

# Audit Evidence

## Agenda Item 3

Presented by Sue Almond (Task Force Chair)

IAASB Meeting

June 13, 2022



# March 2022 Board Discussion

- Scope and objectives of ISA 500 – the auditor’s responsibility to design and perform audit procedures for purposes of obtaining sufficient appropriate audit evidence (SAAE)
- Definition of audit evidence – information always subject to audit procedures?
- Use of certain terminology – “auditor’s purposes”
- Relevance and reliability of information – consideration of the attributes of accuracy and completeness
- Distinction between paragraph 11 (doubts about information) and paragraph 12 (inconsistencies in audit evidence)
- Clarify the level of the stand-back in paragraph 13
- Streamline the application material

## Since March 2022

- First face-to-face Task Force meeting – Dublin, Ireland (April 2022)
- Coordination activities
- Outreach with SMP Advisory Group



# Introduction – Scope and Relationship with Other ISAs

## Relevant Paragraphs in Agenda Item 3-A

Paragraphs	Application Material	Definitions	Other
1–4	A1–A3i	n/a	n/a

- Clarified the purpose and role of ISA 500
  - Overarching requirements, i.e., applies to all audit evidence obtained during the audit
  - Relationship with ISA 200 – emphasizes the exercise of professional judgment and professional skepticism in critically assessing audit evidence
  - Relocated and streamlined related application material to explain the
    - Relationship between sufficiency, appropriateness and persuasiveness of audit evidence
    - Factors that affect the sufficiency and appropriateness of audit evidence, and therefore its persuasiveness

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Paragraphs	Application Material	Definitions	Other
1–4	A1–A3i	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.1 of the Issues Paper (**Agenda Item 3**).

# Objectives

## Relevant Paragraphs in Agenda Item 3-A

Paragraph	Application Material	Definitions	Other
6	n/a	n/a	n/a

- Expanded the objectives to focus on
  - Designing and performing audit procedures for the purpose of obtaining sufficient appropriate audit evidence; and
  - Evaluating audit evidence to provide a basis for the auditor's conclusions
    - Information to be used and audit evidence obtained

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Paragraph	Application Material	Definitions	Other
6	n/a	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 500 (Revised) related to the paragraph above in **Agenda Item 3-A**.

# Definitions

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
n/a	A3j–A3l	7	n/a

- Audit evidence
  - Aligned more closely with extant ISA 500 – information the auditor “uses” in “arriving” at conclusions
  - Clarified in the application material the notion of the “absence of information”
- Appropriateness – added reference in application material to relevance and reliability of information
- Sufficiency – added application material from extant ISA 500



## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
n/a	A3j–A3l	7	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.2 of the Issues Paper (**Agenda Item 3**).

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

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
8	n/a	n/a	n/a

- Deleted “in accordance with the ISAs” as not all ISAs have specific requirements addressing the design and performance of audit procedures
- Enhanced the requirement to include the “nature, timing and extent” of audit procedures that are appropriate in the circumstances

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
8	n/a	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 500 (Revised) related to the paragraph above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.3 of the Issues Paper (**Agenda Item 3**).

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

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
8	A3m–A4; A16–A28	n/a	n/a

- Restructured and streamlined the application material to paragraph 8
  - Some paragraphs relocated as application material to the Introduction
  - Clarified guidance on automation bias, including addressing concerns about the negative tone regarding use of automated tools and techniques

# Matters for IAASB Consideration

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
8	A3m–A4; A16–A28	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to:

- Paragraphs A3m–A4 in **Agenda Item 3–A**, including with respect to the matters discussed in Section B.2 (paragraphs 22–25) of the Issues Paper (**Agenda Item 3**); and
- Paragraphs A16–A28 in **Agenda Item 3–A**.

## Information Intended to be Used as Audit Evidence

Relevant Paragraphs in Agenda Item 3-A			
Requirement	Application Material	Definitions	Other
9	n/a	n/a	n/a

- Retained the principles-based requirement in view of previous Board direction regarding the scalability of work effort in evaluating relevance and reliability (i.e., attributes not to be used as a checklist)
- Clarified in paragraph 9(b) that the applicability of the attributes in the circumstances is based on the intended purpose of the audit procedures

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9	n/a	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 500 (Revised) related to the paragraph above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.4 of the Issues Paper (**Agenda Item 3**).

# Information Intended to be Used as Audit Evidence

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9	A29a–A29g; A30a–A46; A47–A54	n/a	n/a

- Restructured the application material to clarify the auditor’s responsibilities and work effort - moved the “how to” guidance to the start of the section
  - Iterative process that involves professional judgment
  - Nature of audit procedures may depend on source of information and extent may vary
  - Audit evidence about relevance and reliability may be obtained from other audit procedures
  - Audit procedures, including test of controls, may be necessary to obtain audit evidence about accuracy and completeness of information



# Information Intended to be Used as Audit Evidence

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9	A29a–A29g; A30a–A46; A47–A54	n/a	n/a

- Retained application material about documentation to address concerns about scalability, but added reference to ISA 230
- Enhanced guidance addressing attributes of relevance and reliability
  - Description closer to extant ISA 500, and indicates that principal attribute of relevance is logical connection (relation) to the purpose of the audit procedure
  - Other factors that may affect relevance include period of time to which information relates and the exactness or level of detail needed (i.e., precision)
  - Strengthened link to ISA 240 regarding attribute of authenticity

# Matters for IAASB Consideration

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9	A29a–A29g; A30a–A46; A47–A54	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to:

- Paragraphs A29a–A29g in **Agenda Item 3–A**.
- Paragraphs A30a–A46 in **Agenda Item 3–A**.
- Paragraphs A47–A54 in **Agenda Item 3–A**.

# Information Intended to be Used as Audit Evidence

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9A	A60a–A60c	n/a	n/a

- Separate conditional requirement related to accuracy and completeness
  - Linked to evaluation in accordance with paragraph 9, which applies to all information regardless of source
  - When applicable in the circumstances, “obtain evidence about” accuracy and completeness (extant ISA 500 requirement applies only to information produced by the entity)
  - Developed application material to explain circumstances when the auditor may determine that the attributes of accuracy and completeness are applicable

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
9A	A60a–A60c	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.4 of the Issues Paper (**Agenda Item 3**).

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

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
10	A62–A74	n/a	n/a

- Redrafted to strengthen the link or relationship with the overarching requirement in paragraph 9
- Enhanced and clarified application material in response to Board comments

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
10	A62–A74	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**.

# Doubts About the Relevance or Reliability of Information

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
11	A75–A76	n/a	n/a

- Clarified that the requirement applies when there are doubts about the relevance “or” reliability of information
- Added requirement for auditor to first attempt to obtain alternative or additional information (paragraph 11(a))
  - Paragraph 11(b) addresses auditor actions when alternative or additional information cannot be obtained
- Enhanced and clarified application material
  - Relevance may change over time or due to events or conditions
  - Link to ISA 200 when doubts about reliability or indications of possible fraud

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
11	A75–A76	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**.



# Evaluate the Audit Evidence Obtained

## Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
13–13A	A77a–A82	n/a	n/a

- Clarified that the evaluation provides a basis for concluding on SAAE in accordance with ISA 330.26
  - Intended to “close the loop” on paragraph 8(b)
  - Requires the auditor to consider all evidence obtained (consistent/inconsistent or regardless of whether it appears to corroborate or contradict assertions in the financial statements)
- Paragraph 13A (paragraph 12 as presented in March 2022) addresses auditor actions if audit evidence obtained is inconsistent with other audit evidence
- Enhanced and clarified application material to explain that evaluation takes place at the assertion level – i.e., in the context of the requirements of ISA 330

## Matter for IAASB Consideration

### Relevant Paragraphs in Agenda Item 3-A

Requirement	Application Material	Definitions	Other
13–13A	A77a–A82	n/a	n/a

### Question 1:

The IAASB is asked for its views on the Task Force’s revisions to proposed ISA 500 (Revised) related to the paragraphs above in **Agenda Item 3-A**, including with respect to the matters discussed in Section B.5 of the Issues Paper (**Agenda Item 3**).

## Appendix – Matter for IAASB Consideration

### Question 1:

The IAASB is asked for its views on the Task Force's revisions to proposed ISA 500 (Revised) related to the **Appendix in Agenda Item 3-A**.

## Matter for IAASB Consideration

### Question 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?

## Conforming and Consequential Amendments

- Approach in developing proposed conforming and consequential amendments
- Proposal to delete the definition of audit evidence in ISA 200
- Proposal to add a definition of accounting records to ISA 315 (Revised 2019)

## Conforming and Consequential Amendments – Matters for IAASB Consideration

### Question 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).

IAASB

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