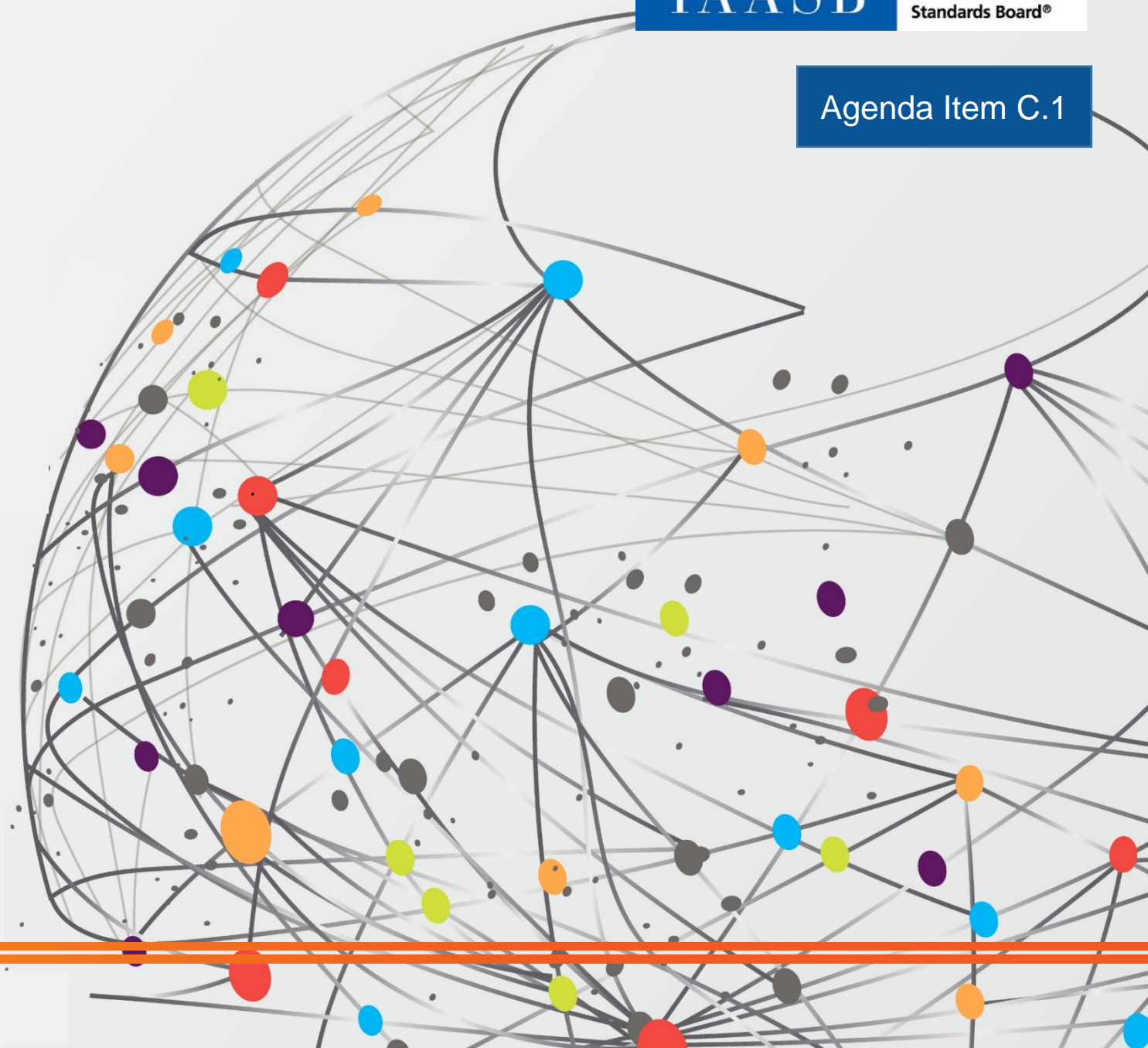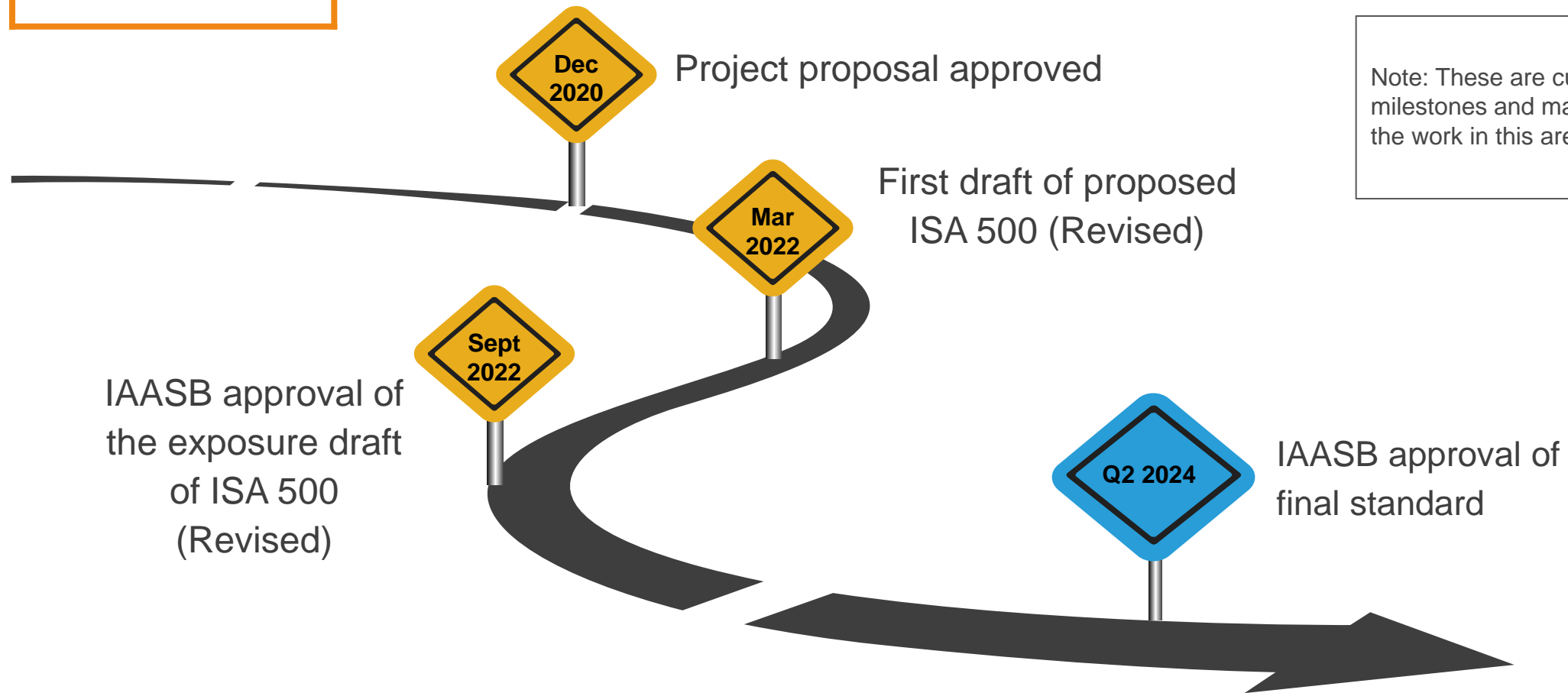# Audit Evidence

Sue Almond, *IAASB Member and Audit Evidence Task Force (AETF) Chair*

IAASB CAG Meeting

September 7–8, 2022

Timeline for Audit Evidence

Dec 2020 — Project proposal approved

Mar 2022 — First draft of proposed ISA 500 (Revised)

Sept 2022 — IAASB approval of the exposure draft of ISA 500 (Revised)

Q2 2024 — IAASB approval of final standard

Note: These are current targeted milestones and may change as the work in this area progresses.

Recap of Public Interest Issues

- Responding to **changes in the information** that is being used by auditors, including the nature and source of the information;

- Modernizing and supporting a principles-based standard that recognizes the **evolution in technology**; and

- Fostering the maintenance of **professional skepticism** when making judgments about information to be used as audit evidence and sufficient appropriate audit evidence (SAAE)

Progress Since March 2022

- Responded to IAASB (March and June 2022) and CAG (March 2022) discussions to address issues in the public interest, including:
  - o Clarified the auditor's responsibilities relating to audit evidence when designing and performing audit procedures, and the relationship of proposed ISA 500 (Revised) with other ISAs
  - o Clarified that designing and performing audit procedures in an unbiased manner applies to all audit procedures, including risk assessment procedures
  - o Added a separate requirement focused on obtaining audit evidence about the accuracy and completeness of information
  - o Clarified the stand back and the link to the overall conclusion about whether sufficient appropriate audit evidence has been obtained
- Coordination with the IESBA and the IAASB's Technology and Professional Skepticism Consultation Groups, and the IAASB's Fraud Task Force

Purpose and Scope

- Relationship of ISA 500 with other ISAs – proposals since March 2022 include

  o Clarifying the role of ISA 500 in relation to the auditor's responsibilities to design and perform audit procedures

  o Reinforcing the auditor's overall responsibilities in accordance with ISA 200 to exercise professional judgment and maintain professional skepticism throughout the audit, including in critically assessing audit evidence

- Objective of ISA 500 – proposed a two-part objective to reflect concepts of

  o The auditor's responsibility to design and perform audit procedures for the purpose of obtaining SAAE

  o The evaluation of information intended to be used as audit evidence as a basis for concluding whether SAAE has been obtained

Para. 1 of Agenda Item C.2

Para. 4 of Agenda Item C.2

Para. 6 of Agenda Item C.2

Definition of Audit Evidence and Application Material to Support Introductory Paragraphs

- Proposals since March 2022 to address SAAE and the persuasiveness of audit evidence, include

  o Clarified that the definition of audit evidence should reflect that it is information the auditor "<u>uses</u>" in drawing conclusions

  Para. 7(b) of Agenda Item C.2

  o Relocated and streamlined guidance in the application material about the concept of SAAE and the interrelationship of the sufficiency, appropriateness and the persuasiveness of audit evidence

  Para's A5–A9 of Agenda Item C.2

  o Clarified the concept in extant ISA 500 that management's unwillingness to respond to an inquiry or request from the auditor is a scope limitation

  Para. A12 of Agenda Item C.2

  o Enhanced the application material on the attribute of authenticity

  Para's A56 and A79 of Agenda Item C.2

Information to be Used as Audit Evidence

- Proposals since March 2022 to address the relevance and reliability of information to be used as audit evidence include

  - Retaining a principles-based requirement that applies to all sources of information

    Para. 9 of Agenda Item C.2

  - Introducing a separate and conditional requirement to obtain audit evidence about accuracy and completeness of the information when applicable in the circumstances

    Para. 10 of Agenda Item C.2

  - Restructured and enhanced the application material, including

    - Targeted guidance on the auditor's work effort when evaluating relevance and reliability

      Para's A35–A38 of Agenda Item C.2

    - Explained circumstances in which the auditor may determine that the accuracy and completeness attributes are applicable in the circumstances

      Para's A62–A63 of Agenda Item C.2

    - Clarified aspects relevant to the auditor's work effort when documenting the consideration of the attributes of relevance and reliability that are applicable in the circumstances

      Para. A40 of Agenda Item C.2

Technology

- Proposals since March 2022 include

  - Revised and streamlined application material on automation bias when using automated tools and techniques (ATT), given concerns by the Board that guidance seemed unduly negative when using ATT

  - Enhanced and clarified guidance to address the appropriateness and reasonability of inputs and algorithms when using technology (such as artificial intelligence)

Para's A3–A4 and A22–A23 of Agenda Item C.2

Para. A23 of Agenda Item C.2

Professional Skepticism

- Proposals since March 2022 to reinforce professional skepticism include

  o Clarifying the requirement to design and perform audit procedures in a manner that is not biased, by introducing application material explaining

    - The requirement applies to all audit procedures, including risk assessment procedures

Para. A20 of Agenda Item C.2

    - What "designing and performing audit procedures in an unbiased manner" may involve

  o Clarifying the requirement when there are doubts about relevance or reliability of information – guidance focusing on the auditor's actions to resolve the doubts

Para. A80 of Agenda Item C.2

  o Clarifying the proposed stand-back requirement to evaluate the audit evidence obtained – guidance explaining the scope and level of the stand-back

Para's A83–A84 of Agenda Item C.2

Questions for Representatives

The Representatives are asked:

1. For views on the draft of ED–500 that will be presented to the IAASB for approval at the September 2022 IAASB meeting, including the revisions to the proposed standard since March 2022

2. Whether there are any other matters the Task Force should consider as it finalizes the exposure draft of proposed ISA 500 (Revised)

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