- (a) Paragraph A7 of **Agenda Item 5–A** explains how the type of audit procedure may affect whether the audit evidence obtained has met the auditor's purposes.
 - (b) Paragraph A8 of **Agenda Item 5–A** explains that an audit procedure may serve more than one purpose.
 - (c) Paragraphs A15 and A20 of **Agenda Item 5–A** explain that the design and performance of audit procedures is a factor that affects the sufficiency and appropriateness of audit evidence, and therefore its persuasiveness.

Designing and performing audit procedures in a manner that is not biased

37. In addition to the enhanced requirement in paragraph 8(a) of **Agenda Item 5–A**, the AETF has developed application material to reinforce the exercise of professional skepticism when designing and performing audit procedures.
38. Paragraph A4 of **Agenda Item 5–A** provides general guidance about when audit evidence corroborates the assertions in the financial statements, or contradicts such assertions. In particular, the application material explains that in some circumstances the audit evidence may support a range

¹⁷ Paragraph 4 of ISA 520

¹⁸ Paragraph 6(a) of ISA 505

of possible financial statement amounts but may nonetheless support the assertions in the financial statements.

39. Paragraph A16 of **Agenda Item 5–A** indicates that an awareness of unconscious or conscious auditor biases, as explained in ISA 220 (Revised),¹⁹ when designing and performing audit procedures may help to mitigate impediments to the auditor’s exercise of professional skepticism.
40. In response to previous suggestions from the PIOB in IAASB plenary about encouraging auditors to seek external sources of audit evidence, the AETF has emphasized in paragraph A16 of **Agenda Item 5–A** that auditors should seek to avoid placing more weight on information that immediately comes to mind or using information from sources that are more readily available or accessible. Paragraph A17 of **Agenda Item 5–A** also explains that the need to obtain audit evidence from outside the entity may be affected by how persuasive the audit evidence needs to be.
41. In view of auditors’ increasing use of technology, paragraphs A18 and A19 of **Agenda Item 5–A** explain auditor bias when using automated tools and techniques. Paragraph A18 explains how the use of automated tools and techniques in performing audit procedures may reduce the risk of certain auditor biases. Paragraph A19 explains that the use of automated tools and techniques in performing audit procedures may give rise to a risk of automation bias, and possible actions that the auditor may take to mitigate this risk. The guidance in paragraph A19 was primarily based on non-authoritative guidance issued by the IAASB’s Technology Consultation Group.²⁰
42. Automation bias may also arise when the auditor receives information in a digital form or the information has been generated by automated systems. In such cases, the auditor may place overreliance on the relevance and reliability of such information. Given this is related to the evaluation of the relevance and reliability of information intended to be used as audit evidence, paragraph A61 of **Agenda Item 5–A** explains automation bias in this context and possible actions that the auditor may take to mitigate the risk of automation bias when evaluating the relevance and reliability of information that has been generated by automated systems.

Application material related to sufficient appropriate audit evidence and the persuasiveness of audit evidence

43. Paragraph A9 of **Agenda Item 5–A** explains that the auditor considers all audit evidence obtained during the audit to provide a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330. As explained in ISA 330, the auditor’s judgment as to what constitutes sufficient appropriate audit evidence is influenced by a number of factors, including the persuasiveness of the audit evidence.
44. Paragraphs A10–A11 of **Agenda Item 5–A** further explain the meaning of the definitions of appropriateness (of audit evidence) and sufficiency (of audit evidence), and how they relate to the persuasiveness of audit evidence.
45. Given the IAASB’s support in March 2021 for the factors that affect the considerations regarding sufficient appropriate audit evidence, paragraphs A13–A15 of **Agenda Item 5–A** explain these factors, and

¹⁹ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

²⁰ [Non-authoritative support material related to technology: Frequently asked questions addressing the risk of overreliance in technology](#)

provide examples of how they may influence the auditor's professional judgment. Of note is the factor in paragraph A15 regarding the “design and performance of the audit procedures, i.e., whether they are appropriate in the circumstances and have been appropriately applied.” It underscores the importance of paragraph 8(b) of **Agenda Item 5–A**, which drives the auditor to consider, as and when audit procedures are being designed and performed, that the audit procedure will be effective in meeting its intended purpose. A reference has also been provided to paragraphs A20–A22 of **Agenda Item 5–A** to reinforce the notion that if the application of audit procedures is inappropriate, detection risk may not be reduced to an appropriate level.

Matters for Board Consideration:

2. The Board is asked for its views on:

- The definitions of appropriateness (of audit evidence) and sufficiency (of audit evidence) in paragraphs 7(a) and 7(d) of **Agenda Item 5–A**; including, the related application material in paragraphs A1–A15 of **Agenda Item 5–A**; and
- The other application material related to paragraph 8 in **Agenda Item 5–A**.

In providing views on the above, the Board is asked specifically to provide input on the following:

- (a) Whether the Board agrees with relocating descriptions and explanations about the types of audit procedures to the Appendix, as discussed in paragraphs 33–36.
- (b) The proposed application material to address automation bias, as discussed in paragraphs 41–42.

B.2 Relevance and Reliability of Information Intended to be Used as Audit Evidence

Relevant Paragraphs in Agenda Item 5-A			
Requirement	Application Material	Definitions	Other
9	A29–A61	N/A	N/A

Previous Board Discussions

Evaluating the Relevance and Reliability of Information Intended to be Used as Audit Evidence

46. In December 2020, the AETF proposed a principles-based approach in considering information to be used as evidence, given the changes in the nature and number of information sources and evolution in technology. Key features of the proposals and Board discussion included:
- (a) Introducing a 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.
 - (b) The attributes of information that may be considered by the auditor when making judgments about the relevance and reliability of information to be used as audit evidence, which would be included in the application material. Although there was support for the attributes, there was

caution that it should be clear that not all of the attributes apply in all circumstances (i.e., to avoid a checklist approach).

- (c) The expected work effort involved in considering the relevance and reliability of information intended to be used as audit evidence, in particular since the work effort may vary based on the circumstances or how the information is being used in the audit procedure.
47. Given the Board's support for the proposed direction, the AETF presented in March 2021 an initial draft of a principles-based requirement, which would replace paragraphs 7 and 9 of extant ISA 500. The Board had various suggestions, in particular further considering how to incorporate accuracy and completeness in the requirement, and clarifying the auditor's work effort.
48. In July 2021, the AETF proposals focused on the auditor's work effort and whether to explicitly refer to the attributes of accuracy and completeness in the requirement. Key features of the proposals and Board discussion were as follows:
- (a) Based on the Draft CUSP Guidelines, it was agreed that the verb "evaluate" best describes the work effort regarding the relevance and reliability of information to be used as audit evidence. The AETF further explained that there is scalability in the work effort because the work effort may vary based on a number of factors, including the purpose for which the information is used and the source of the information. The AETF also noted that in some circumstances, it may be evident that the information is sufficiently relevant and reliable for the auditor's purposes without much work effort. The Board encouraged the AETF to consider the associated documentation arising from the requirement and cautioned not to create an unnecessary burden on auditors.
 - (b) On balance, the Board indicated that the requirement should continue to specifically address the accuracy and completeness of the information, as necessary in the circumstances, and provided suggestions on how to do so.
 - (c) The Board asked the AETF to clarify the use and meaning of "sufficiently relevant and reliable," in particular what is "sufficient" in this context.

Application Material Related to the Relevance and Reliability of Information Intended to be Used as Audit Evidence

49. In March and July 2021, the AETF presented initial proposals regarding application material to support the requirement to evaluate the relevance and reliability of information intended to be used as audit evidence. Key features of this application material included:
- (a) The attributes to explain the meaning of relevance and reliability, based on the attributes discussed with the Board in December 2020.
 - (b) Emphasis that not all of the attributes need to be considered by the auditor for each piece of information in every circumstance and that there is a spectrum of work effort.
50. Based on the July 2021 proposals, the Board encouraged the AETF to:
- (a) Further emphasize that the attributes that may be considered by the auditor relating to relevance and reliability, respectively, are not intended to be used as a checklist;

- (b) Address the risk of auditor bias when considering the attributes, particularly when the information has been generated through technology; and
 - (c) Further emphasize that the evaluation of the relevance and reliability of information intended to be used as audit evidence may be performed concurrently with the actual audit procedure applied to the information when obtaining such audit evidence.
51. The AETF also outlined in March 2021 how the application material would address the availability, accessibility and understandability of information. The Board provided a number of suggestions in this regard.

AETF's Views

Requirement – Paragraph 9 of **Agenda Item 5–A**

52. Since July 2021, the AETF has proposed the following changes to the requirement to evaluate the relevance and reliability of information intended to be used as audit evidence:

*Paragraph 9 of **Agenda Item 5–A** marked from the version presented in July 2021:*

The auditor shall evaluate whether the information intended to be used as audit evidence is ~~sufficiently~~ relevant and reliable for the auditor's purposes. In making this evaluation, the auditor shall consider:

- (a) The source of the information; and
- (b) The attributes of relevance and reliability that are applicable in the circumstances, including, as necessary, accuracy and completeness.

53. The AETF removed the reference to “sufficiently” given the Board’s question about the meaning of “sufficient.” In particular, the AETF noted that the use of the term may create confusion with the notion of “sufficiency (of audit evidence).”
54. The AETF noted the Board’s caution in July 2021 to not create an unnecessary burden on auditors in evaluating the relevance and reliability of information. The Board had also recommended emphasizing that all of the attributes of relevance and reliability in the application material are not intended to be applicable in each circumstance (i.e., they should not be used as a checklist). Taking into account this feedback, the AETF considered how the requirement could continue to specifically address the accuracy and completeness of the information, and at the same time reflect the varying degree of work effort and applicability of the attributes. The AETF therefore introduced further considerations for the auditor in evaluating the relevance and reliability of the information. For example:
- (a) *The source of the information.* The AETF is of the view that, although one of many factors, the source of the information in general has a significant effect on the degree of the auditor’s work effort and which attributes are applicable in the circumstances. In particular, the source of the information may be important in considering the degree of management bias in the information.
 - (b) *The attributes of relevance and reliability that are applicable in the circumstances, including as necessary, accuracy and completeness.* Although paragraph 9 includes an explicit reference to accuracy and completeness, it does not require the auditor to evaluate these attributes in

every circumstance. The AETF observed that paragraph 9 of extant ISA 500 also uses the term “as *necessary*” when describing the auditor’s work in relation to the accuracy and completeness of information.

55. The AETF notes that the use of the term “consider” to describe the auditor’s work effort in relation to the considerations in paragraph 9(a)–(b) of **Agenda Item 5–A** is appropriate because it describes a work effort that requires the auditor to *think* carefully about something, but does not require an analysis of such aspects (based on the Draft CUSP Guidelines).

Application Material Related to Paragraph 9 of **Agenda Item 5–A**

Availability, accessibility and understandability of information

56. In March 2021, the Board provided a number of suggestions regarding the proposed application material to address the availability, accessibility and understandability of information, in particular acknowledging that despite availability, accessibility or understandability challenges, it may be the only or best audit evidence available.
57. In response to the Board’s comments, the AETF has revised this application material (see paragraphs A30–A38 of **Agenda Item 5–A**). Other key changes made since March 2021 include a linkage with ISA 220 (Revised) to emphasize availability bias, and clarifying the implications in circumstances when it is not practicable to obtain or understand the information.

Sources of information

Definition of External Information Source and Application Material in Extant ISA 500 Regarding an External Information Source

58. In March 2021, the AETF proposed to the Board four categories that describe the sources of information that may be used by the auditor in obtaining audit evidence. In providing the proposals, the AETF was conscious of the need to explore retaining the definition of an external information source (EIS) introduced into extant ISA 500 as a conforming and consequential amendment of ISA 540 (Revised). Other categories proposed were:
- (a) An internal information source;
 - (b) Other external sources that are not considered an EIS as defined; and
 - (c) Auditor-generated information.
59. The IAASB acknowledged the AETF’s challenges of trying to retain the definition of an EIS, and reconciling it with other sources external to the entity more broadly. However, the IAASB asked that the categories be simplified, noting that the definition of an EIS may need to be revised. The Board also was uncertain whether “auditor generated information” should be a separate category of sources of information.
60. The AETF explored the use of the term EIS throughout the suite of ISAs. Based on the review, the AETF observed that:
- (a) EIS is a concept largely dealt with in the application material of extant ISA 500.

- (b) With the exception of paragraph 7 of extant ISA 500, the term is not used in any ISA requirements. However, paragraph 7 of extant ISA 500 applies to all information irrespective of its source (EIS is merely emphasized)
61. The AETF noted that the Draft CUSP Guidelines recommend that “only terms that appear in the requirements section of ISAs are defined.” Given that paragraph 9 of Agenda Item 5–A no longer has a reference to EIS (i.e., the requirement applies to all information irrespective of its source), the AETF is of the view that the definition of EIS is not needed. However, for the reasons stated below, the AETF is of the view that a description of EIS is still necessary in the ISAs, and can be incorporated in the application material:
- (a) A description of EIS assists in identifying whether information prepared by an external individual or organization is considered information prepared by a management’s expert, for which there are specific requirements in the ISAs. Paragraph A42 of **Agenda Item 5–A** explains this further.
 - (b) In the example in paragraph A43 of **Agenda Item 5–A**, it is helpful to be able to explain the degree of work effort that may be appropriate when the information is from an EIS, i.e., that extensive effort may not be needed. The AETF understands a key purpose in introducing EIS into extant ISA 500 as part of the ISA 540 (Revised) project was, in part, intended to emphasize that information from an EIS, as specifically described, may be determined to be reliable without significant work effort.
62. The AETF considered the extensive application material introduced in ISA 500 to address EIS (paragraphs A39–A44 of extant ISA 500), and in particular whether it should be retained. The AETF noted that some of the concepts embedded in the application material were also relevant to information from other sources and are not unique to information from an EIS. **Agenda Item 5–B** presents a mapping of extant ISA 500 with proposed ISA 500 (Revised), including how the existing application material in ISA 500 for EIS is addressed in **Agenda Item 5–A**.

Describing the various sources of information

63. The AETF noted that different sources 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. Furthermore, sources are important in explaining matters such as:
- (a) Management’s influence on the source and the impact this may have on the reliability of the information, i.e., it may be subject to management bias (see paragraph A44 of **Agenda Item 5–A**).
 - (b) Obtaining audit evidence in an unbiased manner may involve obtaining information from multiple sources (see paragraph A45 of **Agenda Item 5–A**).

Accordingly, the AETF has proposed application material that describes examples of possible information sources, although this is not intended to be complete (see paragraph A41 of **Agenda Item 5–A**). The application material also 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 (see paragraph A43 of **Agenda Item 5–A**).

Attributes of relevance and reliability of information

64. Paragraphs A47–A49 of **Agenda Item 5–A** describe the attributes of relevance and reliability of information and provide examples of attributes for the auditor in considering the degree to which information intended to be used as audit evidence is relevant or reliable.
65. In view of recent guidance published by national standard-setters addressing the integrity of information, the AETF has also proposed application material (see paragraph A50 of **Agenda Item 5–A**) to explain that the reliability of information (e.g., the attributes of accuracy, completeness and authenticity) may be affected by whether its integrity has been maintained during information processing activities.

Evaluating the relevance and reliability of information intended to be used as audit evidence

66. Paragraphs 52–55 above explain how the requirement in paragraph 9 of **Agenda Item 5–A** was enhanced to reflect the varying degree of work effort and that not all attributes are applicable in all circumstances. The application material also addresses the Board's comment in July 2021 that the attributes that may be considered by the auditor are not intended to be used as a checklist (see paragraphs A51–A56 of **Agenda Item 5–A**).
67. The AETF added application material in paragraphs A57–A60 of **Agenda Item 5–A** to explain the audit procedures performed to evaluate the relevance and reliability of information intended to be used as audit evidence.
68. The AETF agreed with the Board's suggestion to specifically address the risk of automation bias when considering the attributes of relevance and reliability. Paragraph A61 of **Agenda Item 5–A** was added in response to this suggestion.

Matters for Board Consideration:

3. The Board is asked for its views on
- The requirement in paragraph 9 of **Agenda Item 5–A**; and
 - The related application material in paragraphs A29–A61 of **Agenda Item 5–A**.

In providing views on the above, the Board is asked specifically to provide input on replacing the definition of EIS with a description in the application material (see paragraphs 58–62 above).

B.3 Information Prepared by a Management's Expert

Relevant Paragraphs in Agenda Item 5-A			
Requirement	Application Material	Definitions	Other
10	A62–A74	7(c)	N/A

Previous Board Discussions

69. The AETF has not previously explored revisions to this requirement with the Board.

AETF's Views

70. The AETF considered how paragraph 8 of extant ISA 500 addressing information prepared by a management's expert relates to the overarching requirement in paragraph 7 of extant ISA 500 addressing the relevance and reliability of information intended to be used as audit evidence. The AETF is of the view that extant paragraph 8 builds upon extant paragraph 7.

71. Consistent with the approach in extant ISA 500, the AETF is of the view that paragraph 10 of proposed ISA 500 (Revised) should address important and specific implications when using information prepared by the management's expert, although still recognizing the fundamental concepts of relevance and reliability that are addressed in the overarching requirement in paragraph 9 of **Agenda Item 5–A**. Accordingly, the AETF determined the following changes are necessary to paragraph 8 of extant ISA 500, now paragraph 10 of **Agenda Item 5–A**:

- (a) A more explicit connection has been made between paragraph 9 and paragraph 10 of **Agenda Item 5–A** to clarify that paragraph 9 still applies.
- (b) Given paragraph 9 of **Agenda Item 5–A** already focuses on the auditor's purposes, the following conditionality was considered redundant and was removed: *"to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes."*
- (c) Retain the requirement in paragraph 8(a) of extant ISA 500 about the need to evaluate the competence, capabilities and objectivity of the management's expert. The AETF is of the view that the importance of such evaluation is well understood by stakeholders and is in the public interest when the entity employs or engages an expert in preparing the financial statements. Application material in paragraph A65 of **Agenda Item 5–A** explains that the evaluation of the competence, capabilities and objectivity of the management's expert may inform the auditor's consideration of the attributes of credibility and bias.
- (d) The requirement in paragraph 8(b) of extant ISA 500 to obtain an understanding of the work of the management's expert has been expanded and clarified in paragraphs 10(b) and 10(c) of **Agenda Item 5–A**. In this regard, the AETF noted that:
 - (i) An understanding of the work performed by the management's expert would include an understanding of the information that has been prepared by the management's expert.
 - (ii) How management has considered the appropriateness of the information prepared by the management's expert may assist the auditor in evaluating the relevance and reliability of such information.

- (iii) The information prepared by the management's expert may have been modified by management, which could affect the reliability of the information. Therefore, it is essential that the auditor understands such modifications, if any.
 - (e) The requirement in paragraph 8(c) of extant ISA 500 to evaluate the appropriateness of the expert's work as audit evidence for the relevant assertion was deemed redundant because such evaluation is included in the scope of paragraph 9 of **Agenda Item 5-A**. The AETF's view is based on the application material in paragraph A59 of extant ISA 500, which describes the auditor's considerations when evaluating the appropriateness of the management's expert work as audit evidence.
 - (f) The AETF further observed that extant paragraph 8(c) and the considerations in paragraph A59 are either applicable to other sources of information (i.e., they are not unique to information prepared by a management's expert), or are addressed more robustly in other requirements of **Agenda Item 5-A**, or other ISAs, such as ISA 540 (Revised). Moreover, the relevant application material in extant ISA 500 has been retained in all material respects in paragraph A70 of **Agenda Item 5-A**.
72. In revising the application material, the AETF focused on clarifying the work effort or considerations in fulfilling paragraph 10 of **Agenda Item 5-A**, while also challenging whether certain application material in extant ISA 500 could be streamlined or deleted in accordance with the Draft CUSP Guidelines.

Matters for Board Consideration:

4. The Board is asked for its views on

- The requirement in paragraph 10 of **Agenda Item 5-A**; and
- The related application material in paragraphs A62–A74 of **Agenda Item 5-A**.

In providing views on the above, the Board is asked specifically to provide input on the following:

- (a) Whether it is clear that paragraph 10 builds on, and is therefore incremental to, the overarching requirements of paragraph 9.
- (b) Retaining in paragraph 10(a) the reference to the evaluating the competence, capabilities and objectivity of the management's expert, and the description in paragraph A65 of **Agenda Item 5-A** regarding the link to the attributes of credibility and bias.

B.4 Doubts About the Relevance and Reliability of Information Intended to be Used as Audit Evidence

Relevant Paragraphs in Agenda Item 5–A			
Requirement	Application Material	Definitions	Other
11	A75–A77	N/A	N/A

Previous Board Discussions

73. In July 2021, the AETF proposed amendments to:
- (a) Separate paragraph 11 of extant ISA 500 into two parts as it deals with two different matters, i.e., (i) inconsistencies in audit evidence, and (ii) doubt over the reliability of information to be used as audit evidence.
 - (b) Require the auditor to attempt to seek additional information if the auditor has doubts about the relevance and reliability of the information. The AETF noted that the proposed enhancement may encourage auditors to seek alternative sources of information in certain circumstances (such as external sources).
74. The Board broadly supported the AETF proposals, but asked the AETF to:
- (a) Retain the reference to “doubt” over the reliability of information to be used as audit evidence, as the AETF’s July 2021 drafting appeared too definitive;
 - (b) Reconsider whether the requirement should address doubt over the *relevance* of the information, as relevance is a binary decision rather than something an auditor may have doubt over; and
 - (c) Consider whether it is necessary for the auditor in all instances to determine what modifications or additions to audit procedures are necessary, and also consider effects on other aspects of audit, i.e., it may be either.

AETF’s Views

75. The AETF has proposed the following changes to the requirement in paragraph 11 of **Agenda Item 5–A**:

*Paragraph 11 of **Agenda Item 5–A** marked from the version presented in July 2021:*

If the auditor has doubts about the relevance or reliability of information intended to be used as audit evidence ~~is not sufficiently relevant and reliable for the auditor’s purposes~~, the auditor shall:

- (a) Determine what modifications or additions to audit procedures are necessary to resolve the matter, including attempting to obtain additional information that is relevant and reliable for the auditor’s purposes; or
- (b) Consider the effect of the matter, if any, on other aspects of the audit.

76. In making the above revisions, the AETF considered the Board's feedback in July 2021 regarding the reference to "relevance" and whether both actions are applicable in all circumstances. The AETF determined that:
- (a) Information intended to be used as audit evidence may be relevant for the auditor's purposes at a certain point in time. However, the degree of the relevance of such information may change based on events or conditions, such as the identification of new information. For example, the auditor may identify information from an alternative or more credible source which negates, or causes doubt about, the relevance of the initial information intended to be used as audit evidence. The AETF therefore remains of the view that the reference to doubts about the relevance of information is appropriate.
 - (b) The Draft CUSP Drafting Guidelines note that in a bulleted list, "or" means that there could be one or more matters that need to be taken into account. The use of the term "or" is therefore appropriate because each action may be applicable in the circumstances, but not necessarily both.
77. The AETF has enhanced the application material in support of the requirement to assist in reinforcing professional skepticism. For example, the application material highlights factors or circumstances that may indicate doubt about the reliability of information intended to be used as audit evidence (see paragraph A75 of **Agenda Item 5–A**). The application material also provides stronger linkages with other ISAs, such as whether the doubts about the reliability of the information brings into question management's representations and whether there is fraud (see paragraph A76 of **Agenda Item 5–A**).
78. In emphasizing the importance and value of information sources external to the entity, the proposed application material also explains that in attempting to obtain additional information that is relevant and reliable for the auditor's purposes, the auditor may seek information from alternative sources, which may include information from external sources (see paragraph A77 of **Agenda Item 5–A**).

Matters for Board Consideration:

5. The Board is asked for its views on
- The requirement in paragraph 11 of **Agenda Item 5–A**; and
 - The related application material in paragraphs A75–A77 of **Agenda Item 5–A**.

B.5 Inconsistencies in Audit Evidence

Relevant Paragraphs in Agenda Item 5-A			
Requirement	Application Material	Definitions	Other
12	A78–A82	N/A	N/A

Previous Board Discussions

79. As noted in paragraph 73 above, in July 2021 the AETF proposed separating paragraph 11 of extant ISA 500. The AETF also proposed enhancing the requirement to reinforce professional skepticism

by expanding the requirement to deal with inconsistencies in audit evidence more broadly (rather than focusing only on inconsistencies between audit evidence from different sources). The AETF also proposed including application material to explain how inconsistencies between audit evidence may affect the auditor's considerations regarding the reliability of such information. The Board's feedback included considering whether:

- (a) This requirement could be further emphasized, given that inconsistent information or audit evidence may be indicative of a risk of material misstatement;
- (b) A reference to both information and audit evidence is necessary; and
- (c) The requirement may result in onerous documentation requirements.

AETF's Views:

- 80. The AETF explored whether the proposed requirement in paragraph 12 of **Agenda Item 5–A** may be simplified by combining it with paragraph 11 of **Agenda Item 5–A**. However, the AETF concluded that the scope of the requirements is different, and therefore the auditor's actions are likely different. One deals with information intended to be used as audit evidence (i.e., audit procedures have not been applied and the auditor may decide not to use the information), and the other deals with audit evidence obtained, i.e., audit procedures have been applied and the information was already evaluated as relevant and reliable for the auditor's purposes.
- 81. The AETF therefore has proposed retaining the separate requirement in paragraph 12 of **Agenda Item 5–A**, and revising it as follows:

*Paragraph 12 of **Agenda Item 5–A** marked from the version presented in July 2021:*

If audit evidence ~~or information intended to be used as audit evidence~~ is inconsistent with other audit evidence, the auditor shall:

- (i) Determine what modifications or additions to audit procedures are necessary to resolve the matter; or
- (ii) Consider the effect of the matter, if any, on other aspects of the audit.

- 82. The AETF notes that the above requirement is largely similar to paragraph 11 of extant ISA 500, with the exception that it refers to "audit evidence" instead of "audit evidence obtained from one source." The AETF is of the view that this is a more robust approach because audit evidence from the same source could be inconsistent.
- 83. The AETF has developed application material to further enhance professional skepticism, and to improve the linkages with other ISAs. For example, the application material highlights the possibility of management bias (paragraph A78 of **Agenda Item 5–A**), that the information may not be reliable (paragraph A79 of **Agenda Item 5–A**), or that there may be a heightened risk of material misstatement (paragraphs A80–A81 of **Agenda Item 5–A**).
- 84. In addition, the AETF has developed guidance to explain that the performance of an audit procedure may identify items that are inconsistent with the auditor's expectations or that exhibit characteristics

that are unusual for the population (paragraph A80 of **Agenda Item 5–A**). Such guidance, based on input from the Technology Consultation Group, explains that:

- (a) These items may indicate a potential misstatement in the financial statements;
- (b) Different terminology may be used to describe these items, for example exceptions or outliers; and
- (c) The auditor may need to further investigate the items, and determine whether modifications or additions to the audit procedures are necessary, and consider the effect on the audit.

The proposed application material also addresses a specific issue included in the Audit Evidence Project Proposal, i.e., the required work effort when following up on exceptions identified when using automated tools and techniques in performing audit procedures.²¹

Matters for Board Consideration:

6. The Board is asked for their views on

- The requirement in paragraph 12 of **Agenda Item 5–A**; and
- The related application material in paragraphs A78–A82 of **Agenda Item 5–A**.

In providing views on the above, the Board is asked specifically to provide input on whether the distinction between the requirements in paragraphs 11 and 12 of **Agenda Item 5–A** is clear.

B.6 Evaluating Whether Audit Evidence Obtained Meets the Auditor’s Purposes

Relevant Paragraphs in Agenda Item 5–A			
Requirement	Application Material	Definitions	Other
13	A83–A85	N/A	N/A

Previous Board Discussions

85. In July 2021, the AETF proposed that ISA 500 provides a reference framework (as discussed in paragraph 11 above) for the auditor throughout the audit when making judgments in relation to audit evidence (the output), including information intended to be used as audit evidence (the input). In exploring what requirements should be addressed in ISA 500, the AETF asked the Board in particular about whether ISA 500 should:

- (a) Include a requirement to conclude whether sufficient appropriate audit evidence has been obtained to draw reasonable conclusions on which to base the auditor’s opinion, i.e., to create a complete reference framework addressing both the input (the information) and the output (the evidence); and

²¹ See paragraph 42 of [Approved-IAASB-Audit-Evidence-Project-Proposal](#)

- (b) Address professional skepticism by requiring the auditor to consider all relevant audit evidence, including audit evidence that is consistent or inconsistent (or corroborative or contradictory) with other audit evidence or the assertions in the financial statements.
86. The Board expressed mixed views about whether the proposed requirement should be added to ISA 500. While some Board members cautioned against having duplicative requirements throughout the ISAs, others encouraged further exploring the suggested requirement, provided it is clear what is expected of the auditor in each circumstance the requirement appears in the ISAs. For example, it was questioned whether the conclusion on sufficient appropriate audit evidence in ISA 500 could be at the level of the individual items (such as account balances), while ISA 330 is applied at the overall financial statement level. The Board had various other suggestions regarding how the requirement to consider all relevant audit evidence should be drafted.

AETF Views

87. As discussed previously in this paper, a new requirement has been introduced in paragraph 8 of **Agenda Item 5–A** that focuses on *designing and performing* audit procedures in a manner that is appropriate in the circumstances to provide audit evidence to meet the purpose of the audit procedure. Given the AETF's views about the relationship of ISA 500 with the other ISAs (as discussed in paragraph 11), the AETF is of the view that there should also be a requirement to address whether the audit evidence obtained from performing such audit procedures does meet the auditor's purposes. In other words, paragraph 8 of **Agenda Item 5–A** deals with the design and performance of the audit procedures, and a separate requirement in ISA 500 would deal with a “stand-back”, after the procedures have been performed, about whether the audit evidence obtained met the auditor's purposes.
88. The AETF has therefore proposed a new requirement in paragraph 13 of **Agenda Item 5–A**. Given ISA 500 applies to all audit evidence obtained from performing all audit procedures, this “stand-back” would also apply to all audit evidence.

*Paragraph 13 of **Agenda Item 5–A** marked from the version presented in July 2021:*

The auditor shall evaluate 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, to draw reasonable conclusions on which to base the auditor's opinion. In doing so, forming an opinion, the auditor shall consider all relevant audit evidence, including audit evidence that is consistent or inconsistent with other audit evidence, or ~~audit evidence that appears to corroborate or contradict~~ the assertions in the financial statements.

89. The AETF notes that a “stand-back” about whether the audit evidence meets the auditor's purposes would inform the auditor's conclusion in paragraph 26 of ISA 330 of whether sufficient appropriate audit evidence has been obtained. Furthermore:
- (a) The “stand-back” would emphasize the importance of considering all audit evidence obtained from performing procedures across the ISAs, not only further audit procedures that are dealt with in ISA 330. In streamlining the requirement, the AETF considered Board concerns about whether to use the terms “consistent or inconsistent” as well as “corroborate or contradict” in the requirement. The AETF has proposed to only use “consistent and inconsistent” as the

scope of these terms include corroborative and contradictory, respectively, in the context of audit evidence.

- (b) The “stand-back” would also reinforce the factors described in paragraph A62 of ISA 330 that affect what constitutes sufficient appropriate audit evidence, in particular, the factors that describe the results of audit procedures performed, the source and reliability of the available information and the persuasiveness of the audit evidence.
- (c) Proposed application material explains the auditor’s evaluation about whether audit evidence obtained meets the auditor’s purposes. In particular, paragraph A84 explains that an audit procedure may be designed to be effective in achieving an intended purpose, but if the performance or execution of the audit procedure (i.e., its application) is inappropriate, detection risk may not be reduced to an appropriate level.

Matters for Board Consideration:

7. The Board is asked for its views on

- The requirement in paragraph 13 of **Agenda Item 5–A**; and
- The related application material in paragraphs A83–A85 of **Agenda Item 5–A**.

In providing views on the above, the Board is asked specifically to provide input on whether the “stand back” in paragraph 13 of **Agenda Item 5–A** provides an appropriate link to ISA 330 by informing the auditor’s overall conclusion about whether sufficient appropriate audit evidence has been obtained.

C. Definition of Audit Evidence and the Description of Accounting Records

Relevant Paragraphs in Agenda Item 5–A			
Requirements	Application Material	Definitions	Other
N/A	A41	7(b)	N/A

Previous Board Discussions

90. In March 2021, the IAASB discussed the definition of audit evidence, and various concepts surrounding the definition, such as the meaning of audit procedures and the various categories of audit procedures (i.e., risk assessment procedures, further audit procedures and other types of audit procedures). Key outcomes of this discussion included the following:
- (a) All audit procedures that are performed in accordance with the ISAs may provide audit evidence, although the persuasiveness of such evidence may vary based on the nature or purpose of the procedure.
 - (b) Information intended to be used as evidence (the input) needs to be subject to audit procedures to become audit evidence (the output).
91. As a result, there was broad support for the proposed definition of audit evidence presented by the AETF at the March 2021 meeting. The Board also supported explaining the sources of audit evidence in application material.

AETF's Views

Audit Evidence

92. Given the broad support from the IAASB in March 2021, the definition of audit evidence in paragraph 7(b) of **Agenda Item 5–A** has not been further revised. The AETF notes that the deletion of the second sentence of the extant definition, which refers to accounting records and other sources, is consistent with the Draft CUSP Guidelines.

Accounting Records

93. The Draft CUSP Guidelines indicate that only terms that appear in the requirements section of ISAs are defined. The AETF noted that there is no reference to accounting records in the requirements of extant ISA 500. Furthermore, the majority of the extant definition is a description of what supporting records may include, which is also discouraged by the Draft CUSP Guidelines. As a result, the AETF has relocated the definition as an example in the application material, and modernized it to reflect advancements in technology (see paragraph A41 of **Agenda Item 5–A**).

Matters for Board Consideration:

8. The Board is asked for its views on:
- (a) The proposal not to revise or change the definition of audit evidence, as presented in paragraph 7(b) of **Agenda Item 5–A**, given the Board's support for the definition in March 2021; and
 - (b) Moving the definition of "accounting records" to the application material (see paragraph A41 of **Agenda Item 5–A**).

D. Introduction and Objective

Relevant Paragraphs in Agenda Item 5–A			
Paragraphs	Application Material	Definitions	Other
1-4, 6	N/A	N/A	N/A

Previous Board Discussions

94. In December 2020, the Board discussed the purpose and scope of ISA 500, including whether ISA 500 is intended to be a standard that drives and requires the performance of audit procedures, or a standard that provides context for the requirements in other standards (i.e., a conceptual standard, similar to ISA 200). The Board expressed mixed views about whether clarity is needed regarding the purpose and scope of ISA 500. Specifically, the Board questioned whether a proposed change in the focus of the objective of ISA 500 (i.e., away from designing and performing audit procedures) is appropriate in the context of its relationship with other ISAs, and whether doing so could weaken the linkages with the ISAs.
95. In July 2021, the AETF further explored the purpose and scope of ISA 500, which included an analysis of the core requirements that need to exist across the suite of ISA that address obtaining

sufficient appropriate audit evidence. In doing so, the AETF sought the direction from the Board on the appropriate location of such core requirements, i.e., whether the location is ISA 500 or otherwise.

AETF's Views

Introduction

96. The AETF is of the view that the introduction to ISA 500 should:
- (a) Provide an indication of what is addressed in the standard. In this regard, it is important that it reflects that ISA 500 contains overarching requirements for the auditor throughout the audit when making judgments about audit evidence, as discussed in paragraph 11.
 - (b) Explain the relationship between ISA 500 and other key ISAs. In particular, the AETF is of the view that it needs to be clear that ISA 500 operates in conjunction with the other ISAs and:
 - (i) Focuses on the evaluation of information intended to be used as audit evidence, i.e., as opposed to an objective to “obtain” audit evidence.
 - (ii) Sets out the overarching requirements that address the design and performance of audit procedures in accordance with the ISAs. Accordingly, the responsibility to design and perform audit procedures is addressed by the requirements of the other ISAs.
 - (c) Emphasize the importance of exercising professional skepticism when making judgments in relation to audit evidence.
97. Paragraphs 1–4 of **Agenda Item 5–A** have been drafted on this basis. In doing so, the AETF was conscious of the Draft CUSP Guidelines, in particular ensuring that the introduction is succinct.
98. Paragraph 1 of the Appendix of **Agenda Item 5–A** has been added to further highlight the relationship of proposed ISA 500 (Revised) to the other ISAs and provides examples of other ISAs that address the auditor's responsibilities for designing and performing audit procedures regarding specific aspects of the audit. The AETF noted that this could be further explained in a first-time implementation guide.

Objective of Proposed ISA 500 (Revised)

99. In drafting the objective in paragraph 6 of **Agenda Item 5–A**, the AETF considered the principles highlighted in paragraph 96 above. In particular, the AETF noted that proposed ISA 500 (Revised) is focused on evaluating information intended to be used as audit evidence and whether the audit evidence obtained meets the auditor's purposes, and is applicable to all audit evidence obtained through designing and performing audit procedures in accordance with the ISAs. Accordingly, the AETF has drafted an objective that:
- (a) Is outcome based, in accordance with the drafting principles of the Draft CUSP Guidelines (i.e., the objective is a “statement of the end result of what the auditor aims to achieve by applying the standard”);
 - (b) Reinforces the responsibility to evaluate audit evidence (as opposed to focusing on the design and performance of audit procedures in accordance with the ISAs); and
 - (c) Provides a basis for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.

*Proposed Objective of Proposed ISA 500 (Revised) as presented in paragraph 6 of **Agenda Item 5–A**, marked from extant ISA 500:*

The objective of the auditor is to evaluate audit evidence to provide a basis for concluding whether design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence has been obtained. ~~to be able to draw reasonable conclusions on which to base the auditor's opinion.~~

Matters for Board Consideration:

9. The Board is asked for its views on the introduction in paragraphs 1–4 and the objective in paragraph 6 of **Agenda Item 5–A**.

E. How Technology has been Addressed in ISA 500

100. Modernizing ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era, was a key driver of this project. As agreed by the IAASB previously, and set out in the Audit Evidence project proposal, a principles-based approach has been followed in **Agenda Item 5–A** to enable the standard to be applied in an evolving audit environment with increasing use of technology.
101. The proposals in **Agenda Item 5–A** are therefore not prescriptive with respect to the use of technology, but rather accommodate the use of technology by the auditor or the entity. The application material builds on the principles-based requirements to highlight the use of technology, for example:
 - (a) Paragraph A3 explains that the auditor may use manual or automated tools and techniques, individually or in combination with each other, to perform audit procedures to obtain audit evidence. This paragraph also lists other paragraphs in the application material that provide examples of how the principles of proposed ISA 500 (Revised) apply when using automated tools and techniques (including those paragraphs referred to in (b) - (g) below).
 - (b) Paragraphs A18–A19 explain how the use of automated tools and techniques may affect auditor bias, and in particular automation bias. Automation bias is also highlighted in paragraph A16.
 - (c) Paragraph A23 notes that the auditor may use automated tools and techniques to select items for testing, and paragraph A24 explains factors that may affect the appropriateness of an approach or technique in the circumstances.
 - (d) Paragraph A25 explains that it may be appropriate to apply an audit procedure to an entire population when the auditor is using automated tools and techniques.
 - (e) Paragraph A35 explains how the availability, accessibility and understandability of information intended to be used as audit evidence may affect the auditor's evaluation of relevance and reliability. The proposed examples demonstrate how automated tools and techniques may be used by the auditor to gain access to information in certain circumstances.

- (f) Paragraph A50 explains that the reliability of information (e.g., the attributes of accuracy completeness and authenticity) may also be affected by whether the integrity of the information has been maintained through all stages of information processing.
- (g) Paragraph A61 explains aspects of auditor bias when information is in digital form or has been generated by automated systems.

102. As noted to the Board in July 2021, the AETF:

- (a) Coordinated with the Technology Consultation Group in the second quarter of 2021 to discuss the examples in ISA 500. Following the Board's discussion of the draft of proposed ISA 500 (Revised) in March 2022, the AETF plans to undertake further coordination activities with the Technology Consultation Group.
- (b) Intends to develop a non-authoritative publication that includes examples to more specifically address technology, i.e., how the principles of ISA 500 may apply when using technology. In particular, the AETF noted that locating such examples outside of the standard may be necessary because examples that refer to specific types of technology may easily become redundant or out of date. These examples will be explored further by the AETF in coordination with the Technology Consultation Group, taking into account the feedback from the Board in March 2022. The AETF intends to update the Board on its progress in June 2022. The AETF also notes that this non-authoritative support material falls under Component IV of the IAASB's [Framework for Activities and](#) will coordinate with senior IAASB staff in terms of the process for the development and clearance for issuance of the technology examples in accordance with the Framework.

103. The AETF is conscious of stakeholder expectations regarding modernizing ISA 500 to address technology, which arose through respondents' comments to the Survey Consultation on the IAASB's Work Plan for 2022–2023. In particular, such comments highlighted a broader expectation that the ISA 500 project would address modernization of other ISAs to address technology, such as ISA 520²² and ISA 530.²³ However, the Audit Evidence Project Proposal did not contemplate a holistic revision of the ISAs to address technology. The project scope was limited to conforming and consequential amendments to other ISAs that may be necessary as a result of revisions to ISA 500. Therefore, as indicated in the IAASB Work Plan for 2022–2023 approved by the IAASB in December 2021, an omnibus project to update the other ISAs for the impact of technology may be needed.

Matter for Board Consideration:

10. The Board is asked for its views on the manner in which technology has been addressed in proposed ISA 500 (Revised) i.e., how the principles of ISA 500 may apply when using technology.

²² ISA 520, *Analytical Procedures*

²³ ISA 530, *Audit Sampling*

F. Other Matters

F.1 Professional Skepticism: A Critical Assessment of Evidence

Previous Board Discussions

104. In July 2021, the AETF presented its proposals to the Board to address professional skepticism with respect to audit evidence. In doing so, the AETF provided a summary of the history of key discussions of the IAASB regarding professional skepticism, including key proposals of the PSCG that were discussed with the Board over the course of 2017 and 2018. Given its relevance to audit evidence, the AETF noted the following key proposal of the PSCG previously discussed with the Board:

Elaborating what the phrase “a critical assessment of evidence” in the definition of professional skepticism entails, including specifying what about evidence is being critically assessed.

105. The Board suggested further exploring how to address a critical assessment of evidence in ISA 500, such as:

- (a) Explaining that a critical assessment of evidence may be undertaken when the evidence is subject to a **robust challenge** through comparing corroborative and contradictory evidence; and
- (b) Exploring adding the perspective of users as a lens for critically assessing evidence, in a similar manner as the reasonable and informed third-party test under the International Ethics Standards Board for Accountants' (IESBA) *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code).²⁴

AETF's Views

106. The AETF coordinated with the PSCG to obtain their views on the phrase “a critical assessment of audit evidence,” including the suggestions of the Board. Key perspectives of the PSCG included the following:

- (a) The requirements of ISA 500, in particular, those reinforcing the auditor's exercise of professional skepticism, are the drivers of a critical assessment of audit evidence.
- (b) Use of the term “robust challenge:”

In 2017 the PSCG explored with the Board the concept of professional skepticism and in particular whether a change from “questioning mind” to “challenging mind(set)” may be appropriate in the definition of professional skepticism. The PSCG concluded that a “questioning mind” remains appropriate as the term “challenge” is just an extreme form of questioning, which may not always be appropriate in the context of professional skepticism. Accordingly, the PSCG was concerned about the possible use of the term “robust challenge” in describing “a critical assessment of audit evidence,” given that this term may effectively be included or associated with the definition of professional skepticism.

²⁴ The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made.

- (c) Adding the perspective of users as a lens for critically assessing evidence:

The PSCG noted that a reasonable informed person does not necessarily have the ability to perform the relevant assessment or evaluation as contemplated by the ISAs. Auditors apply relevant training, knowledge and experience within the context provided by auditing, accounting and ethical standards in critically assessing audit evidence. The PSCG therefore indicated that it may not be in the public interest to apply a concept similar to the reasonable informed third-party test as a measure to critically assess audit evidence.

107. The AETF concurred with the views of the PSCG. In particular, the AETF agrees that the requirements and application material in **Agenda Item 5–A** reinforce the exercise of professional skepticism, including a critical assessment of audit evidence. For example:

- (a) Paragraph 8 requires the auditor to design and perform audit procedures in a manner that is not biased.
- (b) Paragraphs A18–A19 and A61 explain the types of auditor biases, including automation bias.
- (c) Paragraph 9 requires the auditor to evaluate whether the information intended to be used as audit evidence is relevant and reliable for the auditor's purposes, i.e., a critical assessment of the information.
- (d) Paragraphs A51–A56 explain the factors that may affect the auditor's professional judgments in evaluating information intended to be used as audit evidence in accordance with paragraph 9.
- (e) Paragraph 10 has been enhanced to require auditors to understand how information prepared by a management's expert has been used by management in the preparation of the financial statements. The understanding, and particularly whether management made any modifications to the information, may assist in critically assessing such audit evidence.
- (f) Paragraph 11 has been enhanced to require auditors to attempt to obtain additional information if the auditor has doubts about the relevance and reliability of information intended to be used as audit evidence.
- (g) Paragraphs A75–A77 explain factors or circumstances that may give rise to doubts about the reliability of information intended to be used as audit evidence, including possible consequences if there are such doubts.
- (h) Paragraph 13 requires the auditor to evaluate whether the audit evidence obtained meets the auditor's purposes, i.e., a critical assessment of the audit evidence. It further reinforces the notion of professional skepticism by emphasizing the need to consider all audit evidence.

Matter for Board Consideration:

11. The Board is asked for its views about whether the requirements and application material in **Agenda Item 5–A** reinforce the exercise of professional skepticism and, specifically, a critical assessment of audit evidence, as described in paragraph 107 above.

F.2 Fraud

Previous Board Discussions

108. In December 2020, the AETF presented its initial proposals to the Board on the development of a set of attributes of information that should be considered by the auditor when making judgments about the relevance and reliability of information intended to be used as audit evidence. In doing so, the AETF also proposed to enhance application material on the auditor's consideration of authenticity, taking into account the guidance included in ISA 240.²⁵ Simultaneously, the AETF noted it would consider whether the auditor's consideration of fraud should be enhanced in ISA 500 through stronger linkages with ISA 240.
109. The Board asked the AETF to further consider the proposal to enhance application material on the auditor's consideration of the "authenticity" of audit evidence in ISA 500, given that this concept is addressed in ISA 240. The Board also encouraged the AETF to consider the work of the Consultation Paper and Impact Assessment of the Financial Reporting Council (FRC) in the United Kingdom,²⁶ in relation to proposed ISA (UK) 240 (Revised 2020).²⁷

AETF's Views

110. In considering the linkages with ISA 240 and the nature and extent of guidance on authenticity in proposed ISA 500 (Revised), the AETF performed a review of:
- (a) Existing requirements and application material in ISA 200, ISA 230,²⁸ ISA 240 and ISA 505²⁹ relevant to "authenticity;"
 - (b) Relevant enhancements to the FRC's proposed ISA (UK) 240 (Revised 2020); and
 - (c) Relevant extracts from the IAASB's Fraud Working Group Board Papers.³⁰
111. Based on its review, the AETF noted the following concepts related to fraud, which are addressed in proposed ISA 500 (Revised):
- (a) The auditor's consideration of actual, suspected or alleged fraud may affect the auditor's professional judgment regarding the relevance and reliability of information intended to be used as audit evidence, including the attributes of relevance and reliability that are applicable in the circumstances (see paragraph A53 of **Agenda Item 5–A**).

²⁵ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

²⁶ On May 27, 2021, the FRC issued a revision of its UK auditing standard on the responsibilities of auditors relating to fraud - [ISA \(UK\) 240 \(Revised May 2021\) - The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements](#)

²⁷ Proposed International Standard on Auditing (ISA) (UK) 240 (Updated January 2020), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

²⁸ ISA 230, *Audit Documentation*

²⁹ ISA 505, *External Confirmations*

³⁰ In September 2020, the IAASB issued a Discussion Paper to consult on whether the ISAs related to fraud and going concern need to be updated to reflect the rapidly evolving financial reporting landscape, and, if so, in what areas. In December 2021, the IAASB approved a [Project Proposal](#) to revise ISA 240 and the conforming and consequential amendments to other relevant ISAs, to enhance or clarify the auditor's responsibilities on fraud in an audit of financial statements. The relevant papers of the Fraud Working Group considered by the AETF were the [April 2021 IAASB Fraud Issues Paper](#) and [July 2021 IAASB Fraud Issues Paper](#).

- (b) When there are doubts about the reliability of written representations from management, ISA 580³¹ explains that such doubts may cause specific concerns about management, including their competence, integrity and ethical values (see paragraph A76 of **Agenda Item 5–A**).
 - (c) The Fraud Task Force considered circumstances when the auditor obtains new information that is inconsistent with the audit evidence on which the auditor originally based the identification or assessments of the risks of material misstatement due to fraud.³² In doing so, the Fraud Task Force noted paragraph 37 of ISA 315 (Revised 2019), i.e., “if the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification or assessments of the risks of material misstatement, the auditor shall revise the identification or assessment.” The AETF addressed this notion in paragraph A60 of **Agenda Item 5–A**.
112. The AETF considered enhancing the application material in proposed ISA 500 (Revised) with the guidance in proposed ISA (UK) 240 (Revised 2020), which addresses documents, or indicators of a document, that are fraudulent or have been tampered with. However, the AETF concluded that further consideration of such factors may be more appropriate as part of the project to revise ISA 240.
113. The AETF also discussed whether the application material of ISA 500 could be enhanced by explaining the concepts in paragraph A23 of ISA 200 in the following manner:
- ISA 200³³ explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, paragraph 9(b) requires the auditor to evaluate the reliability of information intended to be used as audit evidence. In doing so, the auditor may determine that the attribute of authenticity is applicable in the circumstances. As explained in ISA 200, in cases of doubt about the reliability of information or indications of possible fraud, the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.³⁴
114. As the fraud project is progressed, the AETF will continue to coordinate with, and leverage the work of, the Fraud Task Force.

Matter for Board Consideration:

12. The Board is asked for their views on the proposed approach to addressing fraud in proposed ISA 500 (Revised). In particular, the Board is asked for its views on adding application material in proposed ISA 500 (Revised) to explain the concepts in paragraph A23 of ISA 200 (see paragraph 113 above).

³¹ ISA 580, *Written Representations*, paragraph 17

³² Refer paragraph 53 of [IAASB Fraud Issues Paper July 2021](#)

³³ ISA 240, paragraph A23

³⁴ ISA 240, paragraph 14; ISA 500, paragraph 11; ISA 505, paragraphs 10–11, and 16

G. Approach to the conforming and consequential amendments

115. This section of the paper sets out the AETF's initial views about the approach in considering key conforming and consequential amendments to the ISAs arising from the proposed changes to ISA 500 that will be presented with the Exposure Draft of ISA 500 (Revised) (ED-500). The Task Force has discussed at a high level the approach to be taken and certain key issues that may result in the need for conforming or consequential amendments to other ISAs. The scope of issues discussed in this section is therefore not intended to be complete.

Background

116. The approved Audit Evidence project proposal states the following:

- (a) The project scope will include conforming and consequential amendments to other ISAs that may be necessary as a result of revisions to ISA 500.³⁵
- (b) IAASB discussions about the purpose and scope of ISA 500 may require relocating a requirement from extant ISA 500 to another standard through, for example, consequential amendments.³⁶
- (c) The project does not include the broader revision of any other standard.

117. In particular, as also explained in paragraph 103, the Audit Evidence project proposal did not contemplate a holistic revision of the other ISAs to address technology. The AETF therefore recognizes the need for direction from the Board about the nature and extent of specific amendments to other ISAs in view of stakeholder expectations.

AETF's Views

EIS and Management's Experts

118. The views of the AETF about retaining a description of an EIS, as opposed to a definition, are explained in paragraphs 58–62. In particular, it is noted that such a description assists the auditor in identifying whether information prepared by an external individual or organization may be an EIS or information prepared by a management's expert. Regarding management's experts, the AETF recognizes that a conforming or consequential amendment to paragraph 30 of ISA 540 (Revised) (see extract below) likely will be needed given the changes proposed to paragraph 10 of **Agenda Item 5–A** as discussed in paragraphs 70–72 above.

ISA 540 (Revised) paragraph 30:

Other Considerations Relating to Audit Evidence

30. In obtaining audit evidence regarding the risks of material misstatement relating to accounting estimates, irrespective of the sources of information to be used as audit evidence, the auditor shall comply with the relevant requirements in ISA 500.

When using the work of a management's expert, the requirements in paragraphs 21–29 of this ISA may assist the auditor in evaluating the appropriateness of the expert's work as audit

³⁵ Paragraph 28 of the [Approved-IAASB-Audit-Evidence-Project-Proposal](#)

³⁶ Paragraph 32 of the [Approved-IAASB-Audit-Evidence-Project-Proposal](#)

evidence for a relevant assertion in accordance with paragraph 8(c) of ISA 500. In evaluating the work of the management's expert, the nature, timing and extent of the further audit procedures are affected by the auditor's evaluation of the expert's competence, capabilities and objectivity, the auditor's understanding of the nature of the work performed by the expert, and the auditor's familiarity with the expert's field of expertise. (Ref: Para. A126–A132)

The Term Sufficient Appropriate Audit Evidence

119. In discussing the outcome of the AETF's information gathering and targeted outreach activities on audit evidence with the Board in June 2020, the AETF concluded that the issues creating the most difficulties in practice were generally closely related to the concept and evaluation of sufficient appropriate audit evidence.³⁷ Accordingly, the AETF has proposed various enhancements in the draft of proposed ISA 500 (Revised), such as specifically introducing the notion that ISA 500 should explain the factors that influence the concept of "sufficient appropriate audit evidence" (see paragraph 14 above). The AETF has been careful to use and preserve the term "sufficient appropriate audit evidence," as opposed to, for example, "sufficient and appropriate audit evidence" (or other variations), to avoid confusion with the intended meaning of "sufficient appropriate audit evidence."
120. The AETF is of the view that the consistent use of the term "sufficient appropriate audit evidence" throughout the suite of ISAs may enhance auditors' understanding of this concept and drive consistent behavior when applying the principles and guidance of proposed ISA 500 (Revised). For example, the AETF has noted that revisions may be required to:
- (a) The title above para 25 of ISA 330 ("Evaluating the sufficiency and appropriateness of audit evidence"); and
 - (b) The requirements in paragraphs 28(d) and 39(b)(i) of ISA 700 (Revised),³⁸ including related illustrative auditor's reports across the suite of ISAs where this term is used.

The Terms "Information" and "Audit Evidence"

121. As discussed in paragraph 90, the Board has supported the notion that information intended to be used as evidence (the input) needs to be subject to audit procedures to become audit evidence (the output). Given this, as also mirrored in the definition of audit evidence in paragraph 7(b) of **Agenda Item 5–A**, the AETF will also consider the use of the terms "information" and "audit evidence" throughout the suite of ISAs.

Technology

122. Although the project to revise ISA 500 does not contemplate a holistic revision of the other ISAs to address technology, revisions relating to the modernization of ISA 500 are expected to include the following conforming and consequential amendments:
- (a) Replacing the term "electronic files" (or "electronic information") with "digital information" (for example, paragraph A14 of ISA 330);

³⁷ See paragraph 20 of [Agenda Item 7](#) of the June 2020 IAASB meeting

³⁸ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

- (b) Replacing the use of the term “computer–assisted audit techniques” with automated tools and techniques (for example paragraph A16 of ISA 330); and
- (c) Updating or modernizing references to terms intended to mean accounting records. For example, paragraph A18 of ISA 250 (Revised) uses the term “purchases in the form of cashiers’ checks.”

Use of Terminology in Accordance with the Draft CUSP Guidelines

123. In proposing revisions to ISA 500, the AETF has taken into account the Draft CUSP Guidelines, while also acknowledging that further revisions may occur as the CUSP project is being finalized in 2022. In particular, the AETF has considered whether the requirements of proposed ISA 500 (Revised) utilize the appropriate verbs. For example, the AETF concluded that:

- (a) The auditor shall evaluate (and not “consider”) the relevance and reliability of information intended to be used as audit evidence) (paragraph 9 of **Agenda Item 5–A**); and
- (b) The auditor shall evaluate (consistent with paragraph 9 of **Agenda Item 5–A**) 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 (paragraph 13 of **Agenda Item 5–A**).

124. In considering its approach on conforming and consequential amendments to the other ISAs, the AETF will further consider whether, and the extent to which, changes may be required in explaining or clarifying the work effort in relation to audit evidence in the other ISAs. For example:

- (a) ISA 550³⁹ requires the auditor to: “Obtain audit evidence (*emphasis added*) that the transactions have been appropriately authorized and approved.”
- (b) Application material in ISA 550 provides guidance about assertions that related party transactions were conducted on terms equivalent to those prevailing in an arm’s length transaction. In particular, it is explained that: “Evaluating management’s support for this assertion may involve verifying the source of the internal or external data supporting the assertion, and testing the data to determine (*emphasis added*) their accuracy, completeness and relevance.”
- (c) Application material in ISA 501 explains that “Where a perpetual inventory system is maintained, management may perform physical counts or other tests to ascertain (*emphasis added*) the reliability of inventory quantity information included in the entity’s perpetual inventory records.

Matter for Board Consideration:

13. The Board is asked for their views on the proposed approach to the conforming and consequential amendments arising from proposed ISA 500 (Revised), as described in paragraphs 118-124 above.

³⁹ ISA 550, paragraph 23(b)

H. Way Forward

125. Following the March 2022 discussion with the Board, the AETF will continue to progress the draft of proposed ISA 500, with a view to approving an Exposure Draft in September 2022. In June 2022, the AETF plans to present:
- (a) A revised draft of proposed ISA 500 (Revised);
 - (b) Proposed conforming and consequential amendments; and
 - (c) An update on the development of non-authoritative technology examples, as discussed in paragraph 102(b).

Appendix 1

AETF Members and Activities, Including Outreach

AETF Members

1. Information about the Task Force members and the project can be found [here](#).

AETF Activities since the July 2021 IAASB Meeting (Virtual by Videoconferencing)

2. The AETF held a series of 16 virtual sessions during 8 meetings from August 2021 to February 2022.

Coordination with Other Task Forces and Working Groups, and Standard Setting Boards

3. Staff of the AETF and the Technology Consultation Group met to discuss the development of guidance and examples to address the required work effort when following up on exceptions or outliers identified, when using automated tools and techniques in performing audit procedures. The Chair of the AETF is also a member of the Technology Consultation Group.
4. Staff of the AETF and the Fraud Task Force met to discuss the AETF's proposals in relation to fraud, including potential areas of overlap.
5. Staff of the AETF and the IESBA met to discuss the feedback of a high-level review of the first draft of proposed ISA 500 (Revised) by IESBA Staff.
6. Staff of the AETF and the AETF Chair met with:
 - (a) A Board member to discuss concerns about proposed ISA 500 (Revised) inadvertently requiring an evaluation or conclusion about whether the auditor has obtained sufficient appropriate audit evidence that is different from the conclusion in ISA 330.⁴⁰
 - (b) A Board member to discuss how proposed ISA 500 (Revised) may address the concept of detection risk.

Outreach Activities

7. In September 2021, Staff of the AETF, the IAASB Technical Director and the AETF Chair met with representatives of the Center for Audit Quality (CAQ). Among matters discussed were the CAQ's Discussion Paper, "The Evolving Use of Data Analytics: Considerations for Standard Setters." Matters specifically emphasized by the CAQ Representatives included:
 - (a) Support for the concept that automated tools and techniques may be used in designing and performing an audit procedure that meets more than one purpose; and
 - (b) Practical challenges related to audit evidence, in particular increasing difficulties for auditors in classifying audit procedures, i.e., by nature and type, given evolving technologies. Accordingly, CAQ Representatives encouraged a more holistic and principles-based approach to audit evidence.

⁴⁰ ISA 330, paragraph 26

8. In October 2021, the AETF asked national standard setters (NSS) the following question:

In your jurisdiction or other jurisdictions in your region, are there any publication(s) (such as guidance) that have been issued in 2020/2021 that may be relevant to our work on audit evidence? For example, the IAASB is aware of guidance issued by NSS and regulators addressing the use of technology in performing an audit.

The IAASB received responses from 9 NSS and such responses highlighted guidance of interest in relation to:

- (a) Remote auditing practices, in particular given the effects related to the Covid-19 pandemic.
 - (b) The protection and retention of client data given an increase of client data being exchanged on technological platforms.
 - (c) Reliability of information when using automated tools and techniques, including:
 - Input: Guidance about the auditor's work effort in considering the reliability (or integrity) of data that is used in performing audit procedures; and
 - Output: Guidance about the auditor's work effort in relation to "exceptions" or "outliers" identified.
9. The AETF considered the guidance referred to in paragraph 8 in developing the application material in **Agenda Item 5–A**.

Appendix 2

Previous IAASB Discussions Related to the Audit Evidence Project

This Appendix summarizes the issues discussed at previous IAASB meetings, and relevant section of the issues paper for those meetings.

	December 2020 Agenda Item 3	March 2021 Agenda Item 2	July 2021 Agenda Item 1
The purpose and scope of ISA 500	Section II (Issue 1)		Section D
The definitions of sufficiency of audit evidence and appropriateness of audit evidence, considerations in evaluating sufficient appropriate audit evidence, and concept of persuasiveness of audit evidence	Section II (Issue 2)	Section D	
The relevance and reliability of information intended to be used as audit evidence, including the work effort in evaluating such information	Section II (Issues 2 and 3)	Section C	Section B
The definition of audit evidence and the meaning of audit procedures		Section B	
The distinction between sources of information in ISA 500	Section II (Issue 3)		
Reinforcing the exercise of professional skepticism with respect to audit evidence			Section C
Designing and performing audit procedures to obtain sufficient appropriate audit evidence		Section E (See note 1)	
The concept of detection risk			Section E
The approach to addressing technology		Section F (See note 1)	Section F
Note 1: These items were included in the March 2021 issues paper. Due to time constraints, they were not discussed by the IAASB in plenary but a number of Board members submitted offline comments for Task Force consideration.			

Appendix 3

Extracts from the Approved July 2021 IAASB Meeting Minutes

ISA 500, *Audit Evidence*

Ms. Almond introduced the topic by providing an overview of the key issues to be discussed by the Board as outlined in **Agenda Item 1**.

RELEVANCE AND RELIABILITY OF INFORMATION INTENDED TO BE USED AS AUDIT EVIDENCE

The Auditor's Work Effort

The Board broadly supported using the term “evaluate” to describe the auditor’s work effort in addressing the relevance and reliability of information to be used as audit evidence. The Board encouraged the Audit Evidence Task Force to:

- Clarify the use and meaning of “sufficiently relevant and reliable,” in particular what is “sufficient” in this context. The Board questioned whether “sufficient” is a necessary qualifier in this context because elsewhere in the International Standards on Auditing (ISAs) reference is made to “relevant and reliable” without indicating that it needs to be “sufficiently” relevant and reliable.
- Further consider whether it is the information being evaluated for relevance and reliability or the audit evidence.
- Consider the associated documentation arising from the requirement and cautioned not to create an unnecessary burden on auditors.

The Applicable Attributes

On balance, the Board suggested that the requirement in ISA 500⁴¹ addressing the relevance and reliability of information to be used as audit evidence should continue to specifically address the accuracy and completeness of the information, as necessary in the circumstances. In particular, the Board noted the need to retain the robustness of the extant standard, given ongoing inspection findings and issues arising in practice in this area. The Board therefore suggested the following:

- A conditional requirement based on option 2 in **Agenda Item 1**, or a combination of options 2 and 3 in **Agenda Item 1**.
- Adjusting the qualifier of “as necessary in the circumstances” to “as appropriate in the circumstances” since this qualifier is more commonly used in the ISAs.
- Clarifying in the requirement that not every attribute is relevant and needs to be considered, so as not to create an unnecessary burden. In this regard, the Board suggested elevating some of the proposed application material in paragraphs A35a or A35b in **Agenda Item 1–A**.

REINFORCING THE EXERCISE OF PROFESSIONAL SKEPTICISM WITH RESPECT TO AUDIT EVIDENCE

The Board noted the Audit Evidence Task Force’s coordination activities with the Professional Skepticism Working Group in preparing its proposals in relation to professional skepticism.

⁴¹ ISA 500, *Audit Evidence*

Use of the Terms “Consistent and Inconsistent” and “Corroborate and Contradict”

The Board broadly agreed that the terms should be used taking into account the relevant context. However, the Board noted the challenges in fully visualizing the proposals in ISA 500 at this stage. Although some Board members supported the guidelines proposed by the Audit Evidence Task Force on when the terms are used, others sought more clarity on the guidelines and the basis for the Audit Evidence Task Force’s decisions. Further comments included the following:

- When using the terms “corroborative and contradictory,” it should not be limited to management’s assertions only but also include assertions at the financial statement level and individual account balance level. Accordingly, the wording of the relevant requirements should be aligned to the wording used in ISA 315 (Revised 2019)⁴² and ISA 540 (Revised).⁴³
- Whether the proposed guidelines should be included in the drafting principles and guidelines proposed by the Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group (“the CUSP Guidelines”).
- Considering whether the different use of the terms may actually affect auditor behavior and be understood in practice. A concern was expressed that there may be too much emphasis on the use of the appropriate term which may have unintended consequences during regulatory inspections (for example, if there is an expected or implied work effort associated with specific terms and the auditor uses the wrong terms when describing their work).

Proposed Requirements that Address Professional Skepticism with Respect to Audit Evidence

The Board broadly supported the following requirements that address professional skepticism with respect to audit evidence, and provided additional suggestions:

- The proposed requirement to design and perform audit procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Additional comments included:
 - A suggestion to be less specific on which bias the requirement relates to in order to reflect all types of bias explained in **Agenda Item 1** (i.e., removing “towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory” from the requirement).
- The proposed requirement to respond when information intended to be used as audit evidence is not sufficiently relevant and reliable for the auditor’s purposes. Additional comments included:
 - Retaining the reference to “doubt” over the reliability of information to be used as audit evidence, as included in paragraph 11(b) of extant ISA 500.
 - Reconsidering whether it is appropriate for the requirement to address doubt over the *relevance* of the information, as relevance is a binary decision rather than something an auditor may have doubt over.

⁴² ISA 315 (Revised 2019), paragraph 13

⁴³ ISA 540 (Revised), paragraph 18

- Reconsidering whether both of the further actions are required in all instances (determining modifications to audit procedures and considering effects on other aspects of audit), as set out in paragraphs 56 (a) and (b) of **Agenda Item 1** (i.e., instead this may be an “or”).
- The proposed requirement to respond when audit evidence or information intended to be used as audit evidence is inconsistent with other audit evidence. Additional comments included:
 - Exploring whether this requirement could be emphasized or elevated, given that inconsistent information or audit evidence may be indicative of a risk of material misstatement.
 - Further consider whether a reference to both information and audit evidence is necessary.
 - Consider whether the requirement may result in onerous documentation requirements.

The Board expressed mixed views about whether a requirement should be added to ISA 500 to conclude whether sufficient appropriate audit evidence has been obtained and consider all relevant audit evidence regardless of whether it is corroborative or contradictory. In particular, the Board commented as follows:

- Some board members were cautious about having duplicative requirements throughout the ISAs. However, others encouraged further exploring adding the requirement to ISA 500 given the notion of ISA 500 being a complete reference framework for audit evidence, on the basis that it is clear what is expected of the auditor in each circumstance the requirement appears in the ISAs.
- It was suggested that the conclusion on sufficient appropriate audit evidence in ISA 500 could be at the level of the individual items (such as account balances), as opposed to the overall financial statements, as contemplated by ISA 330 and ISA 700 (Revised).⁴⁴
- The reference to “information” in addition to audit evidence is likely unnecessary, because the auditor would likely have already considered information in gathering the audit evidence.
- The reference to “consistent and inconsistent” may not be necessary, given that these terms are already used in the previous requirements that address the reinforcement of professional skepticism.

With respect to the phrase “a critical assessment of evidence” in the definition of professional skepticism, while noting the interactions with the Professional Skepticism Working Group, the Board suggested the following:

- Explaining that a critical assessment of evidence may be undertaken when the evidence is subject to a robust challenge through comparing corroborative and contradictory evidence; and
- Exploring adding the perspective of users as a lens for critically assessing evidence, in a similar manner as the reasonable and informed third-party test under the International Code of Ethics for Professional Accountants.⁴⁵

⁴⁴ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

⁴⁵ The reasonable and informed third party test is a consideration by the professional accountant about whether the same conclusions would likely be reached by another party. Such consideration is made from the perspective of a reasonable and informed third party, who weighs all the relevant facts and circumstances that the accountant knows, or could reasonably be expected to know, at the time the conclusions are made.

THE PURPOSE AND SCOPE OF ISA 500, AND THE REQUIREMENTS THAT THE STANDARD SHOULD ADDRESS

The Board supported the retention of paragraph 6 of ISA 500 in its current form. The Board also broadly supported:

- Requiring the auditor to design and perform audit procedures in a manner that does not result in audit evidence that is biased, subject to its comments noted in the discussion on professional skepticism.
- The notion that ISA 500 is a reference framework for the auditor throughout the audit when making judgments in relation to audit evidence.

The Board on balance supported the proposed location of paragraphs 8 and 10 of extant ISA 500.

ADDRESSING THE CONCEPT OF DETECTION RISK IN THE REQUIREMENTS OF ISA 500

The Board encouraged the Audit Evidence Task Force to continue to explore incorporating detection risk in ISA 500, through a requirement or application material, given broad support for the notion that ISA 500 is a reference framework for the auditor throughout the audit when making judgments in relation to audit evidence. In particular, the Board suggested clarifying in ISA 500 the relationship between quality management in ISA 220 (Revised) and the design of audit procedures.

PROPOSED APPROACH IN PRESENTING EXAMPLES TO SUPPORT THE APPLICATION OF PRINCIPLES AND CONCEPTS OF THE REQUIREMENTS IN ISA 500.

The Board supported the proposed approach for presenting the examples to support the application of principles and concepts of the requirements in ISA 500.

OVERALL COMMENTS

The Board recommended that it may be useful to perform an analysis of the Audit Evidence Task Force's proposals against the issues to be addressed as outlined in the Audit Evidence Project Proposal.

IAASB CAG CHAIR REMARKS

Mr. Dalkin noted that the IAASB CAG is broadly supportive of the direction of the project. In relation to evaluating the relevance and reliability of information intended to be used as audit evidence, Mr. Dalkin also noted:

- Support for the term “evaluate” when describing the auditor's work effort; and
- The importance of emphasizing the attributes of “accuracy” and “completeness,” and in particular “completeness.”

PIOB OBSERVER REMARKS

Mr. Hafeman observed the IAASB's general support of the Audit Evidence Task Force's proposals. Mr. Hafeman highlighted the importance of aligning proposed ISA 500 (Revised) with the CUSP drafting guidelines as well as clarifying the relationship of the standard with the other ISAs. Mr. Hafeman also noted

the need to focus on professional skepticism, and that further discussions and coordination may be necessary with the Professional Skepticism Working Group.

WAY FORWARD

The Audit Evidence Task Force will make changes to ISA 500 based on Board members' feedback. The Audit Evidence Task Force intends to provide a full draft to the Board for discussion to the March 2022 IAASB meeting.