

# Supplement H to Agenda Item 9

## RESPONSES RECEIVED ON THE EXPOSURE DRAFT

### PROPOSED INTERNATIONAL STANDARD ON AUDITING 540 (REVISED), *AUDITING ACCOUNTING ESTIMATES AND RELATED DISCLOSURES*

#### COMMENTS TO QUESTION 7

**Note:** This supplement has been prepared for information only. A comprehensive summary of the significant comments received on the April 2017 Exposure Draft, Proposed International Standard on Auditing 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (ED-540) and related analyses of significant issues will be presented at subsequent IAASB meetings. All comment letters on the Exposure Draft can be accessed [here](#).

**Q7.** With respect to the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will the revision to the requirement in paragraph 7 and the related new additional application material result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources?

#	Respondent	Comments
<b>Investors and Analysts</b>		
1.	CFA	<p>ISA 500 Audit Evidence</p> <p>We agree with the need to clarify the distinction between a third-party pricing source and a management's expert and the necessary amendments to ISA 500. We support the proposed conforming and consequential amendments to ISA 500, regarding external information sources, including the following:</p> <ul style="list-style-type: none"> <li>The definition of external information source including application material to assist the auditor in determining whether audit evidence was from an external information source.</li> <li>Application material regarding factors related to the relevance and reliability of information obtained from an external information source, specific material on fair value measurements, and when management and the auditor use the same information source.</li> </ul> <p>We also suggest that ED 540 reference ISA 500, paragraph 8, which discusses requirements for information to be used as audit evidence that has been prepared using the work of a management's expert. Underscoring the requirements for evaluating the work of a management's expert, we believe, will help ensure high audit quality.</p>

Those Charged with Governance		
2.	AICD	
Regulators and Oversight Authorities		
3.	BCBS	<p><b>1.5 Auditor assessment of third-party models or data</b></p> <p>Data inputs are significant to many accounting estimates, making their relevance, accuracy and overall integrity critically important. For some estimates, banks, like other entities, may rely on externally sourced third-party models or data. With the inherent challenges of auditing externally sourced models or data and given the significant impact that models or data could have on an estimate's outcome, auditors should design and perform audit procedures responsive to risks around third-party systems and processes. In our view, auditors' responsibilities extend beyond in-house data and models to externally provided models or data. We support the consequential amendments that will be made to ISA 500, <i>Audit Evidence</i>, in paragraphs A33A-A33H. We believe that ISA 540 should include a stronger reference to the relevant paragraphs in ISA 500, because the link between ISA 540 (Revised) and the current guidance in ISA 500 could otherwise be missed. A few examples could include:</p> <ul style="list-style-type: none"> <li>• When external data sources are used, auditors should assess whether data and assumptions obtained from the external sources are reliable, relevant, complete and accurate.</li> <li>• When a third-party model is used, auditors should assess the model methodology (including theoretical soundness and mathematical integrity), the appropriateness of model inputs (eg data and assumptions), and validation procedures and controls over the model.</li> </ul>
4.	CEAOB	<p>Conforming ISA 500 amendments</p> <p>22. We support the aim to develop further professional scepticism by the auditor on the use of data from external sources as audit evidence. The notion of "publicly available information" should be clarified further in ISA 500, since it could be understood as open and free data, which is not necessarily the case. Pricing services data are indeed often available if the user pays for the data. In case of use of information from the external source, the auditor should at least check that the data has been accurately incorporated (no mathematical/accuracy errors) and assess that the information is relevant and reliable or verify management's assessment thereof.</p>
5.	EBA	
6.	ESMA	<p>1. While ESMA welcomes the confirming amendments to paragraph 7 of ISA 500 – <i>Audit Evidence</i> addressing information obtained from an external source, ESMA notes that the requirements are disproportionately limited in comparison with the substantive body of the application material. ESMA suggest that those parts of the application guidance that constitute requirements are moved to the requirement section of ISA 540 (Revised).</p> <p>2. Finally, we believe it would be inappropriate to limit external information sources to the information that is available to the public as proposed in paragraph A1A of ISA 500. We are of the view that such wording might be understood as limiting the scope only to</p>

		“free and open data”. ESMA notes that external information sources are often not available to public, but only to certain users who often need to pay for such services (e.g. external pricing services or credit history providers).
7.	<b>IAIS</b>	We think the proposed new ISA 500 material regarding external information sources should include the additional requirement that the reliability and credibility of the external information source be assessed, and in particular when the information source is not widely used. With that, the new material should be helpful in promoting better evaluations of audit evidence that is based upon data from external information sources. This area seems to be growing in importance as entities are increasingly engaging in complex investment, hedging, financing, and other activities that are using data from external information sources to support the determination or validation of their estimates.
8.	<b>IFIAR</b>	<p><b>Conforming ISA 500 amendments</b></p> <p><b>20. We support the development of guidance to further the application of professional scepticism by the auditor on the use of data from external sources as audit evidence. The notion of “publicly available information” should nevertheless be clarified in ISA 500, since it could be understood as only open and free data, which is not necessarily the case with pricing services, which are available for those paying for the use of it.</b></p> <p><b>21. Given the frequency in which companies use experts to assist in developing accounting estimates and the focus of the ED on evaluating management’s process, selection and judgments, we would expect more emphasis on the fact that the auditor should apply the requirements of ISA 540 when management’s assumptions are developed by management or, alike, when they are developed by an expert employed or engaged by management. We would like clarification in the standards so that the auditor fully considers the necessary evidence to be obtained when following ISA 500.8 for a management’s expert.</b></p>
9.	<b>IOSCO</b>	<p><b>Information sources</b></p> <p><b>In describing the nature of accounting estimates, the ED says that the susceptibility of an estimate to misstatement may increase because of the need to “Appropriately consider the relevance and reliability of the data used, whether the data is obtained from internal sources or from external information sources” (paragraph 3(a)(ii)).</b></p> <p><b>The proposed amendments to ISA 500 provide a definition of an external information source and considerations when evaluating the relevance and reliability of information obtained from such a source. In particular, paragraph 5(cA) of ISA 500 defines an external pricing source as an individual or organization that provides ‘publicly available’ information used by the entity in preparing the financial statements. However, it is not clear what is meant by ‘publicly available’. For example, it is not clear whether ‘publicly available’ information needs to be available to the general public or whether the definition would also encompass circumstances in which information is not available to the general public but is nevertheless provided in a uniform manner to the interested users of an information source, for example on a subscription basis. Examples may include results of surveys of a small number of industry participants by industry associations or central banks that may not be public but only available to entities in the industry.</b></p>

The Board should consider clarifying its definition of an external information source in this regard. Guidance may also be useful where the audited entity is the price maker in a particular market.

In discussing the evaluation of external information sources, paragraphs A33A to A33G of ISA 500 appear to focus on the relevance and reliability of those sources. As the Board observed in paragraph A33C, in many circumstances the auditor may not be able to test the accuracy and completeness of the information received from an external information source. For example, there may be no contractual relationship between the external information source and the entity that requires the provision of information, or the models used by external information sources may be proprietary.

However, in the example provided in the same paragraph, the Board appears to suggest that evaluating the relevance and reliability of information would only be a 'part of considering the accuracy and completeness of the information'. This may be confusing to auditors when it comes to the extent of procedures that they would be expected to perform with reference to information received from an external information source. The Board should clarify its expectations regarding the criteria for evaluating information from external information sources, i.e. whether such information should be evaluated solely for its relevance and reliability while accuracy and completeness would be the appropriate evaluation criteria for information generated by the entity subject to the audit.

If the auditor is not able to evaluate a proprietary model used by external providers or to evaluate the relevance and reliability of information from an external information source, the auditor may need to consider whether there is a limitation of scope and whether a modified audit opinion is needed. The Board should provide further guidance to auditors in this respect.

The proposed amendments to ISA 500 do not cover internal information sources and should do so.

The revised ISA 540 should also make a distinction between internal and external information sources where internal information may be more subjective and more likely to be exposed to the risk of inappropriate management bias whereas external information may be perceived to be more objective.

#### Management experts and third party pricing providers

Due to increasing complexity in products and models (e.g. financial instruments), management often uses the assistance of external experts with the estimation process, or uses third party pricing providers or brokers' prices. The Board's proposed amendments to ISA 500 will not provide sufficient guidance for auditors in these areas.

Greater guidance is required on auditing accounting estimates prepared by, or using the work of, third parties, including how the auditor can reasonably obtain sufficient and appropriate audit evidence on the method, significant data and significant assumptions underlying such estimates (particularly when limited information is provided by the third parties to management). This could help to clarify how the objectives and audit procedures would be different or similar to those currently in paragraphs 17-19.

#### Use of the auditor's own experts

Under ISA 500 Audit Evidence the auditor needs to appropriately evaluate the work of management's expert if the information is to be used as audit evidence. ISA 500 defines audit evidence as including information in the financial records underlying the financial report.

		<p><b>Some members believe that the Board should give priority to a further project to develop additional guidance where management uses experts in developing accounting estimates. Other members do not believe that any additional guidance is required.</b></p> <p><b>The first group of members believe that the revised ISA 540 or a revised ISA 500 Audit Evidence should be clarified by stating that auditors cannot rely on the work of management’s expert and must perform sufficient audit testing on that work. Otherwise, the expert would in effect be playing a significant role in preparing the information in the financial report with no independent assurance by the auditor, which undermines the objective of having an independent audit. If the audit team does not have sufficient experience and expertise to perform audit work on an accounting estimate, the audit team should consider engaging their own internal or external expert.</b></p> <p><b>While these members believe that the existing standards should be interpreted as requiring auditors to perform audit work on accounting estimates developed by using the work of management’s experts, these members are concerned that there are instances where auditors are of the view that the existing standards do not require audit work other than seeing that the expert is purported to have appropriate qualifications and/or experience.</b></p> <p><b>Paragraph 8 of ASA 500 refers to cases where “information to be used as audit evidence has been prepared using the work of a management’s expert”. It may be useful to provide guidance for cases where management’s experts have been used in developing accounting estimates, and for cases (if any) where management’s experts are used to test the accounting estimates. In both cases, these members believe that the auditor should not abrogate responsibility and rely on the work of management’s expert, and that the auditor must perform sufficient audit testing.</b></p> <p><b>The second group of members are of the view that the auditor can rely on the work of management’s experts, including where those experts develop the accounting estimates used in the financial statements. However, these members are of the view that the auditor should still perform some audit testing on that work and not adopt a full reliance approach.</b></p> <p><b>The first group of members believe that paragraph 8 of ISA 500 and paragraph 7 of ISA 620 Using the Work of an Auditor’s Expert include requirements that are subjective and which should be supported by stronger guidance.</b></p> <p><b>These members believe that ISA 620 Using the Work of an Auditor’s Expert should also be revised to provide improved guidance. In practice, some auditors have read paragraphs A8 and A9 in ISA 620 as indicating that auditors do not need to use their own expert if management has used an expert, management’s expert is an external expert, the expert has suitable qualifications and experience, the expert is subject to professional requirements, or the entity has controls over the work of the expert. Some members have observed that paragraph 8 of ISA 500 has been interpreted in practice as requiring the auditor to do little more than assess the competence of management’s expert. Paragraph A48 of ISA 500 only provides considerations in evaluating the work of management’s expert “as audit evidence”, and only one of those considerations “may include” the relevance and reasonableness of significant assumptions and methods. The work of management’s expert should not be regarded as audit evidence in itself and should be subject to audit procedures that involve obtaining sufficient appropriate audit evidence. Further guidance is required to ensure that auditors use their own internal or external expert, unless the auditor has sufficient and appropriate skills, experience and expertise to undertake the necessary work.</b></p>
10.	IRBA	The conforming amendments to ISA 260 (Revised) , ISA 500 and ISA 580 are appropriate.

11.	UKFRC	<p>The proposed change to the requirement in paragraph 7 of ISA 500 is one of limited clarification rather than substance. However, extant ISA 500 has little application material to assist the auditor in considering the relevance and reliability of information obtained from an external information source. Indeed, the prominence of the first bullet point in paragraph A31 that “the reliability of audit evidence is increased when it is obtained from independent sources outside the entity” may lead auditors not to give sufficient attention to evaluating the reliability of such information.</p> <p>Accordingly, we support the inclusion of the proposed new application material in ED 540, noting that it draws from that in IAPN 1000. It should help drive more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. This is particularly helpful as many auditors may not be aware of the guidance in IAPN 1000 as the IAASB has determined that IAPN’s do not provide authoritative guidance.</p>
<b>National Auditing Standard Setters</b>		
12.	AUASB	<p>The AUASB is largely supportive of the proposed conforming and consequential amendments to ISA 500 regarding external information sources and considers the proposed amendments to the requirements of ISA 500 to be clear.</p> <p>However, the AUASB notes that the wide applicability to all standards needs to be carefully considered as in practice this may result in significantly more audit effort (as for example, reference to ISAE 3402 type reports). Furthermore, additional application material may be required in ISA 500 as to the extent of audit work required to understand the process in gathering information used in external information sources, and may potentially lead to more assurance reporting on controls at service organisations.</p> <p>Furthermore, the AUASB considers that more guidance is needed where management and the auditor use the same information source. The AUASB currently considers the guidance contained in paragraph A33H to be unclear, particularly where there is only one provider of certain information.</p> <p>In addition, the AUASB highlights that the proposed amendments to ISA 500 are limited to the revision of the requirement in paragraph 7 and stand-alone additional application material and that it states that these amendments are relevant for external information sources. Based on this, the AUASB seeks to understand whether the intention is then that the other requirements in ISA 500 are only relevant to internal information sources or whether they are applicable to both internal and external information sources.</p>
13.	CAASB	<p>Yes, we believe the conforming amendments to ISA 500 will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. However, we have identified a few areas in application material that we believe need refinement.</p> <p><u>Proposed paragraph 500.A33C - Other examples could be added</u></p> <p>Paragraph A33C cites the central bank as an example of an external information source where the auditor may not be able to get access to the source controls and, therefore, consider the accuracy and completeness of the information. We believe that more examples should be added to acknowledge that there are other circumstances where this may occur. Other examples include valuers of real estate property or an actuary.</p> <p>Proposed paragraph 500.A33F – 4th bullet is too narrowly focused on external information source relating to security prices</p> <p>Paragraph A33F lists possible responses to obtaining evidence about the relevance and reliability of information from external information</p>

		<p>sources. We do not agree with the drafting of the fourth bullet point, which suggests that when the external information source relates to security prices, the auditor would obtain an independent price from a source that is different from that used by management. This bullet may be inappropriately read to mean that in the case of external information source relating to security prices the auditor can never use the same external information source as management. In practice, the auditor may consider it appropriate to use the same external information source as management when the sources are widely used and generally accepted to be of high quality, and when the nature of the item being valued is non-complex.</p> <p>We believe that the wording in the fourth bullet should be amended to remove reference to “security prices” and “price” so it applies more broadly to all external information sources, consistent with the approach taken in drafting the three previous bullets in paragraph A33F.</p> <p><u>Proposed paragraph 500.A33H – further clarification needed</u></p> <p>Paragraph A33H does not have a logical flow. It starts with the situation where management and the auditor may use the same information source as management because there is only one provider. However, it ends with a suggestion for the auditor to access a different information source, when available, in obtaining audit evidence. Also, the third sentence starts with the words “in such cases”, but it is unclear what is being referred to.</p> <p>We believe that there are two separate thoughts included in paragraph A33H. For clarity, we suggest breaking this paragraph into two separate paragraphs. One paragraph would deal with instances where the auditor uses the same information source as management because there is only one provider. The other paragraph would deal with instances when the information source used is determined not to be relevant or reliable, and the auditor would access a different information source from that used by management, when available. The guidance should also provide clarity on when the auditor would decide that it is appropriate to seek other audit evidence, when the auditor uses the same information source as management.</p> <p><u>Clearer link to ISA 500 in ISA 540</u></p> <p>Stakeholders indicated that it is not sufficiently clear in ED-540 that the auditor should refer to ISA 500 for more information relevant to external information sources. The reference to ISA 500 in the footnote to paragraph 17(b) does not seem to be sufficiently prominent to readers. The link to ISA 500 in ISA 540 could be made more prominent by including it within application material.</p>
14.	CNCC-CSOEC	<p>We agree with the proposed conforming and consequential amendments to ISA 500 regarding external information sources. The revision to the requirement in paragraph 7 and the related new additional application material will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. It is important to think about information sources that are outside the organisation, considering the increased use of data analytics.</p> <p>However, since the ISA 500 should be revised in two years, we consider that there is no need to take urgent action. We believe that these amendments should be treated in a staff alert. The professionals need a stable platform.</p>
15.	HKICPA	<p>Whilst it's useful to include guidance in relation to external information sources, the scope of work in considering the relevance and reliability of information used as audit evidence has expanded.</p> <p>From reading the conforming changes in paragraph A1C of ISA 500, it appears "external information source" is treated as the same level as "management's expert". We would recommend IAASB to consider if certain paragraphs in the Application and Other Explanatory Material should be elevated as part of the Requirements section. We believe paragraph A33A should be elevated as a Requirement.</p>

		In addition, the additional guidance in relation to external information sources seems to have been added without considering necessary changes to other parts or if those other parts are still applicable – e.g. the first bullet in paragraph A31 "The reliability of audit evidence is increased when it is obtained from independent sources outside the entity". Proposed Paragraph A33B may have an effect on the guidance in paragraph A31 – though the statement is still valid, it may need to be considered in line with the considerations in paragraph A33B.
16.	IDW	<p><b>Conforming Amendments</b></p> <p><b>ISA 500</b></p> <p><b>5. (cA) The fact that information is or is not publicly available might be a factor to consider when determining whether an information source is a management’s expert or an external information source, as is set forth in paragraph A1A. However, there may be information that is not publicly available – i.e., not any member of the public has access – but that nevertheless does not represent information from a management’s expert because management has no influence on the nature or content of the information. We therefore recommend deleting the reference to “publicly available” in the definition. In any case, including this as a factor to consider (which means the information can be publicly available, yet not be from an external information source) and in the definition at the same time is contradictory.</b></p> <p>We regard the proposed conforming and consequential amendments regarding external information sources – with one exception – to result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. As noted in our comments in Appendix 2 on these conforming amendments, we do not believe that information from external information sources must always be publicly available (and therefore disagree with the definition of external information source on that point), even though we agree with the application material that this might be a factor in deciding whether an information source is an external information source or a management expert.</p>
17.	JICPA	We agree with the revision of paragraph 7 and addition of related Application Materials in ISA 500. However, we consider the structure of paragraph A33H needs reconsideration. Paragraph A33H provides guidance when management and the auditor use the same information source. The first sentence states that one of the examples of such a situation is when there is only one provider of certain information. The last sentence explains that, in such a situation, as an additional consideration, the auditor may access a different information source from that used by management to evaluate the external information source used by management. However, when there is only one provider of certain information, it is impossible for the auditor to access a different information source from that used by management. Therefore, we suggest deleting “for example, because there is only one provider of certain information” from the first sentence. Guidance relating to the case when there is only one provider of certain information should be included at the end of paragraph A33H with reference to the relevant guidance of paragraph A33C.
18.	MAASB	The AASB is of the view that the revision to the requirement in paragraph 7 and the related new additional application material will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources.
19.	NBA	We support the new term and application material although the application material is very elaborate. However, we wonder whether the information should be limited to publicly available information; it should not be specifically prepared for the entity (this is the distinguishing criterion). We recommend reconsidering the definition. We also recommend to give guidance how the reliability of the external information source should be considered for example, when Bloomberg information is used. Is this type of information considered

		to be reliable in general or should this be demonstrated and if so, how should this be done?
20.	NZAuASB	The NZAuASB supports the inclusion of the proposed conforming and consequential amendments to ISA 500 with respect to external information sources.
<b>Accounting Firms</b>		
21.	BDO*	We agree with including the proposed conforming and consequential amendments to ISA 500 regarding external information sources. These additional requirements will be useful in assessing the relevance and reliability of external information sources. We also recommend adding guidance for situations where no external information sources are available, such as when valuing certain financial instruments and assessing ECLs.
22.	CHI*	
23.	DTT*	<p>DTTL notes that the extant requirement in paragraph 7 of ISA 500, Audit Evidence (ISA 500), relates to the auditor considering the relevance and reliability of the information to be used as audit evidence. Audit evidence, as described in paragraph 5(c) of ISA 500, includes information “from other sources.” Information from an external information source (EIS) is an “other source.” Therefore, the change to paragraph 7 in the amendments to ISA 500 in ED-540 that states “...the auditor shall consider the relevance and reliability of the information to be used as audit evidence, including information obtained from an external information source” seems confusing and duplicative, as the use of “audit evidence” in the sentence already encompasses an EIS. Furthermore, the application material in paragraphs A26-A33 in the amendments to ISA 500 in ED-540 addresses the fundamental concepts of what makes evidence sufficient and appropriate (relevant and reliable) and how the auditor makes that determination. Therefore, inclusion of this new phrase does not seem to fit with the requirement (and if an EIS is mentioned, then it would seem to make sense to also mention audit evidence from a management expert or audit evidence that is internally generated). Therefore, DTTL suggests deleting this phrase from paragraph 7 in the amendments to ISA 500 in ED-540.</p> <p>DTTL also notes that the emphasis/focus on the new application material paragraphs pertaining to EIS is heavily slanted toward when management uses the EIS; there is little discussion on when the auditor uses an EIS. Therefore, one could interpret the amendments to ISA 500 in ED-540 as only being relevant considerations when management uses the EIS, and the auditor uses such information as audit evidence. As the auditor may also use information from an EIS that management does not use, this lack of clarity may cause confusion and inconsistency in evaluating information from an EIS used as audit evidence (i.e., different treatment of information from an EIS when such information is not used by management). Moving the new application material to ISA 540 may more effectively alleviate the “gap” that currently exists related to when the auditor uses an external information source (and such gap could be more holistically addressed by the IAASB in an Audit Evidence project in the future). Furthermore, DTTL believes that placing this guidance relating to EIS in ISA 540 as opposed to ISA 500 would be of greater benefit to auditors as they would then have the relevant guidance included within the proposed standard to which EIS is applicable.</p> <p>DTTL has provided additional editorial comments and recommendations in Appendix II.</p>
24.	EYG*	<b>We support the proposal to include guidance for the auditor’s consideration of the relevance and reliability of external information sources used by management in the preparation of accounting estimates, but we do not believe that incorporating such guidance into ISA 500 (instead of ISA 540) will result in appropriate and consistent evaluations of such sources by the auditor (see our response to Q7).</b>

No, we do not believe the amendments to ISA 500 will achieve the intended objective of the auditor more appropriately and consistently evaluating the relevance and reliability of information from external information sources. To summarize, our concerns are related to:

- The risk of inconsistency in the auditor's work effort related to external information sources because the proposed application material provides many different approaches to "considering" the relevance and reliability of external information sources without putting such considerations in sufficient context of the nature and purpose of the external information source used by management
- As it relates to the use of third party pricing sources and other external information sources that are used in management's preparation of accounting estimates, there is a lack of guidance on the relationship between the degree of estimation uncertainty that arises from the specific assumption or data for which management has used an external information source, and the nature and extent of work effort required to consider the reliability of that external information source

The proposed amendment to include external information sources within Paragraph 7 of ISA 500 requires that the auditor consider the relevance and reliability of the information to be used as audit evidence from the external information source. This amendment is supported by a substantial amount of new application material that, in our view, suggests a wide variation in the possible nature and extent of the work effort for this "consideration" that may, in fact, go significantly beyond consideration in certain circumstances.

We agree that there may be significant variability in the work effort necessary for the auditor's evaluation of an external information source, which means that there is a need for guidance that assists the auditor in determining the nature and extent of work required given the context in which management is using the external information source and the nature of the information provided by the source. Although we understand the proposed placement of this guidance in ISA 500 is so that the guidance will apply broadly to any external information source used by management, we do not believe the proposed application material in paragraphs A33B-A33G in ISA 500 provides adequate explanation as to why and when the different approaches to considering the external information source are likely to be necessary.

As it relates to ISA 540, we believe there is a need for guidance that is specific to management's use of external information sources in its preparation of accounting estimates. In our view, there is a direct relationship between the degree of estimation uncertainty in an accounting estimate, and the work effort associated with the external information sources that are used in that valuation. For example, investments that have observable market prices and recent identical transactions that are used in determining their fair value involve a lower degree of estimation uncertainty. In addition, management is likely to have multiple external information sources from which to obtain reliable information. Under these circumstances, the auditor's procedures for considering the reliability of the source used by management in valuing the investment may be limited to considering the reputation of the source and obtaining a corroborating price from another source. However, for investments that do not have recent identical transactions to use for valuation purposes, management may need to use an external information source to obtain similar transaction data. Depending on the nature of the data available, this valuation scenario may result in greater estimation uncertainty for the investment valuation, which in turn would drive a greater work effort by the auditor to evaluate whether the similar transaction data is relevant and reliable for its intended purpose.

It is also important to note that although external pricing sources are often discussed in the context of investment valuation, there are other relevant applications that are worth consideration as the IAASB further develops the guidance. For example, for entities that value commodities, such as oil and gas entities, management often develops internal pricing projections based on a combination of observable

		<p>and unobservable inputs, such as futures or swap pricing on public commodity exchanges, investment bank forecasts, reports from analysts and their own internal economic projections. As a result, such pricing assumptions involve high degrees of estimation uncertainty and management judgment, which can result in a higher risk of management bias.</p> <p>In our view, the guidance in ED-540 should be clarified to explain that estimation uncertainty increases based on the degree of divergence in the views among market participants regarding a specific input that is obtained externally by management and used in the valuation of an accounting estimate. Accordingly, when management uses an external information source to obtain an input for an estimate for which there is a wide variation in views among market participants, the auditor's procedures to address the relevance and reliability of that input will need to consider the variability that exists in that input and the resulting variability in management's estimate in order to determine the nature and extent of work necessary to consider the reliability of the particular source used by management.</p> <p>Clarity is specifically needed on the auditor's appropriate consideration of the reliability of management's external information source when there are divergent market views related to an input, which may be the case for certain forward-looking economic factors used in, for example, estimating expected credit losses or in commodity pricing, and it is difficult or not possible to substantiate that one market view is more appropriate than another. In the example above related to oil pricing assumptions, the auditor's consideration of the appropriateness of management's input may include the extent to which management's pricing assumptions vary from the mean or median value from the external sources most commonly referenced in the industry. This may be an indicator of potential management bias.</p> <p>Depending on the estimation uncertainty that arises from such assumptions or inputs that are subject to divergent market views, we believe the auditor would perform procedures to determine that the source of the input used is reputable and that the value of the input is appropriate in the entity's circumstances. In addition, the auditor would consider whether management's selection of the value to be used appears to be influenced by management bias. Then, the auditor would likely turn to considering the thoroughness and transparency of management's disclosures around the assumptions and data used in its estimate.</p> <p>In summary, we recommend the IAASB:</p> <ul style="list-style-type: none"> <li>• Develop guidance specific to the use of external information sources in management's preparation of accounting estimates within ISA 540 itself that sets forth considerations for the auditor's work in the context of the nature of the input, and the associated degree of estimation uncertainty that arises from that input. It would also be helpful to include specific examples related to the fair value of financial instruments as well as related to management's use of external information sources for certain significant assumptions or data.</li> <li>• Further explore amendments to ISA 500 to deal with external information sources more broadly as part of the IAASB's planned audit evidence project, including giving specific consideration to the use of external information sources by both management and auditors in performing data analytics</li> </ul>
25.	GTI*	<p>We are of the view that further consideration of how management determined the relevance and reliability of information is warranted. Currently the standard is focused from an audit perspective, however financial reporting standards are enforceable by law and hence these factors may be more suited to a financial reporting framework rather than through the auditing standard.</p> <p>The proposed definition of external information sources includes the term "publically available information." This term has not been defined in the proposals and whilst we appreciate that this may be challenging to define, we are of the view that this is an area on which</p>

		<p>the IAASB should consider issuing guidance.</p> <p>Further, the proposed application material paragraph A1C of ISA 500 identifies a situation where management’s expert may also publish information on a website that is available for general use, i.e. it is not made available as a consequence of the role as an expert. It is not clear how this information could be used to assess the reasonableness of an external information source when it is essentially information that originates from the same source.</p> <p>We also believe that it is important that the IAASB address the topic of audit evidence and should consider if it is possible to accelerate its work in this area.</p>
<p>26.</p>	<p>KPMG*</p>	<p>Whilst we believe the requirements and related application material may result in more appropriate and consistent evaluations of the relevance and reliability of external information sources in certain circumstances, we have specific concerns that the application guidance does not sufficiently address the challenges with respect to evaluating the relevance and reliability of independently obtained pricing information from pricing services and brokers.</p> <p>The application material in ED-500.A33C-D acknowledges some of the challenges pertaining to the auditor’s ability to consider the accuracy and completeness of information for an external information source.</p> <p>However, we do not believe the application guidance sufficiently addresses these challenges in certain circumstances. For example, the audit procedures in ED- 500.A33F are likely to be difficult to perform when evaluating the reliability of security prices:</p> <ol style="list-style-type: none"> <li>a. Performing procedures at the external information source - This is unlikely to be possible for smaller audit firms (due to a lack of a contractual relationship or the information may be considered intellectual property);</li> <li>b. Testing operating effectiveness of controls management has in place to evaluate reliability - Management of less sophisticated entities are unlikely to have controls in place to evaluate the reliability of security prices from external information sources (other than considering nature and authority of the external information source themselves) for the reasons outlined in a.;</li> <li>c. Consideration of whether the information is intended to be used in the manner management is using it – If the information is from an external information source rather than a management expert, it could quite likely be subject to disclaimers, caveats or restrictions on use, which may lead the auditor to conclude that the information was not prepared to be used in the manner that management is using it and therefore cannot be relied upon as audit evidence even though it is relevant. However, this does not preclude management from using such data as the caveats are often in place to limit the external provider’s liability without undermining the reliability of the data. If information to be used as audit evidence is not available from alternative external information source, it is unclear what the appropriate response would be other than to request management to engage a management expert to prepare a detailed price estimate or to prepare a detailed price estimate themselves; or</li> <li>d. Obtaining an independent price from an alternative information source – This may be difficult because:             <ol style="list-style-type: none"> <li>(i) An alternative source may not be available. In this circumstance, if the other procedures in ED-500.A33F could not be performed either, it is unclear whether the auditor could obtain sufficient audit evidence by performing the procedures in ED-500.A33C alone, or whether they would conclude they have insufficient audit evidence and need to evaluate the impact on the audit;</li> </ol> </li> </ol>

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|  |  | <p>(ii) When an alternative information source does exist, this may impose a significant cost on the auditor to obtain the security price, particularly if the auditor needs to obtain prices from multiple sources in order to establish a range;</p> <p>(iii) If the auditor obtains a price from one or more alternative external sources, and using that price to estimate the fair value of the securities results in an amount that is not materially different to the estimate made by management, a question arises as to whether this is sufficient appropriate audit evidence that management’s source is reliable, given the auditor still does not have a detailed understanding with respect to how either individual security price was determined. If, based on the nature of the estimate, there is likely to be a “reasonable range” that the security price is expected to fall within, and this range has not been reliably quantified but could be reasonably expected to exceed the difference between the sources, can the auditor conclude that the difference between management’s source and their own does not need further investigation (as, although the difference may not be material, it may be well above the auditor’s threshold for accumulating misstatements)?</p> <p>(iv) If the auditor obtains a single alternative price, and using that price to estimate the fair value of the securities results in a materially different amount to the amount recorded by management, it is not clear what the appropriate response would be, particularly given the auditor is unlikely to be able to consider the accuracy and completeness of the information from either management’s or the auditor’s source. In this circumstance, it would not be possible for the auditor to determine if a material misstatement exists based on the information available. In this scenario, a number of questions arise:</p> <ul style="list-style-type: none"> <li>— Would the auditor need to obtain additional security prices from other sources to try and develop a range?</li> <li>— If there were no alternative external information sources, would the auditor conclude that they do not have sufficient audit evidence that management’s source is reliable, and request management either to prepare their own detailed price estimate or to engage a management expert to prepare it and then test this estimate to obtain audit evidence?</li> <li>— If the auditor considers the nature and authority of management’s external information source to be comparable to the auditor’s source, what is the appropriate response when the difference between the two sources cannot be easily understood and is material or more than trivial? If, based on the nature of the estimate, there is likely to be a “reasonable range” for the security price, and this range has not been reliably quantified but could be reasonably expected to exceed the difference between the sources, can the auditor conclude that management’s source is reliable without further investigation of the difference?</li> <li>— If the auditor can accept management’s external information source without fully understanding the reasons for a material (or more than trivial) difference between that source and the auditor’s, this raises the question of the purpose of obtaining an alternative security price in the first place (particularly if the auditor has assessed that management had used the “best” source available and that the alternative source is known to be less reliable).</li> </ul> |
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As demonstrated by the scenario discussed above, further consideration of the challenges related to evaluating the reliability of security prices provided by pricing services and brokers, along with additional application guidance, appears to be needed. The PCAOB, in its proposed auditing standard on accounting estimates, has developed more extensive guidance on responding to the challenges in this area. This may be useful to consider if further application guidance is developed.

		Finally, we note that the current wording in ED-500.A33H appears to suggest that, when management and the auditor have used the same source and there is more than one source available, the auditor may be expected to obtain information from an alternative external information source. We believe this wording should be clarified to make it clear that this is a matter of the auditor's professional judgment, which will in part depend on the nature and authority of the source and the circumstances (ED-500.A33C).
27.	PFK	Yes.
28.	PWC*	<p>It is entirely appropriate that information used as audit evidence be assessed as to its relevance and reliability. In practice, given the broad range of external information sources that exist, further guidance may be needed on the nature and extent of the auditor's work effort in satisfying this requirement, particularly in situations where the availability of evidence may be limited given the source of the information. We believe there could be a stronger and more explicit link in ISA 540, specifically the response to risks, to the proposed new content in ISA 500. While paragraphs A82 and A83 highlight the potential risks relating to external information sources (and could also reference ISA 500), there is no equivalent material in the risk response section. A short application paragraph to accompany each of the requirements addressing assumptions and data, drawing this important link, seems appropriate. We have also suggested a more direct link within the requirements – see proposed paragraph 19A in appendix 2.</p> <p>There are also likely to be challenges in making the determination/distinction between an external information source and a management's expert depending on the nature of the information being provided to the entity. Therefore, we welcome the examples provided in application material.</p> <p>We also believe the intent of the ED is unclear in situations when both management and the auditor use the same information source, specifically whether this is acceptable or if other procedures are expected when this is the case. We believe the level of evidence that is appropriate in the circumstances should be correlated to the nature of the information source, and what that information is being used for, rather than focusing on whether the auditor uses the same source or not.</p> <p>Lastly, with respect to the definition of external information source, we caution that the reference to "publicly available" is at risk of being misunderstood, notwithstanding application paragraph A1, and risks inadvertently narrowing the intended scope of the definition. We suggest deleting the words "publicly available" from the definition and using the application material to explain that the information is available to a "broad range of users upon request".</p>
29.	RSM*	<p>Yes, we consider that the proposed amendments to ISA 500 and the related application paragraphs will improve the consistency of the evaluations of the relevance and reliability of information from external information sources.</p> <p>We believe that the auditor's assessment of the reliability of external information sources is important in gathering sufficient appropriate audit evidence about the accounting estimates made by management rather than auditors simply assuming that third party sources are reliable without subjecting them to any form of evaluation or testing.</p> <p>However, this proposal as currently drafted would apply to all audit evidence whereas we understand that the intention is to improve the rigour around auditing information used in accounting estimates. We therefore see a risk that the proposed amendments to ISA 500 restrict the ability of auditors to exercise judgment in determining the extent of testing of the reliability of data used in various other areas of an audit. We suggest that either the additional drafting in ISA 500 is more clearly linked to the audit of accounting estimates or that, preferably, the drafting is included in ISA 540.</p>

30.	SRA	
<b>Public Sector Organizations</b>		
31.	ACAG	ACAG believes sufficient requirements already exist in ISA 500 Audit Evidence to evaluate the relevance and reliability of information from external sources. However, ACAG believes there is some merit in calling out this requirement, as it will reinforce the message that external information should be assessed for relevance and reliability, rather than simply accepted because it is external (i.e. just because it is externally sourced information doesn't mean it is correct).
32.	AGA	<p>We disagree. We believe it will further confuse the situation. A more straightforward approach that will result in "more appropriate and consistent evaluations" would be to amend ISA.A9, which states "Information from sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, and comparable data about competitors (benchmarking data)."</p> <p>We suggest it should be expanded to say "Information from sources independent of the entity may be presumed by the auditor to be reliable. Because the auditor is using the information from the independent sources as audit evidence, the auditor normally does not need to obtain evidence about the information from the independent sources. Examples of sources independent of the entity that the auditor may use as audit evidence may include confirmations from third parties, analysts' reports, published stock prices, published interest rates and other economic data, and comparable data about competitors (benchmarking data)."</p>
33.	AGC	Yes, we agree the proposed conforming and consequential amendments to ISA 500 regarding external information sources, will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources.
34.	AGNZ	
35.	CIPFA	The proposed conforming and consequential amendments are helpful. The definition and guidance on external information sources address directly address a need which will be relevant to many audits.
36.	GAO	<p>We support the proposed conforming and consequential amendments to ISA 500, <i>Audit Evidence</i>, regarding external information sources, including the following:</p> <ul style="list-style-type: none"> <li>• The definition of external information source including application material to assist the auditor in determining whether audit evidence was from an external information source.</li> <li>• Application material regarding factors related to the relevance and reliability of information obtained from an external information source, specific material on fair value measurements, and when management and the auditor use the same information source.</li> </ul> <p>We also suggest that ED-540 reference ISA 500, paragraph 8, which discusses requirements for information to be used as audit evidence that has been prepared using the work of a management's expert. We believe that emphasizing the requirements for evaluating the work of a management's expert, as applicable, when auditing the accounting estimate will help ensure audit quality.</p>
37.	INTOSAI	<p>Public sector considerations:</p> <p>No public sector considerations requiring communication to the Board were identified.</p>

		Other comments: Please consider the amendments to ISA 315 noted in our response to question 4a).
38.	PAS	Yes, they will support appropriate and consistent evaluations of the relevance and reliability of information from external information sources.
<b>Preparers of Financial Statements</b>		
39.	ABA	
<b>Member Bodies and Other Professional Organizations</b>		
40.	ACCA-CAANZ	Auditors are required to consider the relevance and reliability of information obtained already, so we are uncertain that the requirement in relation to external information sources is useful. Application guidance is useful to assist the auditor in evaluating the relevance and reliability of the information however, again, the current application guidance provided is long and not focused. It is unclear what concern the amendments are addressing. We understand that ISA 500 will be revised in the near future, so the manner in which external information sources are addressed by that standard may be better addressed by a more considered approach during that project.
41.	AE	(43) We generally agree with the proposed conforming and consequential amendments to ISA 500 regarding external information sources, but would counter that these may not always be publicly available. The revision to the requirement in paragraph 7 and the related new additional application material, will be helpful in resulting in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. It is important to think about information sources that are available from outside the organisation, considering the increased use of data analytics.
42.	AICPA	Partially. We do not believe the revisions to ISA 500 will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources for the following reasons: <ol style="list-style-type: none"> <li>1. The examples provided in paragraph A1C of ISA 500 to illustrate that an individual or external organization may be either an external information source or management's expert, but not both, are not sufficiently clear because they seemingly support an entity, in fact, being both. Is the IAASB intending to refer to a set of information as data or inputs, or assumptions? It may be more helpful to articulate the wording in terms used in extant ISA 500 or amend the examples.</li> <li>2. With respect to these proposed conforming and consequential amendments in paragraphs A33A–A33H of ISA 500 intended to address the issue of external information sources, we have the following concerns: <ol style="list-style-type: none"> <li>a. The proposed conforming and consequential amendments are focused on management's use of external information sources and management's evaluation and controls over such information rather than how the auditor considers its relevance and reliability as audit evidence. We believe that the concept of external information sources is equally relevant to the auditor's use of such information sources as audit evidence, but as drafted, this content is better placed in ED 540 to support testing management's process for the complexity of data.</li> <li>b. The proposed conforming and consequential amendments deal with one specific issue relative to audit evidence when we believe there are several issues arising from other IAASB projects that will be further explored in the Audit Evidence</li> </ol> </li> </ol>

		<p>project. Examples include the use of data analytics, electronic audit evidence, and exhibiting professional skepticism. We are concerned that the narrow focus of these amendments may have unintended consequences when looked at in isolation and not in the overall context of the Audit Evidence project.</p> <p>c. Paragraph A33G of ISA 500 does not consider the different sources of pricing information for financial instruments. As drafted, it does not sufficiently address the complexities of the financial market information available to management and auditors. We also recommend that the IAASB consider similar guidance to the PCAOB's proposal with respect to third party pricing information as that proposed standard recognized the differences in how estimates of price are determined and the differences in the extent of information necessary to determine relevance and reliability.</p> <p>d. Paragraph A33H of ISA 500 addresses situations where management and the auditor use the same information source. The proposed conforming and consequential amendment is confusing because it could be interpreted that unless there is only one source, the auditor should not use the same source as management. However, we believe that the auditor may make use of the same information as management in situations where the risks of material misstatement is "low." Therefore, the proposed application material should be amended to reflect that the use of the same external information source as management is dependent on the risks of material misstatement.</p> <p>We recognize that the use of external information sources is an important consideration, especially in auditing accounting estimates. Rather than proposing targeted conforming and consequential amendments to ISA 500, we recommend including certain aspects of the guidance (see above recommendations) in ED 540 as application material. This would include considering similar guidance within the PCAOB's proposal with respect to third party pricing information and testing management's data.</p>
43.	ANAN	ANAN believes that with total and consistent application of the provisions contained in the proposed standard, the auditor should be able to have more materials needed for appropriate and consistent evaluation from external information sources.
44.	CAI	We welcome the proposed amendments to ISA 500 as the use of external information sources is becoming more prevalent due the increasing complexity of accounting estimates. However, we consider the related application guidance is not sufficiently clear regarding when some of the audit procedures in relation to third party information need to be undertaken. Any revised guidance should ensure that the procedures expected are practical and workable.
45.	CAQ	<p><b>Use of Specialists</b></p> <p><b>It is not clear how the requirements in the Exposure would be applied to the work of management's specialists used as audit evidence. We recommend that the IAASB clarify how the assessment of risk would impact the auditor's ability to use management's specialists' work in its audit response to that risk.</b></p> <p><b>Third-Party Pricing Services</b></p> <p><b>The relevance and reliability of evidence obtained from third-party pricing service centers should be evaluated for appropriateness when auditors use that information when auditing accounting estimates. The Exposure could be clearer when articulating whether it would be expected that the nature, timing, and extent of testing on work performed at third-party pricing service centers would vary based on risk.</b></p>
46.	CPAA	We support the amendments to ISA 500 regarding external information sources and the clarification between those sources and

		management experts. In addition, it would be appropriate to reference reports which may be prepared under ISAE 3402 Assurance Reports on Controls at a Service Organization and use of those reports under ISA 402 Audit Considerations Relating to an Entity Using a Service Organisation as an alternative source of evidence to the procedures included in first bullet point in paragraph A33F on performing procedures at the external information source.
47.	CRUF	
48.	EFAA	We have no comments to make.
49.	FACPCE	We believe that the proposed conforming and consequential amendments to ISA 500 regarding external information sources provide better guidance to auditors about how to perform more appropriate and consistent evaluations of the relevance and reliability of information from external information source. Current ISA 500 contains more guidance about how to get evidence from internal sources.
50.	IAA	Refer to letter
51.	IAAA	We believe that the proposed conforming and consequential amendments to ISA 500 regarding external information sources provide better guidance to auditors about how to perform more appropriate and consistent evaluations of the relevance and reliability of information from external information source. Current ISA 500 contains more guidance about how to get evidence from internal sources.
52.	IBRACON	<p>We do not believe that the amendments of ISA 500 will achieve the intended objective of the auditor more appropriately and consistently evaluating the relevance and reliability of external information sources (“EIS”).</p> <p>In practice, given the broad range of external information sources that exist, further guidance may be needed on the nature and extent of the auditor’s work effort in satisfying this requirement, particularly in situations where the availability of evidence may be limited given the source of the information.</p> <p>However, we believe there could be a stronger and more explicit link in ISA 540, specifically the response to risks, to the proposed new content in ISA 500. While paragraphs A82 and A83 highlight the potential risks relating to external information sources (and could also reference ISA 500), there is no equivalent material in the risk response section. A short application paragraph to accompany each of the requirements addressing assumptions and data, drawing this important link, seems appropriate.</p> <p>There are also likely to be challenges in making the determination/distinction between an external information source and a management’s expert depending on the nature of the information being provided to the entity. Therefore, we welcome the examples provided in application material.</p> <p>With respect to the definition of external information source, we caution that the reference to “publicly available” is at risk of being misunderstood, notwithstanding application paragraph A1, and risks inadvertently narrowing the intended scope of the definition. We suggest deleting the words “publicly available” from the definition and using the application material to explain that the information is available to a “broad range of users upon request”.</p> <p>The new application paragraphs A33 focus on management using of the EIS. We believe that the auditor uses of the EIS needs to be clarified, because the lack of this information can cause confusion and inconsistency in evaluating information from an EIS that management has not used and the auditor uses as audit evidence.</p> <p>Additionally, we want to stress out that in some markets can be difficulty to obtain external reliable sources of information.</p>

53.	IBR-IRE	We agree with the proposed conforming and consequential amendments to ISA 500 regarding external information sources. The revision to the requirement in paragraph 7 and the related new additional application material, should help lead to more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. It is important to think about information.
54.	ICAEW	<p>67. We are concerned that the proposals purport to address but skirt around areas in which the availability of independent audit evidence to support certain types of estimate is scarce or non-existent, and the associated difficulties with evaluating the related management processes and internal controls. Such areas include:</p> <ul style="list-style-type: none"> <li>• certain types of financial instrument marketed to smaller entities, where there is no market for the instrument and where the only evidence is a single figure provided by the counterparty bank;</li> <li>• other situations in which the only inputs are at level 3;</li> <li>• the independent estimate of ECL and some other technical provisions.</li> </ul> <p>68. This lack of evidence gives rise to an increased risk of material misstatement over and above those created by complexity, estimation uncertainty and judgement. Neither the main proposals nor the consequential amendments to ISA 500 on audit evidence regarding external information sources deal with these situations adequately. IAASB should acknowledge more clearly than it does that a limitation in the scope of the audit may, after the auditor has considered estimates both individually and as a whole, be an appropriate response to a lack of sufficient appropriate audit evidence regarding estimation uncertainty. We urge IAASB to address this issue head on when it comes to revise ISA 500 on audit evidence.</p> <p>69. We understand the additional emphasis on the robust challenge of experts by auditors but IAASB and regulators should recognise that this is an emerging area for SMPs and that even in developed economies, good quality and relevant financial valuation services for SMEs and SMPs are only just beginning to appear. The use of an expert to assist in a valuation should not of itself necessarily result in the assessment of risk as not low.</p> <p>70. The application material might focus on the importance of expertise when it comes to the integrity of data. The focus is often on the validity of the model. There could also be some discussion of the value of different sources of audit evidence. With regard to liabilities where the counterparty is a bank that sold a financial instrument to an entity, for example, the bank will tend to provide the highest valuation, and expert the lowest, and the auditor's own estimate might be somewhere in the middle. IAASB might acknowledge this, and also the trend for firms to take on more staff with modelling and data skills.</p>
55.	ICAG	Yes, we believe that the revision to the requirement in paragraph 7 and related application material will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources.
56.	ICAP	We appreciate that the conforming amendments to paragraph 7 of ISA 500 'Audit Evidence' provide further clarity in relation to information used as audit evidence obtained from an external source. However, we believe that limiting the proposed amendment to the information that is available to the public as mentioned in paragraph A1 of ISA 500 requires reconsideration, as this will narrow the scope of external source information. We also suggest that further explanation is provided as to how the requirements should be applied to the internal and external information sources.
57.	ICAS	We believe that the proposed conforming and consequential amendments to ISA 500 regarding external information sources, and the revision to the requirement in paragraph 7 and the related new additional application material, should result in more appropriate and

		consistent evaluations of the relevance and reliability of information from external information sources.
58.	ICAZ	A distinction between a third-party pricing source and a management's expert will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources. For a management expert, other factors for example independence and ISA 620 requirements "Using the work of others" will have to be considered intensively to determine the extent of reliance on information from third parties.
59.	ICPAK	Yes they will
60.	ISCA	<p>7.1 With reference to paragraph A33C on the conforming amendments to ISA 500, the IAASB could clarify the circumstances which require an auditor to consider alternatives on external information sources, even if their clients use reputable external data sources such as Bloomberg to obtain SIBOR, inflation rate or risk-free rates to make an accounting estimate.</p> <p>7.2 Furthermore, in practice, it might be challenging to perform additional work to verify the integrity other than quoting the source of data. For example, external valuation experts may use proprietary models or data sources to develop inputs, such as capitalisation rates and discount rates, in the valuation model. When management rely on external experts to perform independent valuations, it is difficult for auditors to obtain information to evaluate such inputs as they have no contractual relationship with these management's experts.</p> <p>7.3 Guidance on the extent of documentation required would be useful especially when verification of the integrity of external information sources prove impracticable.</p>
61.	KICPA	<p>According to paragraph 7, information obtained from an external information source is also included in an auditor's consideration of its relevance and reliability, when such information is used as audit evidence. However, the Board does not provide necessary guidance in a sufficient manner to enable more appropriate and consistent evaluations of the relevant and reliability of information from external information sources.</p> <p>We request the Board provide specified examples that could take place in practice, particularly focusing on external information sources whose relevance and reliability are considered difficult to evaluate, along with application examples of paragraph 7, in a form of non-authoritative guidance, taking into account its nature and volume.</p>
62.	NASBA	No response
63.	SAICA	<p>60. All the survey respondents agreed that the revision to the requirements in ISA 500 and the related new additional application material, will result in more appropriate and consistent evaluations of the relevance and reliability of information from external information sources.</p> <p>61. One survey respondent commented that the additional guidance on when an external organisation is acting as an external information source vs. as a management's expert is particularly useful.</p> <p>62. SAICA agrees with the above-mentioned views expressed.</p>
64.	SMPC	In general we are concerned that the combined impression portrayed by the volume and "granularity" of material the IAASB is proposing to add as conforming amendments could lead to an expectation that in practice may not be realistic.

		The IAASB should consider situations where an auditor may be faced with an audit client's use of a valuation service where information is not publicly available and the service provider is not willing to divulge algorithms etc. to allow the auditor to test their suitability etc. The auditor could be confronted with what is essentially a "black-box", but as the service is not specific to the entity it does not constitute the use of a management expert. Therefore, including the words "publicly available" in the definition proposed in ISA 500 (cA) and referring to this in A1A and A1C means that this type of circumstance is not covered.
<b>Academics</b>		
65.	GC	
<b>Individuals and Others</b>		
66.	CYGNUS ATRATUS	In our experience this evaluation is performed consistently in the field. We do not object to the amendment.
67.	NDEG	<p>7.1 It is entirely appropriate that information used as audit evidence be assessed as to its relevance and reliability. In practice, given the broad range of external information sources that exist, further guidance may be needed on the nature and extent of the auditor's work effort in satisfying this requirement, particularly in situations where the availability of evidence may be limited given the source of the information. We believe there could be a stronger and more explicit link in ISA 540, specifically the response to risks, to the proposed new content in ISA 500. While paragraphs A82 and A83 highlight the potential risks relating to external information sources (and could also reference ISA 500), there is no equivalent material in the risk response section. A short application paragraph to accompany each of the requirements addressing assumptions and data, drawing this important link, seems appropriate.</p> <p>7.2 There are also likely to be challenges in making the determination/distinction between an external information source and a management's expert depending on the nature of the information being provided to the entity. Therefore, we welcome the examples provided in application material.</p> <p>7.3 With respect to the definition of external information source, we caution that the reference to "publicly available" is at risk of being misunderstood, notwithstanding application paragraph A1, and runs the risk of inadvertently narrowing the intended scope of the definition. We suggest deleting the words "publicly available" from the definition and using the application material to explain that the information is available to a "broad range of users upon request".</p>