

Audit Evidence – Issues and Recommendations

Please note: This is the IAASB Audit Evidence Issues Paper that was discussed by the Board at the June 2022 IAASB quarterly meeting (Agenda Item 3). This paper is provided to the IAASB CAG Representatives in September 2022 for reference purposes. Other June 2022 Audit Evidence Agenda Items, as summarized below, may be accessed through the IAASB's [Meeting Page](#).

Objectives of the IAASB Discussion

The objectives of this Agenda Item are to obtain the Board's input on:

- The proposed revisions to ISA 500,¹ as presented in **Agenda Item 3–A**;
- The matters discussed in Section B of this Agenda Item;
- Other significant changes to the draft of proposed ISA 500 (Revised) since March 2022, as described in **Agenda Item 3–C**; and
- The proposed conforming and consequential amendments arising from proposed ISA 500 (Revised) as presented in **Agenda Item 3–D** and discussed in **Section C** of this Agenda Item.

Turnaround of Proposed ISA 500 (Revised) in the June 2022 meeting

Board members are requested to communicate any significant matters to the Audit Evidence Task Force (Task Force or AETF) **by June 10, 2022**. This request is intended to assist the Task Force in planning for the turnaround of targeted matters to be discussed with the Board on June 17. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on the public record.

Materials Presented

Agenda Item 3	Issues and Recommendations Appendix 1 – Task Force members and activities, including outreach Appendix 2 – Extracts from the draft March 2022 IAASB meeting minutes Appendix 3 – Approach for the walkthrough of Agenda Item 3–A
Agenda Item 3–A	Proposed ISA 500 (Revised), <i>Audit Evidence</i> (marked from March 2022)
Agenda Item 3–B	Proposed ISA 500 (Revised), <i>Audit Evidence</i> (clean)
Agenda Item 3–C	Explanation of significant changes
Agenda Item 3–D	Proposed conforming and consequential amendments

¹ ISA 500, *Audit Evidence*

A. Introduction

1. Since the March 2022 IAASB meeting, the Task Force continued to enhance proposed ISA 500 (Revised) based on the input received from the Board during the March 2022 plenary session and comments provided offline
2. This agenda item summarizes the Task Force's discussions and views relating to the following matters related to the draft of proposed ISA 500 (Revised), as discussed in **Section B** of this Agenda Item:
 - B.1 – Use of certain terminology
 - B.2 – Definition of audit evidence
 - B.3 – The auditor's responsibility to design and perform audit procedures
 - B.4 – Evaluating the relevance and reliability of information, including obtaining audit evidence about accuracy and completeness
 - B.5 – Evaluating the audit evidence obtained
3. **Agenda Item 3–C** provides background information on, and an explanation of, the significant changes made by the Task Force to the requirements and application material of proposed ISA 500 (Revised) from the draft discussed by the Board in March 2022 (March 2022 draft), as well as significant proposed conforming and consequential amendments as presented in **Agenda Item 3-D**, with references to matters that are discussed in more detail in this issues paper. **Agenda Item 3-C** is intended to be used as a navigational tool by the Board in preparing for the walkthrough of the draft standard.

Approach for the Discussion of the Agenda Items

4. The Task Force Chair will walk through **Agenda Item 3–A** and refer to the related matters discussed in Sections B of this Agenda Item and the matters explained in **Agenda Item 3–C**, as appropriate. The Board is requested to provide comments on the requirements and the related application material at the same time. **Appendix 3** sets out the planned approach for the walkthrough of the draft standard, with references to the paragraphs in **Agenda Item 3-A** and related sections of this issues paper.
5. After walking through **Agenda Item 3-A**, the Chair will ask the Board to provide input on the conforming and consequential amendments arising from proposed ISA 500 (Revised) as presented in **Agenda Item 3-D** and discussed in Section C of this Agenda Item.

Coordination Activities

IESBA

6. In January 2022, Staff of the International Ethics Standards Board for Accountants (IESBA) performed a high-level review of the draft of proposed ISA 500 (Revised). In February 2022, Staff supporting the Task Force met with IESBA Staff to discuss their feedback, which can be classified into two broad categories.

- (a) Whether there may be concepts in the IESBA Code² related to professional skepticism (e.g., auditor bias and objectivity) and professional judgment (e.g., provisions on inquiring mind and professional judgment) that may be helpful to the Task Force.
 - (b) Whether there may be matters included in the IESBA Exposure Draft [Proposed Technology-related Revisions to the Code](#) that may be relevant to the Task Force's work (e.g., factors to consider in determining whether reliance on or use of the output of technology is reasonable or appropriate for the intended purpose).
7. The Task Force is of the view that the matters identified in the IESBA Staff's review are addressed in proposed ISA 500 (Revised) (noting that such matters also are addressed in the IAASB's Quality Management standards,³ in particular ISQM 1 and ISA 220 (Revised)). For example:
- (a) As explained in Section F.1 of the [March 2022 Issues Paper](#), the requirements and application material have been enhanced, compared to extant ISA 500, regarding professional skepticism and auditor bias. Such enhancements include new requirements (see paragraphs 8, 11, 13, and 13A) and application material (see paragraphs A3m–A4, A75–A76 and A77a – A82) of **Agenda Item 3–A**.
 - (b) Paragraph A19 of **Agenda Item 3–A** describes possible actions that the auditor may take to mitigate the risk of automation bias when using automated tools and techniques.
8. The Task Force will continue to coordinate with IESBA Staff, including a follow-up review of proposed ISA 500 (Revised) prior to the approval of the Exposure Draft in September 2022.

IAASB Task Forces and Consultation Groups

9. Since March 2021, the Task Force has engaged in coordination activities with the IAASB's Technology Consultation Group and Professional Skepticism Consultation Group, as noted and described in the [July 2021 Issues Paper](#) and [March 2022 Issues Paper](#). More recently, the Task Force engaged with the Fraud Task Force, as noted in Appendix 1.
10. The AETF will continue to coordinate with such Task Force and Consultation Groups, as appropriate. In particular, based on the Board's feedback and given the intention of the AETF to develop a non-authoritative publication that includes examples to more specifically address technology, the Task Force will continue its coordination with the Technology Consultation Group in the third quarter of 2022.

² The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

³ The Quality Management standards are International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISQM 2, *Engagement Quality Reviews*; and ISA 220 (Revised)

B. Draft of Proposed ISA 500 (Revised)

B.1 Use of Certain Terminology

Previous IAASB Discussions

11. In March 2022, the Board asked the Task Force to further consider the proposed use and meaning of the terms “the purposes of the audit procedure” (used in paragraph 8(b) of the March 2022 draft) and “the auditor’s purposes” (used in several places throughout the draft standard).

Task Force Discussion and Recommendations

12. The Task Force considered the Board’s comments and the use of this terminology in proposed ISA 500 (Revised). The Task Force noted that the intended meaning of these terms was as follows:
- (a) The “purposes of the audit procedure” was meant to relate to the design and performance of the audit procedure to meet a particular audit objective(s), e.g., a risk assessment procedure or a further audit procedure to respond to an assessed risk of material misstatement.
 - (b) The “auditor’s purposes” was broadly referring to whatever the auditor is aiming to achieve in the particular circumstances, and meant to be interpreted in the context in which it is being used. In drafting proposed ISA 500 (Revised), the use of the term was intended to reinforce principles-based requirements that would contribute to the standard being scalable to a wide variety of circumstances.
13. The AETF also performed a review of the ISAs and noted that the term “auditor’s purposes” is used more than 20 times across the ISAs, in particular in extant ISA 500, ISA 540 (Revised),⁴ ISA 600 (Revised)⁵ and ISA 620.⁶ In doing so, the Task Force has observed that the relevant ISAs use the term in the context of the objective of the auditor’s procedures, which is consistent with the intended meaning as described above.
14. After further discussion, the Task Force acknowledged that the use of both terms in proposed ISA 500 (Revised) could give rise to confusion and that further revisions were needed. Accordingly, the Task Force:
- (a) Deleted references to the “auditor’s purposes” in most places throughout **Agenda Item 3-A** (e.g., paragraphs 1, 9, 13 and throughout the application material). The Task Force concluded that such references were unnecessary in most instances in the applicable context. However, the Task Force retained the reference where it was deemed appropriate in the context, based on the intended meaning of the term as noted in paragraph 12(b) above (e.g., paragraph 11(a) of **Agenda Item 3-A**).
 - (b) Changed the references to “purposes of the audit procedures” to “intended purpose of the audit procedures” in several places. The Task Force noted that retaining the reference to “purpose” of the audit procedures was important for consistency with paragraph A5 of ISA 330⁷ and related references in **Agenda Item 3-A** (e.g., paragraph A3m). The Task Force also is of the

⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

⁵ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁶ ISA 620, *Using the Work of an Auditor’s Expert*

⁷ ISA 330, *The Auditor’s Responses to Assessed Risks*

view that “intended purpose” is more appropriate in the context of paragraphs 8(b) and 13(a) of **Agenda Item 3-A**, which relates to designing and performing audit procedures in a way that provides audit evidence to achieve a particular purpose, and evaluating whether the audit evidence obtained meets that intended purpose.

15. The Task Force also noted that, in some circumstances, the term “intended purpose of the audit procedure” helps to explain or reflect scalability considerations. For example, although the term “auditor’s purposes” was deleted from the lead-in to paragraph 9, the reference to “based on the intended purpose of the audit procedures” was added to paragraph 9(b) with the intent of clarifying that the applicability of the attributes of relevance and reliability may vary depending on the purpose of the audit procedure being performed.

B.2 Definition of Audit Evidence

Relevant Paragraphs in Agenda Item 3–A			
Requirements	Application Material	Definitions	Other
N/A	N/A	7(b)	N/A

Previous IAASB Discussions

16. In March 2021, the IAASB discussed a proposed definition of audit evidence, and the specific concepts that underpin the definition, including the meaning of audit procedures and the notion of the input-output model, i.e., information intended to be used as evidence (the input) needs to be subject to audit procedures to become audit evidence (the output). Given the broad support from the IAASB, the AETF did not propose any further revisions to the definition of audit evidence in March 2022.
17. In the March 2022 IAASB meeting, the Board raised the following comments about the definition of audit evidence as presented in paragraph 7(b) of the March draft:
 - (a) A Board member asked the Task Force to consider whether there may be unintended consequences of limiting audit evidence to information that has been subject to audit procedures. For example, paragraph A5 of extant ISA 500 indicates that, in some cases the absence of information may also constitute audit evidence that is used by the auditor.
 - (b) Other Board members also noted that paragraph A5 and, to some extent, paragraphs A29 and A47 of the March draft also was confusing and inconsistent with the principle that information needs to be subjected to audit procedures to become audit evidence.
 - (c) Some Board members encouraged the AETF to consider aligning the definition with certain wording used in the extant ISA 500 definition, such as “information used by the auditor in arriving at the conclusions.”

Task Force Discussion and Recommendations

Definition of Audit Evidence

18. In discussing the comments raised by the Board in March 2022, the Task Force reaffirmed its support for the input-output model in proposed ISA 500 (Revised). The Task Force noted the Board's previous support for this model in March 2021.
19. However, the Task Force acknowledged that some of the paragraphs in the March draft included wording that may have been confusing or inconsistent with the input-output model. Accordingly, in response to the Board comments, the Task Force:
 - (a) Integrated paragraph A5 into paragraph A4 of **Agenda Item 3-A**, and clarified the wording to be more consistent with the input-output model and definition of audit evidence. In doing so, the Task Force further discussed the notion of the "absence of information" See the additional discussion in paragraphs 22-25 below.
 - (b) Deleted paragraph A29 as it was determined to be unnecessary. Paragraph 9 of **Agenda Item 3-A** requires the auditor to evaluate the relevance and reliability of information intended to be used as audit evidence. Therefore, the Task Force was of the view that paragraph A29 was stating the obvious, i.e., if the information is determined not to be relevant and reliable, the auditor would not use it.
 - (c) In revising paragraph A47, deleted the last sentence included in the March 2022 draft, which stated: "Not all information intended to be used as audit evidence becomes audit evidence because the auditor may determine that the information is not relevant or reliable for the auditor's purposes, and is therefore not appropriate." The Task Force concluded that this sentence was confusing and in any event could be deleted because it was redundant with paragraph A29, which also was deleted as described above.
20. The Task Force also discussed the Board comments about using certain wording in the definition to more closely align with the definition in extant ISA 500. Based on its discussions, the AETF concluded that the definition of audit evidence should reflect that it is information the auditor "uses" in arriving at the conclusions supporting the auditor's opinion and report, and revised paragraph 7(b) of **Agenda Item 3-A** accordingly. The Task noted that the auditor performs audit procedures to evaluate the relevance and reliability of information. In doing so, the auditor may determine that:
 - (a) The information is relevant and reliable, and therefore is used to draw conclusions that form the basis for the auditor's opinion and report; or
 - (b) The information is unreliable or outdated, and not used to draw conclusions that form the basis for the auditor's report. Although audit procedures were applied to it, the information was not used and therefore does not become audit evidence.
21. The Task Force discussed possible concerns that the reference in the definition to information "the auditor uses" may be misinterpreted or have unintended consequences (e.g., the auditor applied audit procedures to information but decided not to use it as audit evidence because it was inconsistent with other audit evidence obtained). However, the Task Force noted that paragraph 13 of **Agenda Item 3-A** requires the auditor to consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.

The “Absence of Information”

22. Paragraph A5 of the March 2022 draft indicated that, in some cases, the absence of information may also constitute audit evidence that is used by the auditor, consistent with the notion in paragraph A5 of extant ISA 500. The March 2022 draft also included an example that the absence of sales returns of a product may be audit evidence supporting the completeness of the entity’s recorded warranty provision.
23. After further discussion of the Board comments as described in paragraph 17 above, the Task Force concluded that the notion of an “absence of information” is inconsistent with the input-output model in proposed ISA 500 (Revised). Information can be in different forms and the auditor can become aware of information in different ways. However, the auditor must do something with (i.e., apply audit procedures to) that “raw” information for it to become audit evidence that can be used to support the auditor’s conclusions.
24. Using the sales returns and warranty provision example that was included in paragraph A5 of the March 2022 draft, the Task Force discussed that the auditor would have become aware of the absence of sales returns in some way, which may have been through the performance of an audit procedure (e.g., inquiry of management). To be able to use that information as audit evidence, the auditor would need to evaluate its reliability (e.g., through additional inquiries or inspection). In the view of the Task Force, the “information” is the condition the auditor became aware of (i.e., no sales returns), and could become audit evidence that the auditor could use but only after applying audit procedures, including procedures to evaluate relevance and reliability. The Task Force concluded that this was an important concept to include in the application material to proposed ISA 500 (Revised) and therefore added the last sentence in paragraph A4 of **Agenda Item 3-A**.
25. In revising paragraph A4, the Task Force also concluded that the example included in paragraph A5 of extant ISA 500 (i.e., management’s refusal to provide a requested representation) should be included in the application material. Accordingly, the Task Force added wording to paragraph A4 in **Agenda Item 3-A** to indicate that, in some circumstances, management’s unwillingness to respond to an inquiry or a request from the auditor is information that the auditor intends to use and may therefore constitute audit evidence. In these circumstances, audit procedures have been applied (e.g., an inquiry or a request for a management representation).

B.3 The Auditor’s Responsibility to Design and Perform Audit Procedures

Relevant Paragraphs in Agenda Item 3–A			
Requirement	Application Material	Definitions	Other
8	A3m–A4	N/A	N/A

Previous IAASB Discussions

26. The IAASB previously discussed and supported the Task Force’s view that proposed ISA 500 (Revised) 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. See paragraphs 11 and 21 of the [March 2022 Issues Paper](#).

27. In March 2022, the Board asked the Task Force to further consider whether the requirement in paragraph 8 appropriately reflects the purpose or role of proposed ISA 500 (Revised) in relation to the auditor's responsibility to design and perform audit procedures. In particular, a Board member noted that the words "in accordance with the ISAs" imply that other ISAs always provide guidance on how to design and perform audit procedures to meet the requirements of those ISAs.

Task Force Discussion and Recommendations

28. As discussed with the Board in March 2022, paragraph 8 was drafted to refer to "design and perform audit procedures in accordance with the ISAs" as a way to further clarify the relationship between ISA 500 (Revised) and the other ISAs (i.e., ISA 500 provides overarching requirements, or a "reference framework," relating to audit evidence when designing and performing audit procedures).
29. In considering the Board's comments from the March 2022 IAASB meeting, the Task Force reflected on its analysis discussed with the Board in July 2021 that not all ISAs have specific requirements addressing the design and performance of audit procedures to obtain sufficient appropriate audit evidence (see paragraphs 79-83 of the [July 2021 Issues Paper](#)). The Task Force therefore acknowledged that references to "in accordance with the ISAs" may introduce confusion by implying that other ISAs do in fact include such requirements. Accordingly, the Task Force deleted the reference to "in accordance with the ISAs" in paragraph 8 of **Agenda Item 3-A** and in several other places (e.g., paragraphs 1, 3 and A29 of **Agenda Item 3-A**).
30. Notwithstanding these changes, the AETF reaffirmed its view that proposed ISA 500 (Revised) is an overarching standard that applies to all audit evidence obtained during the audit and assists the audit in making judgments about audit evidence when designing and performing audit procedures. Accordingly, paragraph 3 of **Agenda Item 3-A** was revised to provide greater clarity about the relationship between proposed ISA 500 (Revised) and the other ISAs. See **Agenda Item 3-C** for a further explanation.

B.4 Evaluating the Relevance and Reliability of Information, Including Obtaining Audit Evidence about Accuracy and Completeness

Relevant Paragraphs in Agenda Item 3-A			
Requirements	Application Material	Definitions	Other
9-9A	A29-A60c	N/A	N/A

Previous IAASB Discussions

31. In July 2021, the Board indicated that the requirement in paragraph 9 of proposed ISA 500 (Revised) should continue to specifically address the accuracy and completeness of information intended to be used as audit evidence, as necessary in the circumstances. However, the Board also recommended emphasizing that all of the attributes of relevance and reliability are not intended to be applicable in each circumstance (i.e., the attributes presented in the application material should not be used as a checklist).
32. Paragraph 9(b) of the March 2022 draft required the auditor to consider, in evaluating information intended to be used as audit evidence, the attributes of relevance and reliability that are applicable

in the circumstances, including, as necessary, accuracy and completeness. The Board expressed mixed views about the proposed drafting, noting the following:

- (a) Given the principles-based nature of the standard, some Board members questioned whether it was necessary to specifically call out the consideration of accuracy and completeness.
 - (b) Other Board members expressed concern about the robustness of the requirement in paragraph 9(b) compared to extant ISA 500. Board members also noted that accuracy and completeness are generally important considerations, particularly for internal information sources (e.g., information generated internally from the entity's information system).
33. In March 2022, the Board also expressed concerns about the guidance in paragraph A56 of the March draft related to the auditor's documentation of the consideration of attributes of relevance and reliability. Suggestions included providing guidance about the documentation requirements in other ISAs or clarifying whether the guidance aligns or reconciles with paragraph 8 of ISA 230.⁸

Task Force Discussion and Recommendations

34. In discussing further revisions to the requirement in paragraph 9, the Task Force noted the Board's caution in July 2021 against creating an unnecessary burden on the auditor in evaluating the relevance and reliability of information. Therefore, the Task Force's intention in drafting paragraph 9 was to develop a principles-based requirement that is capable of demonstrating the varying degree of the work effort needed in the particular circumstances (i.e., scalable).
35. In that regard, the Task Force noted that any proposal to integrate the consideration of accuracy and completeness within the overarching requirement of paragraph 9:
- (a) Undermines the objective of a principles-based requirement to evaluate information based on the attributes of relevance and reliability that are applicable in the circumstances; and
 - (b) Inappropriately infers that the attributes of accuracy and completeness may always be applicable in the circumstances. Although the Task Force acknowledges that obtaining audit evidence about accuracy and completeness may be more important in some circumstances (e.g., when using information produced by entity, which was the focus of the requirement in paragraph 9(a) of extant ISA 500), other attributes may be more important in other circumstances (e.g., credibility of external sources).
36. To address the Board comments on addressing accuracy and completeness, while continuing to recognize the importance of scalability as described in paragraph 34 above, the Task Force:
- (a) Revised paragraph 9(b) to indicate that the auditor's consideration of the attributes of relevance and reliability that are applicable in the circumstances is based on the intended purpose of the audit procedures. In other words, the auditor's professional judgment about the attributes that are applicable in the circumstances takes into account how that information will be used in designing and performing the audit procedures in accordance with paragraph 8(b) to provide audit evidence to meet the intended purpose. See paragraph A52 of **Agenda Item 3-A** for examples.

⁸ ISA 230, *Audit Documentation*

- (b) Developed a separate conditional requirement (paragraph 9A of **Agenda Item 3-A**) for the auditor to obtain audit evidence about the accuracy and completeness of information, if the auditor determines that such attributes are applicable in the circumstances in accordance with paragraph 9(b). The Task Force also developed application material (see paragraphs A60a-A60c of **Agenda Item 3-A**) to explain circumstances in which the auditor may determine that the attributes of accuracy and completeness are applicable in the circumstances, and how audit evidence about accuracy and completeness may be obtained. Paragraphs A60c is substantially consistent with paragraph A61 of extant ISA 500.

Restructuring of the Application Material to Paragraph 9

- 37. In their offline comments on the March 2022 draft, some Board members asked the Task Force to reconsider the structure and presentation of the application material supporting paragraph 9. These comments noted that revising the structure and flow of the application material could help to clarify the auditor's responsibilities and work effort regarding the evaluation of the relevance and reliability of information intended to be used as audit evidence. These offline comments were consistent with overall comments from the Board in the March 2022 plenary session asking the Task Force to consider streamlining the application material.
- 38. In response to these comments, the Task Force has proposed the following key changes to the application material in **Agenda Item 3-A** in support of paragraph 9:
 - (a) Moved the application material related to the audit procedures to evaluate the relevance and reliability of information earlier in this application material section. The Task Force discussed and concluded that the "how to" guidance that previously was in paragraphs A57-A59 of the March 2022 draft is the foundation of the auditor's evaluation and therefore should be presented first in this section. In this regard:
 - (i) Paragraph A29a indicates that the auditor's evaluation is an iterative process that involves professional judgment and is affected by the form, availability, accessibility and understandability of the information intended to be used as audit evidence.
 - (ii) Paragraph A29b indicates that audit procedures are performed to evaluate relevance and reliability, the nature, timing and extent of which are influenced by the source of the information and the attributes of relevance and reliability that are applicable in the circumstances. The nature of the audit procedures that the auditor performs may depend on the source of the information and may vary in their extent, as explained in paragraph A29d.
 - (iii) Importantly, paragraph A29c indicates that audit evidence about relevance and reliability of the information may be obtained from performing other audit procedures in accordance with the ISAs and provides examples.
 - (iv) Paragraph A29e explains that audit procedures may be necessary to obtain audit evidence about the accuracy and completeness of the information and refers to paragraphs A60a-A60c, the application material to paragraph 9A.
 - (b) Moved paragraph A56 in the March 2022 draft to become paragraph A29g. The Task Force concluded that this guidance about documentation is important to address concerns about the scalability of the auditor's work effort. In response to the Board's comments, the Task Force

added a reference to ISA 230 to indicate that the documentation of the evaluation of relevance and reliability of information follows the overall requirements and guidance in that standard. The Task Force also added wording and provided an example of how the documentation of audit procedures performed in accordance with other ISAs may address the auditor's consideration of certain attributes of relevance and reliability of information.

- (c) Revised and enhanced other aspects of the application material addressing the attributes of relevance and reliability, including:
- (i) Describing the relevance of information more along the lines of how it is done in extant ISA 500, based on the offline comments by the Board. See paragraphs A48-A48a of **Agenda Item 3–A**.
 - (ii) Strengthening the application material on the attribute of authenticity by adding references to ISA 200 and ISA 240. See paragraph A49a of **Agenda Item 3–A**.
 - (iii) Clarifying the application material about the factors that may affect the auditor's professional judgment regarding the applicable attributes in evaluating information for relevance and reliability. See paragraphs A52-A54 of **Agenda Item 3–A**.

B.5 Evaluating the Audit Evidence Obtained

Relevant Paragraphs in Agenda Item 3–A			
Requirement	Application Material	Definitions	Other
13 and 13A	A77a–A82	N/A	N/A

Previous IAASB Discussions

39. In March 2022, the Board asked the Task Force to:
- (a) Clarify the level at which the evaluation in paragraph 13 takes place, for example, the procedure, assertion, account balance or financial statement level, including the expected or required work effort of the auditor. In doing so, the Task Force was asked how the proposed stand-back compares or reconciles with similar stand-back requirements in paragraph 26 of ISA 330 and paragraph 11(a) in ISA 700 (Revised).
 - (b) Continue exploring whether the distinction between paragraphs 11 and 12 of the March 2022 draft could be further clarified. Paragraph 11 addressed doubts about the relevance and reliability of information intended to be used as audit evidence and paragraph 12 addressed inconsistencies in the audit evidence obtained. The Board commented that the distinction between these paragraphs was unclear as the wording of the requirements was very similar.

Task Force Discussion and Recommendations

Inconsistencies in Audit Evidence

40. In the March 2022 IAASB meeting, the Task Force explained to the Board that it had considered whether paragraphs 11 and 12 (as presented in the March 2022 draft) could be combined. However, the Task Force concluded at that time that the scope of the requirements is different, and therefore

the auditor's actions are likely different. Therefore, the view of the Task Force was that the requirements should remain separate.

41. In its discussions after the March 2022 IAASB meeting, the Task Force concluded that the requirement in paragraph 12 of the March 2022 draft more naturally complements the requirement in paragraph 13. Paragraph 13 (as presented in the March 2022 draft) required the auditor, in evaluating whether the audit evidence obtained meets the auditor's purposes, to consider all relevant audit evidence, including evidence that is consistent or inconsistent with other audit evidence or assertions in the financial statements (*emphasis added*).
42. Therefore, the Task Force moved paragraph 12 to become paragraph 13A in **Agenda Item 3-A** as part of the auditor's evaluation of the audit evidence obtained. See further discussion in paragraph 47 below.

Evaluate the Audit Evidence Obtained

43. The Task Force discussed that the stand back in paragraph 13 of the March 2022 draft was intended to "close the loop" on the requirement in paragraph 8(b) for 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. This stand back also was intended to provide a basis for the auditor's overall conclusion in accordance with paragraph 26 of ISA 330 about whether sufficient appropriate audit evidence has been obtained.
44. To clarify and strengthen the links to paragraph 8(b) of **Agenda Item 3-A** and paragraph 26 of ISA 330, the Task Force:
 - (a) Revised the lead-in wording to paragraph 13 to clearly indicate that the evaluation is done to provide a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330.
 - (b) Moved the first sentence of paragraph 13 of the March 2022 draft to paragraph 13(a) to provide a stronger link to paragraph 8(b) about whether the audit evidence obtained meets the intended purpose of the audit procedures.
 - (c) Retained in paragraph 13(b) the requirement for the auditor to consider all evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.
45. In drafting paragraph 13(b), the Task Force concluded that references to consistent/inconsistent and corroborative/contradictory audit evidence are appropriate based on the following:
 - (a) The Task Force noted that individual pieces of audit evidence obtained may be consistent among themselves, or certain pieces may be inconsistent with others. After any inconsistencies have been addressed, the audit evidence would then become a part of the auditor's overall conclusion about whether sufficient appropriate audit evidence has been obtained.
 - (b) Audit evidence may also either corroborate or contradict the assertions in the financial statements. This concept is embodied in paragraph 26 of ISA 330 and also is consistent with paragraph 35 of ISA 315 (Revised 2019). Accordingly, the Task Force concluded that the wording in paragraph 13(b) of **Agenda Item 3-A** should mirror the wording in the second

sentence of paragraph 26 of ISA 330. The Task Force also discussed whether that sentence in paragraph 26 of ISA 330 could be deleted through a conforming amendment arising from proposed ISA 500 (Revised) as a way of strengthening the relationship between ISA 500 and ISA 330. However, on balance, the Task Force concluded that the wording is appropriate in both standards, and should be retained in ISA 330 as it provides an important link to ISA 700 (Revised) when forming an opinion on the financial statements.

46. As explained in paragraphs 41–42 above, the Task Force developed a new conditional requirement in paragraph 13-A of **Agenda Item 3-A** related to inconsistencies in the audit evidence obtained. Paragraph 13A(a) was revised to indicate that, when audit evidence is inconsistent with other audit evidence obtained, the auditor is required to take actions as necessary to understand and address the inconsistency.
47. In discussing the Board's comments about the level at which the evaluation in paragraph 13 takes place, the Task Force noted that the evaluation in paragraph 13(a) is intended to be performed at the same level as the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330. The Task Force discussed that the auditor's conclusion in accordance with paragraph 26 of ISA 300 is influenced by, among other factors, the results of audit procedures performed to address assessed risks of material misstatement at the assertion level. Accordingly, the Task Force added paragraph A77b in **Agenda Item 3-A** to explain that the auditor's evaluation required by paragraph 13(a) is made in the context of the requirements of ISA 330 and is therefore also done at the assertion level.

Matters for IAASB Consideration

1. The IAASB is asked for its views on the Task Force's revisions to proposed ISA 500 (Revised), as presented in **Agenda Item 3-A**, including with respect to the matters discussed in Section B above.
2. Are there any matters other than those already raised that the IAASB believes the Task Force should consider in finalizing the exposure draft of proposed ISA 500 (Revised) for approval in September 2022?

C. Proposed Conforming and Consequential Amendments

Previous Board Discussions

48. In March 2022, the Board broadly noted its support for the Task Force's initial views and approach to the conforming and consequential amendments arising from proposed ISA 500 (Revised). See Section G of the [March 2022 Issues Paper](#).

AETF's Further Discussions and Views

Approach to the Conforming and Consequential Amendments

49. In further discussing its approach to the proposed conforming and consequential amendments, the AETF agreed to apply the following principles:
 - (a) Proposed conforming amendments represent changes that must be made to avoid conflicts with proposed ISA 500 (Revised) and maintain the operability of the other ISAs, (i.e., without such amendments, the relationship to ISA 500 (Revised) would be "broken").

- (b) Proposed consequential amendments should be as minimal as possible, and made only in situations where requirements or guidance in other ISAs need to be clarified or strengthened based on the requirements in proposed ISA 500 (Revised) to maintain the coherence of the ISAs.
50. As described in paragraph 121 of the [March 2022 Issues Paper](#), the Task Force considered the use of the terms “information” and “audit evidence” throughout the suite of ISAs. The Task Force noted that the use of the terms continued to be appropriate in the vast majority of instances, and therefore has proposed conforming amendments to other standards only in cases where the Task Force concluded that alignment with the wording in proposed ISA 500 (Revised) was needed in the context in which those terms were used.
51. In addition, as described in paragraph 122 of the [March 2022 Issues Paper](#), the project to revise ISA 500 does not contemplate a holistic revision of the other ISAs to address technology. However, the Task Force considered uses of certain technology-related terms in other ISAs and whether those terms were consistent with, or should be updated to align with, wording and terminology used in proposed ISA 500 (Revised). In this regard:
- (a) Limited conforming amendments have been proposed regarding references to “electronic” files, transactions or information. The Task Force is of the view that a more comprehensive review may be needed of the other IAASB standards to address the use of terminology, and that such review is outside the scope of the Audit Evidence project.
 - (b) Several conforming amendments have been proposed to replace the term “computer-assisted audit techniques” with “automated tools and techniques.”

The term “sufficient appropriate audit evidence”

52. In March 2022, it was noted that the Task Force 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). In doing so, the Task Force expressed the view that the consistent use of the term “sufficient appropriate audit evidence” throughout the suite of ISAs would enhance auditors’ understanding of this concept and drive consistent behavior when applying the principles and guidance of proposed ISA 500 (Revised).
53. In that regard, the Task Force noted in March 2022 that revisions may be required to, for example:
- (a) The subheading above paragraph 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),⁹ including related illustrative auditor’s reports across the suite of ISAs, where the term “sufficient and appropriate” is used.
54. After further discussion, the Task Force concluded that no changes are needed to the standards noted in paragraph 53. In particular, the Task Force is of the view that the reference to “the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor’s opinion” in ISA 700 (Revised), including

⁹ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

the illustrative auditor reports, is well understood in practice and has the same meaning as “sufficient appropriate audit evidence.”

Specific Matters Related to the Proposed Conforming and Consequential Amendments

Definition of audit evidence

55. The Task Force noted that both ISA 200¹⁰ and extant ISA 500 have a definition of audit evidence. The extant ISA 500 definition is included in the IAASB’s Glossary of Terms.¹¹
56. The Task Force further noted that the wording of the definitions in ISA 200 and ISA 500 is essentially the same, but:
- ISA 200 includes as a subset the definitions of sufficiency and appropriateness of audit evidence;
 - ISA 200 paragraph 13 states: “For purposes of the ISAs, the following terms have the meanings attributed below...” (emphasis added)
 - Extant ISA 500 paragraph 5 states: “For purposes of the ISA, the following terms have the meanings attributed below...” (emphasis added)
57. The different versions of the definition have led to questions (including in offline Board comments from the March 2022 meeting) about why they are different, and whether both are needed or how they should be aligned.
58. The Task Force is of the view that the lead-in of paragraph 5 of extant ISA 500 should state “For purposes of the ISAs, ...” and has revised the lead-in wording to paragraph 7 of **Agenda Item 3-A** accordingly.
59. In addition, the Task Force considered the following options regarding the separate definitions of audit evidence in ISA 200 and proposed ISA 500 (Revised):
- (a) Leave the definitions in both standards, and simply update the wording of the definition in ISA 200 as appropriate through a conforming amendment to align with the definition of audit evidence in paragraph 7(b) of **Agenda Item 3-A**, along with the separate definitions of appropriateness of audit evidence and sufficiency of audit evidence in paragraphs 7(a) and 7(d), respectively, of **Agenda Item 3-A**; or
 - (b) Propose a conforming amendment to delete the definition in ISA 200, given that the definition is included in proposed ISA 500 (Revised) and is included in the Glossary of Terms (which will be updated to reflect the wording in ISA 500 (Revised) when finalized).
60. The Task Force had mixed views on the options described in paragraph 59 above. Given that ISA 200 is a foundational standard, and the concept of sufficient appropriate audit evidence is fundamental to the overall objectives of the auditor, the Task Force recognized that there may be

¹⁰ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹¹ See digital Handbook of the [IAASB's International Quality Control, Auditing, Review, Other Assurance and Related Services Pronouncements](#)

merit in keeping the definition of audit evidence in both standards, and updating the wording in ISA 200 to align with proposed ISA 500 (Revised). However, on balance, the AETF has a slight preference for the second option to delete the definition in ISA 200 and therefore has proposed a conforming amendment to do so (see **Agenda Item 3–D**).

Definition of accounting records

61. In March 2022, the Task Force discussed with the Board its proposal to delete the definition of accounting records in paragraph 5(a) of extant ISA 500, as it is not included in the requirements of the extant standard, and instead describe accounting records as an example of internal sources of information in the application material in proposed ISA 500 (Revised) (see paragraph A41 of **Agenda Item 3–A**).
62. Subsequent to the March 2022 IAASB meeting, discussions between the Staff supporting the Task Force and other IAASB Staff noted that the term “accounting records” is included in the requirements of other ISAs, including ISA 315 (Revised 2019),¹² but would no longer be defined in the ISAs if deleted in proposed ISA 500 (Revised). Accordingly, the Task Force is proposing to add a definition of accounting records to ISA 315 (Revised 2019) as a consequential amendment arising from proposed ISA 500 (Revised).

Matter for IAASB Consideration

3. The IAASB is asked for its views on the proposed conforming and consequential amendments, as presented in **Agenda Item 3–D**, and in particular:
 - (a) The proposed deletion of the definition of audit evidence in ISA 200; and
 - (b) The proposed consequential amendment to add a definition of accounting records to ISA 315 (Revised 2019).

D. Way Forward

63. Following the June 2022 discussion with the Board, the AETF will finalize the draft with a view to approving an Exposure Draft of proposed ISA 500 (Revised) in September 2022.
64. The Task Force will also provide the Board an update in September 2022 on the development of non-authoritative technology examples, as discussed in paragraph 10.

¹² ISA 315 (Revised 2019), paragraph 18

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 March 2022 IAASB Meeting (Virtual by Videoconferencing)

2. The AETF had a face-to-face meeting in April 2022 and subsequently three virtual meetings in May 2022.

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

3. Staff of the AETF and the AETF Chair met with Staff of the Fraud Task Force and the Fraud Task Force Chair to discuss the AETF's preliminary views and proposals in relation to conforming and consequential amendments to ISA 240, resulting from the proposed revisions to ISA 500 as presented in **Agenda Item 3–A**.

Outreach Activities

4. Prior to the IAASB meeting in June 2022, the Task Force Chair will present an update to the IFAC SMP Advisory Group on the development of proposed ISA 500 (Revised).

Appendix 2

Extracts from the Draft March 2022 IAASB Meeting Minutes

ISA 500, *Audit Evidence*

The Board was presented with the first draft of proposed ISA 500 (Revised) as included in [Agenda Item 5-A](#).

Requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

1. The Board supported the proposals to:
 - Subsume the principles of the requirement in paragraph 10 of extant ISA 500 (selecting items for testing) into paragraph 8(b) of proposed ISA 500 (Revised); and
 - Relocate application material on the types of audit procedures to an Appendix; and

Requirement in paragraph 10: Information Prepared by a Management's Expert

2. The Board supported the proposal to retain the reference to evaluating the competence, capabilities and objectivity of the management's expert, and, in this regard, the description in paragraph A65 that provides a link to the attributes of credibility and bias.

Directions

The following are the substantial matters for which the Board provided direction to the Audit Evidence Task Force on the draft of proposed ISA 500 (Revised) as presented.

General

3. The Board asked the Audit Evidence Task Force to consider:
 - The use of certain verbs, such as "evaluate" and "consider," together in a requirement, also noting the pending finalization of the draft CUSP Drafting Principles and Guidelines in Q2 of 2022.
 - Further streamlining the proposed application material.
 - Strengthening the link between the auditor's consideration of authenticity in proposed ISA 500 (Revised) and ISA 240.

Definitions

4. The Board broadly cautioned against the proposed changes to the definitions of the appropriateness (of audit evidence) and the sufficiency (of audit evidence). In particular, the Board asked the Audit Evidence Task Force to further explore:
 - The merit of the proposal to relocate the reference to "relevance and reliability" in the definition of the appropriateness of audit evidence in extant ISA 500 to the application material.
 - The proposed use of the term "appropriate" (audit evidence) in the definition of the sufficiency of audit evidence. There were concerns about circularity as well as about inferring that

appropriate audit evidence is always a dependent variable in considering the sufficiency of audit evidence.

- Retaining the reference to the auditor's assessment of the risks of material misstatement in the definition of the sufficiency of audit evidence.
5. Proposed definition of audit evidence – A Board member asked the Audit Evidence Task Force to consider whether there may be any unintended consequences to limit audit evidence to information that has been subject to audit procedures. For example, in some cases, the absence of information may also constitute audit evidence that is used by the auditor.

Requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

6. The Board asked the Audit Evidence Task Force to further consider:
- Whether the use of the term “in a manner that is not biased” in paragraph 8(a) of the proposed standard is clear in this context. It was noted that auditors inherently apply bias when designing and performing audit procedures to corroborate account balances, classes of transactions and disclosures.
 - The proposed use and meaning of the terms “the purposes of the audit procedure” (used in paragraph 8(b)) and “the auditor's purposes” (used elsewhere, e.g., in paragraphs 9 and 13, as well as in the application material).
 - The use of the term “audit procedures that are appropriate in the circumstances” in paragraph 8(b), to avoid confusion with similar or other terms in the ISAs that refer to “appropriate”. A Board member noted that extant ISA 500 uses the term “effective in meeting the purpose of the audit procedure.”¹³
 - Whether the requirement appropriately reflects the purpose or role of proposed ISA 500 (Revised) in relation to the auditor's responsibility to design and perform audit procedures. In particular, a Board member noted that the words “in accordance with the ISAs” imply that other ISAs always provide guidance on how to design and perform audit procedures to meet the requirements of those ISAs.

Application material in support of the requirement in paragraph 8: Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

7. The Board asked the Audit Evidence Task Force to further consider:
- Clarifying the scope or meaning of the term “other audit procedures that are performed to comply with the ISAs,” as presented in paragraph A2(c).
 - Streamlining and further clarifying the proposed application material about the concepts of, and the relationship between, sufficient appropriate audit evidence, the persuasiveness of audit evidence and the definitions of the appropriateness (of audit evidence) and the sufficiency (of audit evidence). It was noted that a diagram or flowchart may be helpful in demonstrating such understanding.

¹³ ISA 500, paragraph 10

- Enhancing the guidance on automation bias.

Requirement in paragraph 9: Information Intended to Be Used as Audit Evidence

8. The Board asked the Audit Evidence Task Force to further consider whether it is appropriate to specifically include the source of the information in the requirement (paragraph 9(a)). It was noted that 'sources' are already encapsulated in some of the examples of attributes of reliability in paragraph A49.

Requirement in paragraph 10: Information Prepared by a Management's Expert

9. The Board asked the Audit Evidence Task Force to further consider:
- Strengthening the link or relationship between this requirement and paragraph 9.
 - Whether it may be helpful to retain "having regard to the significance of that expert's work," as used in paragraph 8 of extant ISA 500, given that the auditor's work effort should be driven by the significance of the information in question.

Requirement in paragraph 11: Doubts about Relevance and Reliability

10. The Board asked the Audit Evidence Task Force to further consider:
- Whether the requirement may be strengthened by highlighting the risk of fraud if the auditor has doubts about the relevance and reliability of information intended to be used as audit evidence.
 - Whether the distinction between paragraph 11 (that applies to information intended to be used as audit evidence) and paragraph 12 (that applies to audit evidence obtained) could be further clarified.
 - Developing application material to explain the circumstances when or why there may be doubts about the relevance of information intended to be used as audit evidence (noting this is a new requirement compared to extant ISA 500).

Paragraph 12: Inconsistencies in Audit Evidence

11. The Board asked the Audit Evidence Task Force to further consider whether the requirement adequately deals with the sufficiency of the remaining audit evidence, once the inconsistency has been resolved in accordance with paragraph 12(a).

Paragraph 13: Evaluating Whether Audit Evidence Obtained Meets the Auditor's Purposes

12. The Board asked the Audit Evidence Task Force to clarify:
- The level at which the evaluation takes place, for example, the procedure, assertion, account balance or financial statement level, including the expected or required work effort of the auditor.
 - How the proposed stand-back compares or reconciles with similar stand-back requirements in paragraph 26 of ISA 330 and paragraph 11(a) in ISA 700 (Revised).

Objective

13. The Board expressed mixed views about the proposed objective in paragraph 6, including directing the Audit Evidence Task Force to consider whether it may be appropriate to:
- Incorporate “to evaluate the relevance and reliability of information intended to be used as audit evidence,” given that this is a critical aspect of the standard.
 - Retain the wording in the objective of extant 500 about why the auditor obtains sufficient appropriate audit evidence, i.e., “to be able to draw reasonable conclusions on which to base the auditor’s opinion.”
 - Incorporate the auditor’s responsibility to design and perform audit procedures, as included in the objective of extant ISA 500.

Other Substantial Matters

Other substantial matters raised during the discussion of the draft of ISA 500 (Revised) as presented in **Agenda Item 5-A** were as follows:

General

14. The Board noted its support for the direction of the proposals about reinforcing the exercise of professional skepticism.
15. The Board broadly noted its support for the AETF’s initial views and approach to the conforming and consequential amendments arising from proposed ISA 500 (Revised).

Requirement in paragraph 9: Information Intended to Be Used as Audit Evidence

16. The Board expressed mixed views about the reference to the attributes of accuracy and completeness in paragraph 9(b):
- Given the principles-based nature of the standard, some questioned whether it was necessary to specifically call out the consideration of accuracy and completeness.
 - Other Board members expressed concern about the robustness of the requirement compared to extant ISA 500.
17. The Board expressed concerns about the guidance in relation to the auditor’s documentation as presented in paragraph A56:
- Given that the requirement specifically refers to the consideration of accuracy and completeness, it is not clear whether such consideration creates a documentation requirement.
 - The proposed guidance explains what the auditor is not required to document. It may be helpful or more helpful if guidance is provided about documentation requirements in other ISAs (e.g., ISA 230¹⁴ and ISA 315 (Revised 2019)).
 - It is not clear whether the guidance reconciles or aligns with the requirements of paragraph 8 of ISA 230.

¹⁴ ISA 230, *Audit Documentation*

IAASB CAG Chair Remarks

18. Mr. Dalkin noted that Representatives are broadly supportive of the direction of the project. In particular, Representatives noted strong support for the principles-based approach adopted in the draft of proposed ISA 500 (Revised).

PIOB Observer Remarks

19. Ms. van Diggelen observed the importance of the IAASB's Audit Evidence project and noted the need to focus on professional skepticism and technology. In particular, Ms. van Diggelen encouraged the IAASB to implement steps to safeguard that the standard remains fit for purposes for future changes in technology. Ms. van Diggelen also noted that several important concepts and public interest matters are dealt with in the proposed application material, which may be considered to be elevated to the requirements.

Next Steps

20. The Audit Evidence Task Force will make changes to the draft of proposed ISA 500 (Revised) based on Board members' feedback. The Audit Evidence Task Force intends to provide an updated draft to the Board for discussion at the June 2022 IAASB meeting.

Appendix 3

Approach for the Walkthrough of Agenda Item 3-A

Section of Proposed ISA 500 (Revised)	Paragraphs in Agenda Item 3-A ¹⁵	Related Sections in Agenda Item 3
Introduction	1–4, A1-A3i	B.1
Objectives	6	
Definitions	7, A3j-A3l	B.2
Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence	8	B.3
	A3m-A4	B.2 (para 22-25)
	A16-A28	
Information Intended to Be Used as Audit Evidence	9	B.4
	A29a-A29g	
	A30a-A46	
	A47-A54	
	9A, A60a-A60c	B.4
<i>Information Intended to Be Used as Audit Evidence Prepared by a Management's Expert</i>	10, A62-A74	
<i>Doubts about the Relevance or Reliability of Information Intended to be Used as Audit Evidence</i>	11, A75-A76	
Evaluating the Audit Evidence Obtained	13-13A, A77a-A82	B.5
Appendix ¹		

¹⁵ Also see related explanations for certain paragraphs in **Agenda Item 3-C**