

### Introductory Paragraphs, Objective, Definitions and Requirements of Proposed ISA 500 (Revised), *Audit Evidence* (marked to extant ISA 500)

This paper presents the introductory paragraphs, objective, definitions and requirements of proposed ISA 500 (Revised) marked to extant ISA 500.<sup>1</sup> Note that extant ISA 500 previously was updated and renumbered for relevant conforming and consequential amendments arising from other revised ISAs.

## Introduction

### Scope of this ISA

1. This International Standard on Auditing (ISA) ~~explains what constitutes~~ deals with the auditor's responsibilities relating to audit evidence when designing and performing audit procedures. Such responsibilities include evaluating the relevance and reliability of information intended to be used as audit evidence and evaluating the audit evidence obtained. (Ref: Para. A1-A4)
2. ISA 200<sup>2</sup> deals with the overall responsibilities of the auditor in conducting an audit of the financial statements, and deals with. ISA 200 requires the auditor's responsibility to design and perform audit procedures ~~auditor~~ to obtain sufficient appropriate audit evidence to be able reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion.<sup>3</sup> (Ref: Para. A5-A12)
23. This ISA is applicable to all ~~the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315 (Revised 2019)), may address the audit evidence to be obtained in relation to a particular topic (for example, ISA 570 (Revised)<sup>4</sup>), specific procedures to obtain audit evidence (for example, ISA 520<sup>5</sup>), and the evaluation of for specific matters (e.g., audit evidence related to risk assessment procedures performed in accordance with ISA 315 (Revised 2019)).<sup>6</sup> In addition, ISA 330<sup>7</sup> deals with, among other matters, the auditor's overall responsibility to obtain sufficient appropriate audit evidence and to conclude whether sufficient appropriate audit evidence has been obtained (ISA 200<sup>8</sup> and ISA 330<sup>9</sup>).~~

<sup>1</sup> ISA 500, *Audit Evidence*

<sup>2</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>3</sup> ISA 200, paragraph 17

<sup>4</sup> ~~ISA 570 (Revised), *Going Concern*~~

<sup>5</sup> ~~ISA 520, *Analytical Procedures*~~

<sup>6</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

<sup>7</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>8</sup> ~~ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*~~

<sup>9</sup> ~~ISA 330, *The Auditor's Responses to Assessed Risks*~~

### Professional Judgment and Professional Skepticism

4. As explained in ISA 200, the ISAs require that the auditor exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit.<sup>10</sup> This ISA further emphasizes maintaining professional skepticism in planning and performing the audit, and in critically assessing audit evidence, by, for example:

- Designing and performing audit procedures in a manner that is not biased.
- Evaluating the relevance and reliability of information intended to be used as audit evidence.
- Considering all audit evidence obtained, whether consistent or inconsistent with other audit evidence and regardless of whether it appears to corroborate or contradict the assertions in the financial statements, as a basis for concluding whether sufficient appropriate audit evidence has been obtained.

### **Effective Date**

35. This ISA is effective for audits of financial statements for periods beginning on or after ~~December 15, 2009~~XXX.

### **Objectives**

6. The objectives of the auditor ~~is~~are to:

- (a) Design and perform audit procedures that are appropriate in such a way as to enable the auditor to obtain circumstances for the purpose of obtaining sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion,  
and
- (b) Evaluate information intended to be used as audit evidence, and the audit evidence obtained, to provide a basis for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.

### **Definitions**

57. For purposes of the ISAs, the following terms have the meanings attributed below:

- (a) ~~Accounting records – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers; invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.~~
- (b) ~~(a) Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which that form the basis for the auditor's opinion is based. (Ref: Para: A13)~~

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<sup>10</sup> ISA 200, paragraph 7

- (eb) ~~Audit evidence – Information, to which audit procedures have been applied, that used by the auditor in arriving at the uses to draw reasonable conclusions on which that form the basis for the auditor's opinion and report is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and information obtained from other sources.~~
- (d) ~~External information source – An external individual or organization that provides information that has been used by the entity in preparing the financial statements, or that has been obtained by the auditor as audit evidence, when such information is suitable for use by a broad range of users. When information has been provided by an individual or organization acting in the capacity of a management's expert, service organization<sup>14</sup>, or auditor's expert<sup>12</sup> the individual or organization is not considered an external information source with respect to that particular information. (Ref: Para. A1-A4)~~
- (ec) Management's expert – An individual or organization possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist the entity in preparing the financial statements.
- (fd) Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. ~~The quantity of in providing support for the audit evidence needed is affected by conclusions that form the basis for the auditor's opinion assessment of the risks of material misstatement and also by the quality of such audit evidence. (Ref: Para. A14)~~

## Requirements

### Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

~~68.~~ ~~The~~ For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures: (Ref. Para. A15–A18)

- (a) ~~In a manner that is not biased towards obtaining audit evidence that may be corroborative, or towards excluding audit evidence that may be contradictory; and (Ref. Para. A19–A23)~~
- (b) ~~The nature, timing and extent of which that are appropriate in the circumstances for to provide audit evidence to meet the intended purpose of those obtaining sufficient appropriate audit evidence procedures. (Ref: Para. A5-A29)~~ A24–A33)

### Information Intended to Be Used as Audit Evidence

~~9.7.~~ ~~When designing and performing audit procedures, the~~ The auditor shall ~~consider~~ reevaluate the relevance and reliability of ~~the~~ information intended to be used as audit evidence, ~~including information obtained from an external information source.~~ In making this evaluation, the auditor shall consider: (Ref. Para. ~~A30–A44~~ A34–A46)

- (a) The source of the information; and (Ref: Para. A47–A51)

<sup>14</sup> ~~ISA 402, Audit Considerations Relating to an Entity Using a Service Organization, paragraph 8.~~

<sup>12</sup> ~~ISA 620, Using the Work of an Auditor's Expert, paragraph 6~~

(b) The attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures. (Ref. Para. A52–A61)

10. If the auditor determines in accordance with paragraph 9(b) that the accuracy and completeness attributes are applicable, the auditor shall obtain audit evidence about the accuracy and completeness of the information. (Ref: Para. A62-A64)

*Information Intended to be Used as Audit Evidence Prepared by a Management's Expert*

- ~~118.~~ If information intended to be used as audit evidence has been prepared using the work of by a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the as part of the auditor's purposes evaluation in accordance with paragraph 9, the auditor shall: (Ref: Para. A45–A47A65–A67)

- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref: Para. A48–A54)A68–A72)
- (b) Obtain an understanding of the work of performed by that expert; and (Ref: Para. A55–A58A73–A74)
- (c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion. Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of the financial statements, including: (Ref: Para. A59A75–A77)
  - (i) How management has considered the appropriateness of the information prepared by that expert; and
  - (ii) Modifications made by management to the information prepared by that expert, and the reasons for such modifications.

- ~~9.~~ When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes, including, as necessary in the circumstances:

- ~~(a)~~ Obtaining audit evidence about the accuracy and completeness of the information; and (Ref: Para. A60–A61)
- ~~(b)~~ Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. (Ref: Para. A62)

**Selecting Items for Testing to Obtain Audit Evidence**

- ~~10.~~ When designing tests of controls and tests of details, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure. (Ref: Para. A63–A67)

**Inconsistency in, or Doubts over Reliability of, Audit Evidence**

- ~~11.~~ If:

- ~~(a)~~ audit evidence obtained from one source is inconsistent with that obtained from another; or

~~(b) the auditor has doubts over the reliability of information to be used as audit evidence, the auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit. (Ref: Para. A68)~~

*Doubts About the Relevance or Reliability of Information Intended to be Used as Audit Evidence*

12. If the auditor has doubts about the relevance or reliability of information intended to be used as audit evidence, the auditor shall: (Ref. Para. A78–A79)

- (a) Determine whether modifications or additions to audit procedures are necessary to resolve the doubts; and (Ref: Para. A80-A81)
- (b) If the doubts cannot be resolved, consider the effect, if any, on other aspects of the audit, including whether such doubts indicate a risk of material misstatement due to fraud. (Ref: Para. A82)

**Evaluating the Audit Evidence Obtained**

13. As a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330,<sup>13</sup> the auditor shall:

- (a) Evaluate whether the audit evidence obtained meets the intended purpose of the audit procedures; and
- (b) 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. (Ref. Para. A83–A87)

14. If the auditor obtains audit evidence that is inconsistent with other audit evidence, the auditor shall (Ref. Para. A88-A92):

- (a) Determine what modifications or additions to audit procedures are necessary to understand and address the inconsistency; and
- (b) Consider the effect, if any, on other aspects of the audit.

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<sup>13</sup> ISA 330, paragraph 26