

Proposed ISA 500 (Revised), *Audit Evidence*

Updated for the IAASB discussion on June 13, 2022. Gray highlighted paragraphs will not be discussed on Friday, June 17 as such paragraphs have not changed or Board comments on those paragraphs have not yet been fully discussed by the Audit Evidence Task Force.

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) 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-A3a)
2. ISA 200¹ deals with the overall responsibilities of the auditor in conducting an audit of the financial statements. ISA 200 requires the auditor to obtain sufficient appropriate audit evidence to 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.² (Ref: Para. A3b-A3i)
3. This ISA is applicable to all audit evidence obtained during the audit. Other ISAs address the auditor's responsibilities regarding specific aspects of the audit and may also address the audit evidence to be obtained for specific matters (e.g., audit evidence related to risk assessment procedures performed in accordance with ISA 315 (Revised 2019)).³ This ISA provides overarching requirements and guidance for the auditor when obtaining and evaluating audit evidence in accordance with those other ISAs. In addition, ISA 330⁴ 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.

Professional Judgment and Professional Skepticism

4. ISA 200 requires the auditor to exercise professional judgment and professional skepticism in planning and performing an audit of financial statements.⁵ This ISA further emphasizes exercising professional judgment and 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.

¹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

² ISA 200, paragraph 17

³ ~~ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*~~

⁴ ~~ISA 330, *The Auditor's Responses to Assessed Risks*~~

⁵ ISA 200, paragraphs ~~15–16~~7

Effective Date

5. This ISA is effective for audits of financial statements for periods beginning on or after XXX.

Objectives

6. The objectives of the auditor are to:
- (a) Design and perform audit procedures that are appropriate in the 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 report, and
 - (b) Evaluate information intended to be used as audit evidence, and the audit evidence obtained, to be able to draw reasonable conclusions on which to base the auditor's opinion and report to provide a basis for the auditor to conclude whether sufficient appropriate audit evidence has been obtained.

Definitions

7. For purposes of the ISAs, the following terms have the meanings attributed below:
- (a) Appropriateness (of audit evidence) – The measure of the quality of audit evidence in providing support for the conclusions that form the basis for the auditor's opinion and report. (Ref: Para. A3j-A3k)
 - (b) Audit evidence – Information, to which audit procedures have been applied, that the auditor uses in arriving at the to draw conclusions that form the basis for the auditor's opinion and report.
 - (c) 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.
 - (d) Sufficiency (of audit evidence) – The measure of the quantity of audit evidence in providing support for the conclusions that form the basis for the auditor's opinion and report. (Ref: Para. A3l)

Requirements

Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence

8. For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures: (Ref. Para. A3m–A4)
- (a) In a manner that is not biased towards obtaining audit evidence that may be corroborate corroborative, or towards excluding audit evidence that may be contradictory assertions made by management; and (Ref. Para. A16–A19)
 - (b) The nature, timing and extent of which are appropriate in the circumstances to provide audit evidence to meet their the intended purpose of those audit procedures. (Ref. Para. A20–A28)

Information Intended to Be Used as Audit Evidence

9. The auditor shall evaluate the relevance and reliability of whether the information intended to be used as audit evidence ~~is relevant and reliable~~. In making this evaluation, the auditor shall consider: (Ref. Para. A29–A40)
- (a) The source of the information; and (Ref. Para. A41–A46)
 - (b) The attributes of relevance and reliability that are applicable in the circumstances, based on given the intended purpose of the audit procedures. (Ref. Para. A47–A54)
- 9A. If the auditor determines that the accuracy and completeness attributes are applicable ~~in the circumstances~~, the auditor's evaluation in accordance with paragraph 9 shall include, ~~as necessary in the circumstances,~~ obtaining audit evidence about the accuracy and completeness of the information. (Ref: Para. A60a-A60c).

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

10. If information has been prepared by a management's expert, as part of the auditor's evaluation in accordance with paragraph 9, the auditor shall: (Ref: Para. A62–A64)
- (a) Evaluate the competence, capabilities and objectivity of that expert; (Ref. Para. A65–A69)
 - (b) Obtain an understanding of the work performed by that expert; and (Ref. Para. A70–A71)
 - (c) 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. A72–A74)
 - (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.

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

11. If the auditor has doubts about the relevance or reliability of information intended to be used as audit evidence, the auditor shall: (Ref. Para. A75–A75a)
- (a) Determine whether modifications or additions to audit procedures are necessary to resolve the doubts ~~Attempt to obtain alternative or additional information that is relevant and reliable for the auditor's purposes; and~~ (Ref: Para. A75b-A75c)
 - ~~(b) If the doubts cannot be resolved, alternative or additional information cannot be obtained: (Ref: Para. A75c-A76)~~
 - ~~(i) Determine whether modifications or additions to audit procedures are necessary in the circumstances; and~~
 - ~~(b) (ii) Consider the effect of the matter, if any, on other aspects of the audit, including whether the matter indicates a risk of material misstatement due to fraud. (Ref: Para. A76)~~

12. [Now paragraph 13A]

Evaluating the Audit Evidence Obtained

13. As a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330,⁶ 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. A77a–A77d)

13A. If the auditor obtains audit evidence that is inconsistent with other audit evidence, the auditor shall (Ref. Para. A78-A82):

- (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.

* * *

Application and Other Explanatory Material

Audit Evidence and Audit Procedures (Ref: Para. 1)

A1. Audit evidence is necessary to support the conclusions ~~drawn~~ that form the basis for the auditor's opinion and report. Audit evidence comprises evidence that supports and corroborates management's assertions and evidence that contradicts such assertions. Audit evidence~~it~~ is cumulative in nature and is primarily obtained from audit procedures performed during the course of the ~~current-period~~ audit. Audit evidence obtained from previous audits may also provide audit evidence for the current audit, provided the auditor has performed audit procedures to evaluate whether the audit evidence from the previous audit remains relevant and reliable for ~~purposes of~~ the current audit.

A2. The auditor obtains audit evidence by designing and performing audit procedures, including:

- (a) Risk assessment procedures performed in accordance with ISA 315 (Revised 2019) or other ISAs that expand on how ISA 315 (Revised 2019) applies to a specific topic;
- (b) Further audit procedures performed in accordance with ISA 330, or other ISAs that expand on how ISA 330 applies to a specific topic, which comprise:
 - (i) Tests of controls, when required by the ISA or when the auditor has chosen to do so; and
 - (ii) Substantive procedures, including tests of details and substantive analytical procedures; or
- (c) Other audit procedures that are performed to comply with the ISAs.

⁶ ISA 330, paragraph 26

The Appendix explains the relationship of proposed ISA 500 (Revised) to the other ISAs regarding the responsibilities of the auditor in obtaining audit evidence.

Automated Tools and Techniques

A3. The auditor may use manual techniques or automated tools and techniques, individually or in combination with each other, to perform audit procedures to obtain audit evidence. In some circumstances, due to the form of the underlying information, an automated tool and technique may be more effective or provide more persuasive audit evidence than a manual technique, or the auditor may need to use an automated tool and technique because a manual technique may not be possible. For example, an automated tool and technique may be more effective in analyzing, processing, organizing, structuring or presenting large volumes of data or information.

A3a. Other ISAs may:

- Describe circumstances when an automated tool and technique may be more effective than a manual procedure. For example, ISA 240 explains that the use of automated tools and techniques may enable more extensive testing of digital transactions or account files.⁷
- Provide examples of how this ISA may apply when using automated tools and techniques. For example, ISA 315 (Revised 2019) explains that automated tools or techniques may also be used to observe or inspect, in particular assets, for example through the use of remote observation tools (e.g., a drone).⁸

Sufficient Appropriate Audit Evidence (Ref: Para. 2)

A3b. The auditor considers all audit evidence obtained during the audit to provide a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330.⁹ As explained in ISA 330, the auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by a number of factors, including the persuasiveness of the audit evidence.¹⁰

Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence

A3c. The sufficiency and appropriateness of audit evidence are interrelated.¹¹ Sufficiency and appropriateness together affect the persuasiveness of audit evidence, taking into account the assessed risks of material misstatement and relevant assertions.

A3d. Certain ISAs provide requirements, or guidance, about circumstances when more persuasive audit evidence is, or may be, required. For example, in designing the further audit procedures to be performed, ISA 330 requires the auditor to obtain more persuasive audit evidence the higher the auditor's assessment of risk, and also requires the auditor to obtain more persuasive audit evidence the greater the reliance the auditor places on the operating effectiveness of a control.¹²

⁷ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph A38

⁸ ISA 315 (Revised 2019), paragraph A35

⁹ ISA 330, paragraph 26

¹⁰ ISA 330, paragraph A62

¹¹ ISA 200, paragraph A31

¹² ISA 330, paragraphs 7(b) and 9

A3e. The results of audit procedures performed, including whether any instances of fraud or error were identified, may cause the auditor to determine that it is appropriate to revise the risk assessment in accordance with ISA 315 (Revised 2019).¹³ Accordingly, the results of audit procedures performed, may also indicate that more persuasive audit evidence is needed to conclude whether sufficient appropriate audit evidence has been obtained.

A3f. Other factors that affect the sufficiency and appropriateness of audit evidence, and therefore its persuasiveness, include the following:

- The information intended to be used as audit evidence, including the auditor's consideration of the attributes of relevance and reliability of the information as explained in paragraphs A48–A49.
- Whether the information is from a single source versus multiple sources.
- The design and performance of audit procedures, i.e., whether they are appropriate in the circumstances and have been appropriately applied (see paragraphs A21–A22).
- Whether there are inconsistencies between multiple pieces of audit evidence.

Difficulty in Obtaining, or the Time or Cost to Obtain, Audit Evidence

A3g. In explaining the inherent limitations of an audit, ISA 200¹⁴ notes that the matter of difficulty, time or cost involved is not in itself a valid basis for the auditor to omit an audit procedure for which there is no alternative or to be satisfied with audit evidence that is less than persuasive.

A3h. In some circumstances, there may be a high degree of difficulty, time or cost involved in accessing or understanding information to be used as audit evidence. However, the auditor may determine that there is no alternative information that would provide sufficient appropriate audit evidence and that it is therefore necessary to obtain such information despite the difficulty, time or cost involved.

A3i. In circumstances when the auditor determines that it is not practicable to obtain or understand the information intended to be used as audit evidence, the auditor may be unable to obtain sufficient appropriate audit evidence. In addition, management's unwillingness to respond to an inquiry or a request from the auditor (e.g., management's refusal to provide a requested representation) may be a limitation on the scope of the audit. ISA 705 (Revised)¹⁵ explains ~~other~~the circumstances when the auditor's inability to obtain sufficient appropriate audit evidence may be a scope limitation of scope of the audit. Under these circumstances, the auditor is required to express a qualified opinion or disclaim the opinion on the financial statements in accordance with ISA 705 (Revised).

Appropriateness of Audit Evidence (Ref: Para. 7(a))

A3j. The appropriateness of audit evidence refers to the quality of audit evidence. The quality of audit evidence depends on and is affected by the relevance and reliability of the information intended to be used as audit evidence as well as the effectiveness of the design of the audit procedures and the auditor's application of those audit procedures, as explained in paragraphs A20–A22. Information

¹³ ISA 315 (Revised 2019), paragraph 37

¹⁴ ISA 200, paragraph A50

¹⁵ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, paragraphs A8 and A9

that is more relevant and reliable ordinarily is of a higher quality and, therefore, more persuasive. If the audit evidence is more persuasive, the auditor may determine that the audit evidence is sufficient in providing support for the conclusions that form the basis for the auditor's opinion and report. Alternatively, when audit evidence is less persuasive, the auditor may determine that additional audit evidence is needed to provide support for the conclusions that form the basis for the auditor's opinion and report. However, increasing the quantity of the same audit evidence may not provide more persuasive audit evidence in all circumstances.

~~A3k. The appropriateness of audit evidence is also affected by the effectiveness of the audit procedures applied to the information, as explained in paragraphs A20-A22. [Incorporated into paragraph A3j]~~

Sufficiency of Audit Evidence (Ref: Para. 7(d))

A3l. The quantity of audit evidence needed is affected by the auditor's assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required) and also by the quality of such audit evidence (the higher the quality, the less may be required). Obtaining more audit evidence, however, may not compensate for its poor quality.

Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence (Ref: Para. 8)

The Nature of Audit Procedures

A3m. ~~As explained in paragraph A2, the auditor obtains audit evidence by designing and performing audit procedures, including risk assessment procedures, further audit procedures, and other audit procedures to comply with the ISAs. The nature of an audit procedure refers to its purpose and its type. For example, ISA 330 explains that the nature of an audit procedure refers to its purpose and its type.¹⁶ The purpose of further audit procedures may be a test of controls or a substantive procedure.¹⁷ As also explained in ISA 330, the nature of the audit procedures is of most importance in responding to the assessed risks. In addition, as explained in paragraph A2, auditors obtain audit evidence through other audit procedures performed to comply with the ISAs.~~

A3n. The type of audit procedure describes the actions being performed by the auditor when performing the audit procedures. The auditor may perform one type of audit procedure, or a combination of different types of audit procedures when obtaining audit evidence about, for example, a class of transactions, account balance or disclosure. The Appendix describes different types of audit procedures and includes illustrative examples.

A3o. The type of audit procedure may affect the audit evidence obtained for the auditor's purposes.

Examples:

- Inquiry of knowledgeable persons within or outside the entity ordinarily does not provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level. Accordingly, the auditor may need to perform other audit procedures in combination with inquiry to obtain sufficient appropriate audit evidence.

¹⁶ ISA 330, paragraph A5

¹⁷ ISA 330, paragraph A5

- Observation provides audit evidence about the performance of a procedure or control. However, observation is limited to the point in time at which the observation takes place, and by the fact that the act of being observed may affect how the procedure or control is performed. Accordingly, in some circumstances, observation alone may not provide sufficient appropriate audit evidence for the auditor's purposes.
- When performing risk assessment procedures or further audit procedures, the auditor may use an automated tool to interrogate a large data set of revenue transactions more easily. In using such techniques, the auditor may obtain a more granular or deeper understanding about the characteristics or composition of the revenue transactions, which may result in more persuasive audit evidence.

A3p. The auditor may design and perform an audit procedure that achieves more than one purpose. For example, ISA 315 (Revised 2019) explains that the auditor may perform substantive procedures or tests of controls in accordance with ISA 330 concurrently with risk assessment procedures, when it is efficient to do so.¹⁸ For an audit procedure to achieve more than one purpose, the auditor complies with the requirements of the relevant ISAs. For example, when an audit procedure serves as both a risk assessment procedure and a further audit procedure concurrently, the auditor is required to comply with the requirements of ISA 315 (Revised 2019) and ISA 330, and any other relevant ISAs (e.g., a topic-specific ISA, such as ISA 540 (Revised))¹⁹ that deal with the design and performance of such audit procedure.

A4. ~~Audit evidence includes both evidence that supports and corroborates the assertions made by management, and evidence that contradicts such assertions. In addition, in some circumstances, management's unwillingness to respond to an inquiry or a request from the auditor (e.g., management's refusal to provide a requested representation) is information that the auditor intends to use and may therefore constitute audit evidence. In other circumstances, the auditor may become aware of a certain condition (e.g., no sales returns of a product during the warranty period) and that information may become audit evidence after applying audit procedures to it, including procedures to evaluate its relevance and reliability.~~ [First sentence moved to paragraph A1.] [Second sentence now included in paragraph A3i.]

A5. [Deleted]

Designing and Performing Audit Procedures in a Manner That Is Not Biased (Ref: Para. 8(a))

A16. ISA 220 (Revised)²⁰ explains that unconscious or conscious auditor biases may affect the engagement team's professional judgments in designing and performing audit procedures, and provides examples of biases that may impede the exercise of professional skepticism. An awareness of such biases when designing and performing audit procedures may help to mitigate impediments to the auditor's exercise of professional skepticism in critically assessing audit evidence and determining whether sufficient appropriate audit evidence has been obtained for the auditor's

¹⁸ ISA 315 (Revised 2019), paragraph A19

¹⁹ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

²⁰ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraph A35

purposes. Such awareness may also enable the auditor to design and perform audit procedures that seek to avoid:

- Placing more weight on audit evidence that corroborates the assertions in the financial statements than audit evidence that contradicts or casts doubt on such assertions (confirmation bias).
- Using an initial piece of information or audit evidence as an anchor against which subsequent information or audit evidence is assessed (anchoring bias).
- Placing more weight on information that immediately comes to mind or uses information from sources that are more readily available or accessible (availability bias).
- Placing weight or undue reliance on output from automated systems or information in digital format without performing appropriate audit procedures (automation bias). Also see paragraphs A17a-A19.

A16a. Designing and performing audit procedures in an unbiased manner involves:

- For risk assessment procedures, doing so in a manner that is not biased toward obtaining audit evidence that may corroborate the existence of risks or the auditor's expectations about the risks of material misstatement, or toward excluding audit evidence that may contradict the existence of risks or the auditor's expectations.
- For further audit procedures and other audit procedures in accordance with the ISAs, doing so in a manner that is not biased toward obtaining audit evidence that may corroborate management's assertions or toward excluding audit evidence that may contradict such assertions.

A17. Designing and performing audit procedures to obtain audit evidence in an unbiased manner may involve obtaining information intended to be used as audit evidence from multiple sources within and outside the entity. The need to obtain information from multiple sources may be affected by how persuasive the audit evidence needs to be to provide sufficient appropriate audit evidence to support the conclusions that form the basis for the auditor's opinion and report.

Automation Bias

A17a. Digital Information or information that has been generated by automated systems may give rise to a risk of automation bias, resulting in an overreliance on the relevance and reliability of such information. An awareness of automation bias when evaluating the relevance and reliability of information intended to be used as audit evidence may help the auditor to design and perform audit procedures in a manner that seeks to avoid such bias.

A18. [Deleted]

A19. Paragraphs A3-A3a explain that the use of automated tools and techniques may be more effective or provide more persuasive audit evidence than a manual technique. However, the use of automated tools and techniques may also give rise to a risk of unconscious biases, including automation bias. Possible actions that the auditor may take to mitigate the risk of automation bias when using automated tools and techniques include:

- Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater.
- Emphasizing the importance of seeking advice from more experienced members of the engagement team when necessary to understand the tool or technique and in planning and performing audit procedures.
- Involving more experienced members of the engagement team, or engagement team members with specialized skills and knowledge, to assist with interpreting results from the automated tool and technique.
- Determining whether the auditor's firm permits the use of the automated tool and technique and whether the firm has determined that the automated tool and technique is appropriate for use.²¹

Audit Procedures that are Appropriate in the Circumstances (Ref: Para. 8(b))

A20. As explained in paragraph A3f, the audit procedures designed and performed by the auditor may affect the persuasiveness of audit evidence obtained.

Examples:

- Inspection or external confirmation procedures may provide more persuasive audit evidence than inquiry.
- Audit procedures that are more extensive (e.g., a larger sample size for audit sampling purposes) may provide more persuasive audit evidence.

A21. ISA 200²² explains that detection risk is a function of:

- The effectiveness of an audit procedure; and
- The application of the audit procedure by the auditor.

Audit procedures designed and performed by the auditor are appropriate in the circumstances when the nature, timing and extent of such procedures are designed to be effective in achieving the intended purpose of the audit procedures. An audit procedure may be designed to be effective in achieving a specific purpose, but if the performance or execution of the audit procedure (i.e., its application) is inappropriate, detection risk may not be reduced to an appropriately low level.

A22. ISA 220 (Revised) deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial statements, and the related responsibilities of the engagement partner. Such responsibilities address factors that may affect the application of audit procedures, such as whether:

- There was adequate planning;
- The audit procedures were performed by engagement team members with appropriate knowledge and experience to properly perform the procedures;

²¹ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraphs 32(f) and A100 – A101

²² ISA 200, paragraphs A44-A45

- The engagement team members appropriately exercised professional skepticism; and
- There was appropriate direction, supervision and review.

Selecting Items for Testing in Designing and Performing an Audit Procedure

A23. When the design and performance of an audit procedure includes selecting items for testing, the approach to the selection of items and the extent of items selected, may affect the appropriateness of the audit procedure in providing evidence to meet the intended purpose of the audit procedure. The auditor may use various approaches or techniques in selecting items for testing, such as:

- Selecting all items;
- Selecting specific items; and
- Audit sampling.

The application of any one or a combination of these approaches or techniques may be appropriate depending on the circumstances. The auditor may also use automated tools and techniques to identify and select items for testing.

A24. The appropriateness of an approach or technique in selecting items for testing depends on a number of factors, such as:

- The intended purpose of the audit procedure;
- How the audit procedure is designed;
- Whether the auditor is using a manual technique or automated tools and techniques to perform the audit procedure;
- The characteristics of the population being tested; and
- The persuasiveness of audit evidence that is needed in the circumstances.

Selecting all items

A25. The auditor may determine that it is possible to apply an audit procedure to the entire population of items, such as when automated tools and techniques can be used to perform an audit procedure. If the audit procedure has been designed appropriately, the ability to apply the audit procedure to an entire population may result in more persuasive audit evidence. Applying an audit procedure to an entire population may be appropriate when, for example:

- The population constitutes a small number of items or is homogeneous (e.g., comprises items of the same size or type); or
- There is a significant risk and other means of selecting items do not provide sufficient appropriate audit evidence.

Selecting specific items

A26. The auditor may determine that it is appropriate to select specific items from a population. The judgmental selection of specific items is subject to non-sampling risk. Specific items selected may include:

- *High value items.* The auditor may decide to select specific items within a population because they are of high value.
- *All items over a certain amount.* The auditor may decide to select items whose recorded values exceed a certain amount so that the audit procedure is applied to a large proportion of the population.
- *Key items.* The auditor may decide to select specific items within a population based on other characteristics, for example, items that are suspicious, unusual, particularly risk-prone or that have a history of error.

A27. While selecting specific items from a population will often be an efficient means of obtaining audit evidence, it does not constitute audit sampling. The results of audit procedures applied to items selected in this way cannot be projected to the entire population; accordingly, selecting specific items from a population does not provide audit evidence concerning the remainder of the population.

Audit sampling

A28. Audit sampling is designed to enable conclusions to be drawn about an entire population on the basis of testing a sample drawn from it. Audit sampling is addressed in ISA 530.²³

Information Intended to Be Used as Audit Evidence (Para. 9)

A28a. In planning and performing an audit, the auditor may obtain information from a variety of sources and in different forms. Such information ordinarily is expected to result in audit evidence to enable the auditor to draw conclusions that form the basis for the auditor's opinion and report. However, such information can become audit evidence only after audit procedures are applied to it, including procedures to evaluate its relevance and reliability. For purposes of this ISA, this information is referred to as "information intended to be used as audit evidence."

A29. [Deleted]

Evaluating the Relevance and Reliability of Information Intended to Be Used As Audit Evidence

A29a. The auditor's evaluation of the relevance and reliability of information intended to be used as audit evidence is an iterative process that involves professional judgment. Factors that affect the auditor's evaluation include what information exists that may be used as audit evidence and in what form, and whether such information is available, accessible and understandable, as further described in paragraphs A30a-A34.

Audit Procedures to Evaluate the Relevance and Reliability of Information

A29b. Evaluating the relevance and reliability of information intended to be used as audit evidence involves performing ~~The audit procedures performed to evaluate the relevance and reliability of information intended to be used as audit evidence may vary.~~ The nature, timing and extent of such audit procedures may vary and are influenced by the auditor's consideration of:

- The source of the information (see paragraphs A41-A46); and

²³ ISA 530, *Audit Sampling*

- The attributes of relevance and reliability of the information that are applicable in the circumstances (see paragraphs A47-A55).

A29ba. The audit procedures to evaluate relevance and reliability may be performed concurrently with the audit procedure applied to the information. For example, when the purpose of the audit procedure is to test the valuation of investments using pricing information from an external source, the auditor also considers the credibility of the source and whether it is free from bias. In some circumstances, the audit procedures to evaluate relevance and reliability may be straightforward (e.g., comparing the interest rate on a loan that is based on the prime rate established by a central bank of the jurisdiction to published information from the central bank). In ~~some other~~ circumstances, audit procedures, including tests of controls, may be ~~necessary-performed to evaluate the reliability of information obtain audit evidence about the accuracy and completeness of the information~~ (e.g., ~~for the accuracy and completeness of~~ information generated internally from the entity's information system). ~~Also see paragraphs A60a-A60c.~~ [Third sentence moved from paragraph A29d. Last sentence moved from paragraph A29e.]

A29c. Audit evidence from performing other audit procedures in accordance with the ISAs also may assist the auditor in evaluating the relevance and reliability of information intended to be used as audit evidence.

Examples:

Audit evidence obtained from:

- The auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control obtained in accordance with ISA 315 (Revised 2019).
- Tests of controls over the preparation and maintenance of the information performed in accordance with ISA 330.
- Audit procedures performed when using of the work of an auditor's expert in accordance with ISA 620.²⁴
- Audit procedures performed in accordance with ISA 402²⁵ when a user entity uses the services of one or more service organizations.

A29d. [Incorporated into paragraphs A29b and A29ba]

A29e. [Incorporated into paragraph A29ba]

A29f. In evaluating the relevance and reliability of information intended to be used as audit evidence, the auditor may identify information that is inconsistent with the audit evidence on which the auditor originally based the identification or assessment of the risks of material misstatement. ISA 315 (Revised 2019) addresses such circumstances.²⁶

A29g. ISA 230²⁷ provides requirements and guidance about the form, content and extent of audit documentation that also apply to the documentation of the auditor's evaluation of the relevance and

²⁴ ISA 620, *Using the Work of an Auditor's Expert*

²⁵ ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*

²⁶ ISA 315 (Revised 2019), paragraph 37

²⁷ ISA 230, *Audit Documentation*

reliability of information intended to be used as audit evidence. The documentation of audit procedures performed in accordance with other ISAs may include documentation about the auditor's consideration of ~~certain~~ attributes of relevance and reliability that are applicable in the circumstances (e.g., ~~how the auditor evaluated~~ the credibility of a particular external information source used in auditing an accounting estimate in accordance with ISA 540 (Revised)). However, this ISA does not require the auditor to document the consideration of every attribute of relevance and reliability of information. ~~The auditor is also not required to document the evaluation of information intended to be used as audit evidence when the auditor determines that the information is not relevant or reliable, and is therefore not used.~~

Form, Availability, Accessibility and Understandability of Information

A30. [First sentence moved to paragraph A29a. Second sentence moved to paragraph A43.]

A30a. Information intended to be used as audit evidence may come in different forms, including:

- Oral information, for example, obtained through a verbal response to an inquiry.
- Visual information, for example, obtained through physical or remote observation.
- Information in written form, for example, obtained through a written confirmation.
- Digital information, which includes documents in digital form and data stored in an IT system. Such digital information may be manually captured, converted into a digital format, or electronically generated.

A30b. The form, availability, accessibility and understandability of the information intended to be used as audit evidence may affect the design of the audit procedures to evaluate whether the information is relevant and reliable. It may also affect the design and performance of the audit procedures in which the information will be used.

Examples:

- Information in digital form may be available to the auditor on a continuous basis, such as records maintained on a distributed ledger. The auditor may use automated tools and techniques that are designed to operate on a real time basis to test the information maintained in the distributed ledger.
- In evaluating the reasonableness of an entity's provision for inventory obsolescence, the design of an audit procedure to inspect the physical condition of the entity's inventories may differ based on whether the auditor plans to be physically present at specific locations or plans to obtain audit evidence through alternative means, such as remote observation techniques.
- Information may be available only at certain points or periods in time, or it may be destroyed after a specific period of time. The auditor may need to design and perform the audit procedures at particular points in time or request retention of some information to facilitate the performance of audit procedures. For example, the entity may use artificial intelligence technology to predict the recoverability of accounts receivable, which is designed to continually evolve for updates and changes in the underlying data (e.g., payment history, customer credit scores or economic factors). In this case, the auditor may need to perform

the audit procedures close to the financial reporting date when the information generated is current, since performing audit procedures at an earlier or later date may render a different outcome.

- A31. Paragraphs A16–A19 explain auditor biases, such as availability bias, that may affect or impede the auditor’s exercise of professional skepticism when forming judgments about audit evidence. Remaining alert for information that may be more suitable for the auditor’s purposes, instead of information that immediately comes to mind or is readily available, may assist the auditor in mitigating the risk of availability bias.
- A32. Information intended to be used as audit evidence may exist, but access to such information may be restricted, for example, due to restrictions imposed by law or regulation or the source providing the information, or due to war, civil unrest or outbreaks of disease. In some cases, the auditor may be able to overcome restrictions on access to information. ISA 600 (Revised)²⁸ provides examples of how restrictions may be overcome for an audit of group financial statements.
- A33. [Moved to paragraph A32]
- A33a. Paragraphs A3g–A3i explain circumstances in which there may be a high degree of difficulty, time or cost involved in accessing or understanding information to be used as audit evidence. In some circumstances, the auditor’s inability to obtain sufficient appropriate audit evidence may be a scope limitation that requires the auditor to express a qualified opinion or disclaim an opinion on the financial statements in accordance with ISA 705 (Revised). For example, when the auditor does not have a sufficient basis with which to consider the relevance and reliability of information from an external information source, the auditor may have a limitation on scope if sufficient appropriate audit evidence cannot be obtained through alternative procedures.
- A34. In some circumstances, specialized skills or knowledge may be needed to understand or interpret the information intended to be used as audit evidence. Accordingly, the auditor may consider using an auditor’s expert to assist in understanding or interpreting the information if the engagement team does not have the appropriate competence and capabilities to do so. Other resources may also be appropriate for such purposes, such as technological or intellectual resources that are available to the auditor, as explained in ISA 220 (Revised).²⁹

Examples:

Information where specialized skills or knowledge may be needed to understand or interpret information intended to be used as audit evidence:

- The information may be in a foreign language and may need to be translated.
- The information may be highly dependent on the interpretation of local tax laws and regulations (e.g., a tax opinion on a structured transaction).

²⁸ ISA 600 (Revised), *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, paragraph A29

²⁹ ISA 220 (Revised), paragraphs A59–A69.

- The information may be included in a contract that contains complicated and legal terminology, and the auditor may need a lawyer to help interpret the information.
- The information may have been generated by an IT application that uses a highly complex programming language. The auditor may appoint an IT programming expert to assist in understanding how the information is generated.

A35. [Moved to paragraph A30b]

A36. [Moved to paragraph A3g]

A37. [Moved to paragraph A3h]

A38. [Moved to paragraph A3i]

A39. [Moved to paragraph A30a]

A40. [Incorporated into paragraph A30b]

Sources of Information (Ref. Para. 9(a))

A41. Information intended to be used as audit evidence may come from internal sources or external sources. For example, information may come from:

- The entity's accounting records, management or other sources internal to the entity.

Example:

Accounting records may include the records of initial accounting entries and supporting records, such as payment records, including 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.

- An external individual or organization that provides information suitable for use by a broad range of users, which the entity uses in preparing the financial statements, or the auditor intends to use as audit evidence. Such sources are referred to as an "external information source" in this ISA. A particular set of information is more likely to be suitable for use by a broad range of users and less likely to be subject to influence by any particular user if the external individual or organization provides it to the public for free, or makes it available to a wide range of users in return for payment of a fee. The auditor's determination of whether the information is suitable for use by a broad range of users, and therefore if it is information from an external information source, is a matter of professional judgment, taking into account the ability of management to influence the external information source.

Example:

Pricing services, governmental organizations, central banks or recognized stock exchanges may provide information such as:

- Prices and pricing related data.

- Macro-economic data, such as historical and forecast unemployment rates and economic growth rates, or census data.
- Credit history data.
- Industry specific data, such as an index of reclamation costs for certain extractive industries, or viewership information or ratings used to determine advertising revenue in the entertainment industry.
- Mortality tables used to determine liabilities in the life insurance and pension sectors.

- Independent sources outside of the entity that provide information to the entity, such as the entity's bank, legal counsel, customers or suppliers.
- A management's expert.
- An auditor's expert.
- A service organization.

A42. In some cases, information prepared by an external individual or organization that is used by management in preparing the financial statements is an external information source because it is suitable for use by a broad range of users. In other cases, it is information prepared by a management's expert (see paragraphs A62–A74). An external individual or organization cannot, in respect of any particular set of information, be both an external information source and a management's expert.

A43. The source and form of the information intended to be used as audit evidence may affect the availability, accessibility and understandability of the information intended to be used as audit evidence. The source of the information may also affect the auditor's professional judgment regarding the attributes of relevance and reliability that are applicable in the circumstances, and the nature and extent of the audit procedures to evaluate whether the information intended to be used as audit evidence is relevant and reliable. It may also affect how the auditor responds to matters such as doubts about the reliability of information intended to be used as audit evidence, or inconsistencies in audit evidence.

Examples:

- If the source of the information is subject to the influence of management or a related party, the auditor may be concerned about management bias in evaluating the reliability of such information.
- If the information comes from a highly reputable external information source, such as a central bank of the jurisdiction, the auditor's work effort in considering the reliability of the information may not be extensive.
- If the information is provided by management, such as information generated internally from the entity's information system, the auditor may need to perform additional audit procedure to obtain audit evidence about the accuracy and completeness of the information (see paragraphs A60b–A60d).

- A45. Obtaining audit evidence in an unbiased manner may involve obtaining information from multiple sources. However, the auditor is not required to perform an exhaustive search to identify all possible sources of information to be used as audit evidence. The auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control obtained in accordance with ISA 315 (Revised 2019) may assist the auditor in identifying appropriate sources of information.³⁰
- A46. In designing and performing a specific audit procedure, the auditor may use information from a combination of sources.

Example:

In performing analytical procedures to test revenue recorded for a real estate entity, the auditor may use information from:

- The entity's accounting records, such as information that relates to the details of the rental properties and their location; and
- An external information source, such as information that relates to average real estate rental prices for the area where the properties are located (e.g., information available on real estate websites).

Attributes of Relevance and Reliability of Information (Ref: Para. 9(b))

- A47. As explained in paragraph A3k, the quality of audit evidence is affected by the relevance and reliability of the information upon which it is based. Accordingly, the auditor considers the attributes of relevance and reliability of the information that are applicable in the circumstances as part of the auditor's evaluation in accordance with paragraph 9. Whether, and the degree to which, certain attributes are applicable in the circumstances is a matter of professional judgment.

Relevance

- A48. The principal attribute of the relevance of information intended to be used as audit evidence deals with the logical connection with, or bearing upon, the purpose of the audit procedure, including, when appropriate, the assertion being tested (i.e., relation). The degree to which the information relates to meeting the purpose of the audit procedure may also be a consideration.

- A48a. Other factors that may affect the relevance of information intended to be used as audit evidence include:

- The classes of transactions, account balances or disclosures (including relevant assertions) to which the information relates. Information may be relevant to multiple classes of transactions, account balances or disclosures. Some information may be relevant for certain financial statement assertions but not others.

³⁰ ISA 315 (Revised 2019), paragraphs 19–26

Examples:

- The collection of accounts receivable after the end of the period may be relevant to testing the existence and valuation of accounts receivable, and occurrence and accuracy of revenue, but not necessarily to the completeness of accounts receivable and revenue.
- Inspection of a document constituting a financial instrument, such as a stock, bond or a digital copy of a mortgage, may be relevant to the existence assertion but may not necessarily provide audit evidence about ownership or valuation.

- The period of time to which the information relates.
- The exactness or level of detail of the information needed given the intended purpose of the audit procedure.

Example:

Information used by management for monitoring activities (e.g., interim operating results) may be relevant for purposes of risk assessment procedures. On the other hand, information related to key performance indicators used by management may not be precise enough to detect material misstatements at the assertion level and therefore may not be appropriate for use by the auditor in performing further audit procedure.

Reliability

A49. The reliability of information intended to be used as audit evidence deals with the degree to which the auditor may depend on such information.

<i>Attributes that may be considered by the auditor in considering the degree to which information intended to be used as audit evidence is reliable</i>	
Accuracy	The information is free from error in its reflection of the underlying conditions, events, circumstances, actions or inactions, including reflecting the appropriate time period or point in time attributable to the conditions or events.
Completeness	The information reflects all of the underlying conditions, events, circumstances, actions or inactions.
Authenticity	The source actually generated or provided the information, and was authorized to do so, and the information has not been inappropriately altered.
Bias	The information is free from intentional and unintentional bias in its reflection of the underlying conditions, events, circumstances, actions or inactions.
Credibility	The source has the competence to generate the information to a required standard, and the source can be trusted.

- A49a. When evaluating the reliability of information intended to be used as audit evidence in accordance with paragraph 9, the auditor may determine that the attribute of authenticity is applicable in the circumstances. ISA 200 explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.³¹ ISA 240 deals with circumstances in which the auditor has reason to believe that a document may not be authentic, or may have been modified without that modification having been disclosed to the auditor.³²
- A50. The reliability of information, in particular the attributes of accuracy, completeness and authenticity, may also be affected by whether the integrity of the information has been maintained through all stages of information processing.

Example:

An entity's information system may include general information technology controls to safeguard and maintain the integrity of the financial information. Based on the auditor's understanding and evaluation of the entity's information system and control activities in accordance with the requirements of ISA 315 (Revised 2019),³³ the auditor may determine that the integrity of the entity's financial information has been maintained through all stages of information processing, including when extracted for financial reporting purposes.

Factors That Affect the Auditor's Professional Judgment Regarding the Attributes of Relevance and Reliability

- A52. The purpose for which the information is intended to be used affects the auditor's professional judgment about the attributes of relevance and reliability that are applicable in the circumstances.

Examples:

- When the auditor performs risk assessment procedures to understand the nature of the entity's provision for warranties, procedures such as the following may be sufficient to assess the risk of material misstatement:
 - Confirming that there have been no changes in the entity's process and controls in this area from the prior period audit.
 - Inspecting a list of inventory returns during the guarantee period indicating that such returns are consistent with the auditor's expectations.
- When the auditor designs and performs further audit procedures that are responsive to the assessed risks of material misstatement of the valuation of the provision for warranties, the auditor's further audit procedures may include procedures to obtain audit evidence about the accuracy and the completeness of the listing of returned goods within the guarantee period.

- A53. Other factors that affect the auditor's professional judgment regarding the attributes of relevance and reliability that are applicable in the circumstances may include:

³¹ ISA 200, paragraph A23

³² ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 14

³³ ISA 315 (Revised 2019), paragraphs 25 and 26

- The nature and form of the information.
- The controls over the preparation and maintenance of the information.
- How the information has been obtained by the auditor, for example, whether the information was obtained directly or indirectly by the auditor.
- If the information is intended to be used by the auditor in performing further audit procedures, the nature of the assessed risk of material misstatement, including the reasons for the assessment, and the relevant assertions.
- Whether the information appears to corroborate or contradict management's assertions.

Example:

Responses to inquiries with those charged with governance about events or conditions that may cast significant doubt about the entity's ability to continue as a going concern may corroborate or contradict assertions made by management about future strategies and business plans. In considering the information from inquiries of those charged with governance:

- If the information corroborates management's assertions, the attribute of bias may be more applicable in the circumstances.
- If the information contradicts management's assertions, the attributes of accuracy and completeness may be more applicable in the circumstances.

- The extent of change from prior audits, if applicable, in relation to the information, such as changes in how the information has been prepared and changes in underlying controls.
- The implications of actual, suspected, or alleged fraud identified during the audit.

A53a. As explained in paragraph A17a, information in digital form or that has been generated by automated systems may give rise to a risk of automation bias by the auditor. Therefore, the auditor may need to consider this risk when evaluating the relevance and reliability of such information intended to be used as audit evidence.

A54. When the information intended to be used as audit evidence has been obtained by management from an external information source for use in preparing the financial statements, obtaining an understanding of why management used the source and how management considered the relevance and reliability of the information may help to inform the auditor's evaluation of the relevance and reliability of that information.

A55. [Moved to paragraph A60c]

A56. [Moved to paragraph A29g]

A57. [First sentence moved to paragraph A29b. Second sentence moved to paragraph A29d.]

A58. [Moved to paragraph A29c]

A59. [Deleted]

A60. [Moved to paragraph A29f]

Audit Procedures to Obtain Audit Evidence about Accuracy and Completeness

A60a. Circumstances in which the auditor may determine that the attributes of accuracy and completeness are applicable in the circumstances may depend on the intended purpose of the audit procedure.

Examples:

- The price and sales volume data produced by the entity intended to be used by the auditor to develop an expectation about revenue.
- ~~A population of items being tested for a certain characteristic, such as authorization of payment.~~
- Testing the appropriateness of journal entries and other adjustments.

A60b. The source of the information intended to be used as audit evidence may also affect the auditor's consideration of whether determination that the attributes of accuracy and completeness are applicable in the circumstances. ~~As explained in paragraph A29(e), audit procedures~~ For example, to obtain evidence about the accuracy and completeness ordinarily will be applicable of information, including tests of controls, may be necessary for information generated internally from the entity's information system. In some circumstances, ~~it may not be practicable for the auditor to obtain audit evidence about the accuracy and completeness of~~ information obtained from a source external to the entity. ~~In such circumstances,~~ the auditor may instead be more focused on other attributes of reliability, including the credibility of the source providing the information.

A60c. Paragraph A29ba provides guidance about the audit procedures to evaluate the relevance and reliability of information intended to be used as audit evidence. Such guidance also applies to obtaining audit evidence about the accuracy and completeness attributes when applicable in the circumstances ~~Obtaining audit evidence about the accuracy and completeness of information may be performed concurrently with the audit procedure applied to the information when obtaining such audit evidence is an integral part of the audit procedure itself. In other situations, the auditor may have obtained audit evidence of the accuracy and completeness of such information by testing controls over the preparation and maintenance of the information. In some situations, however, the auditor may determine that additional audit procedures are needed.~~

Information Intended to be Used as Audit Evidence Prepared by a Management's Expert (Ref: Para. 10)

A62. Management may employ or engage experts in fields other than accounting (e.g., actuarial, valuation, engineering, or climate change and sustainability) to obtain information necessary to prepare the financial statements.

A63. As explained in paragraph A42, in some cases information prepared by an external individual or organization that is used by management in preparing the financial statements is an external information source, and in other cases it is information prepared by a management's expert. Accordingly, professional judgment may be needed in determining whether information intended to be used as audit evidence has been prepared by a management's expert, and therefore whether the requirement in paragraph 10 of this ISA applies.

Examples:

- An individual or organization may provide information about real estate prices that is suitable for use by a broad range of users and is therefore determined to be an external information source with respect to that information (e.g., information made generally available about a geographical region). The same individual or organization may also act as a management's expert in providing commissioned valuations for the entity's real estate portfolio specifically tailored for the entity's facts and circumstances.
- Some actuarial organizations publish mortality tables for general use that, when used by an entity, would generally be considered to be information from an external information source. The same actuarial organization may also be a management's expert for different information tailored to the specific circumstances of the entity to help management determine the pension liability for several of the entity's pension plans.

A64. The auditor's evaluation of the information prepared by a management's expert in accordance with paragraphs 9 and 10 may assist the auditor in complying with other ISAs. For example, when information prepared by a management's expert is used by management for purposes of making an accounting estimate, the auditor's evaluation may assist the auditor in meeting the requirements of ISA 540 (Revised) regarding:

- The selection and application of the methods, significant assumptions and the data used by management in making the accounting estimate; and
- How management selected the point estimate and developed related disclosures about estimation uncertainty.

The Competence, Capabilities and Objectivity of the Management's Expert (Ref: Para. 10(a))

A65. When evaluating the relevance and reliability of information intended to be used as audit evidence, paragraph 9(b) requires the auditor to consider the attributes of relevance and reliability that are applicable in the circumstances. When such information is prepared by a management's expert:

- The competence and capabilities of that expert may inform the auditor's consideration of the attribute of credibility. The credibility of the source providing the information affects the degree to which information intended to be used as audit evidence is reliable.
- The objectivity of that expert may inform the auditor's consideration of the attribute of bias. Bias in the information intended to be used as audit evidence affects the degree to which information is reliable. In some cases, information prepared by a management's expert may be subject to bias, as management may have an influence on the professional judgments of the management's expert.

Competence and capabilities

A66. Competence relates to the nature and level of expertise of the management's expert. Factors that may affect whether the management's expert has the appropriate competence include:

- Whether the expert's work is subject to technical performance standards or other professional or industry requirements, for example, ethical standards and other membership requirements of a professional body or industry association, accreditation standards of a licensing body, or requirements imposed by law or regulation.

- The matter for which the management expert's work will be used, and whether they have the appropriate level of expertise applicable to the matter, including expertise in a particular area of specialty.

Examples:

- An actuary may specialize in health insurance but have limited expertise regarding pension calculations compared to a pension actuary.
- An actuary that specializes in life insurance may have limited experience with property and casualty insurance.

- The management's expert's competence with respect to relevant accounting requirements, for example, knowledge of assumptions and methods, including models when applicable, that are consistent with the applicable financial reporting framework.

A67. Capabilities relates to the ability of the management's expert to exercise the competence in the circumstances. Factors that may influence capabilities may include geographic location, and the availability of time and resources.

Objectivity

A68. A broad range of circumstances may influence the professional judgments of the management's expert, which may threaten the management expert's objectivity, for example, self-interest threats, advocacy threats, familiarity threats, self-review threats and intimidation threats. Interests and relationships creating threats may include:

- Financial interests.
- Business and personal relationships.
- Provision of other services.

Safeguards may reduce such threats and may be created either by external structures (e.g., the management's expert's profession, legislation or regulation), or by the management's expert's work environment (e.g., quality management policies or procedures).

A69. Although safeguards cannot eliminate all threats to a management's expert's objectivity, threats such as intimidation threats may be of less significance to a management's expert engaged by the entity than to a management's expert employed by the entity, and the effectiveness of safeguards such as quality management policies or procedures may be greater. The threat to objectivity created by being an employee of the entity will always be present, and therefore a management's expert employed by the entity cannot ordinarily be regarded as being more likely to be objective than other employees of the entity.

Obtain an Understanding of the Work Performed by the Management's Expert (Ref: Para. 10(b))

A70. Matters relevant to the auditor's understanding of the work performed by the management's expert may include:

- The relevant field of expertise;

- The nature, scope and objectives of the management’s expert’s work;
- Whether there are professional or other standards, and regulatory or legal requirements that apply in preparing the information;
- How the information has been prepared by the management’s expert, including:
 - The assumptions and methods used by the management’s expert, and whether they are generally accepted within that expert’s field and appropriate for financial reporting purposes; and
 - The underlying information used by the management’s expert; and
- The relevance and reasonableness of that expert’s findings or conclusions, their consistency with other audit evidence, and whether they have been appropriately reflected in the financial statements.

A71. The auditor may decide to involve an auditor’s expert³⁴ to assist in understanding the work performed, including the information prepared, by, the management’s expert. For example, the auditor may not have sufficient knowledge or expertise in the management expert’s field.

Obtain an Understanding of How the Information Prepared by the Management’s Expert has Been Used by Management in the Preparation of the Financial Statements (Ref: Para. 10(c))

A72. Understanding how management has considered the appropriateness of the information prepared by the management’s expert may assist the auditor in evaluating the relevance and reliability of the information intended to be used as audit evidence.

Examples:

- If management has implemented controls to understand and evaluate significant assumptions made by the management’s expert and test the data used by the management’s expert, the auditor’s procedures to evaluate the relevance and reliability of the information prepared by the management’s expert may take into account the controls implemented by management.
- If management relies on the controls of the management’s expert in preparing the information and accepts the information provided by the management’s expert without further evaluation or consideration, the auditor’s procedures to evaluate the relevance and reliability of the information prepared by the management’s expert may be focused on the significant assumptions and data used by the management’s expert.

A73. In some circumstances, management may need to modify the information prepared by the management’s expert, such as when the information provided is too general and requires adjustment to reflect the circumstances unique to the entity. Modifications made by management to the information prepared by the management’s expert could affect the reliability of such information. For example, management’s adjustments may give rise to bias, or management may not have the appropriate competence and capabilities to adapt or adjust the information, which may cause the information to be inaccurate, incomplete or lack credibility. Accordingly, understanding the

³⁴ ISA 620, paragraph 7

modifications made by management to the information prepared by the management's expert may assist the auditor in evaluating whether the information is relevant and reliable in accordance with paragraph 9.

A74. Based on the auditor's understanding of how information prepared by the management's expert has been used by management in the preparation of the financial statements, the auditor may identify a deficiency in internal control. ISA 265³⁵ deals with the auditor's responsibility to communicate deficiencies in internal control to those charged with governance and management.

Doubts About the Relevance ~~and or~~ Reliability of Information (Ref: Para. 11)

A74a. Paragraph A48a explains that information intended to be used as audit evidence may be relevant for the auditor's purposes at a certain point in time. However, the relevance of such information may change based on the passage of time or due to events or conditions, such as the identification of new information. For example, the auditor may identify information from an alternative or more credible source which negates, or causes doubt about, the relevance of the initial information intended to be used as audit evidence. [Previously paragraph A75a]

A75. Factors or circumstances that may give rise to doubts about the reliability of information intended to be used as audit evidence include:

- An inability to evaluate the attributes that are applicable in the circumstances, such as an inability to determine whether the information is authentic.
- Misstatements identified during the audit.
- Deficiencies in internal control identified by the auditor, particularly when there is a significant deficiency in internal control.
- When audit procedures performed on a population result in a higher rate of deviation than expected.
- When information intended to be used as audit evidence is inconsistent with other information or audit evidence.

A75a. [Moved to paragraph A74a]

A75b. ~~In attempting to obtain additional information that is relevant and reliable~~The auditor may be able to perform audit procedures to resolve doubts about the relevance or reliability of information intended to be used as audit evidence. For example, if the auditor has doubts about the reliability of the response to a confirmation request, the auditor may be able to resolve such doubts by contacting the confirming party to verify the source and contents of the response.³⁶ In other circumstances, the auditor may need to seek alternative or additional information ~~from alternative sources~~, which may include information from external sources.

A75c. As explained in ISA 200,³⁷ in cases of doubt about the reliability of information or indications of possible fraud, the ISAs require the auditor to investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.

³⁵ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged With Governance*

³⁶ [ISA 505, External Confirmations, paragraph A14](#)

³⁷ ISA 200, paragraph A23

A76. ISA 580³⁸ provides requirements and guidance for circumstances when the auditor has doubt as to the reliability of written representations. Doubts about the reliability of information from management may indicate a risk of fraud. ISA 240 deals with the auditor's responsibilities relating to fraud in an audit of financial statements.

A77. [Moved to paragraph A75b]

Evaluating the Audit Evidence Obtained (Ref: Para 13)

A77a. Audit evidence is obtained from designing and performing audit procedures and supports the conclusions that form the basis for the auditor's opinion and report. ISA 315 (Revised 2019) requires the auditor to evaluate whether the audit evidence obtained from risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement.³⁹ ISA 330 addresses the auditor's responsibility to conclude whether sufficient appropriate audit evidence has been obtained.⁴⁰ If the audit evidence obtained does not meet the intended purpose of the audit procedures, it may affect the auditor's conclusion in accordance with ISA 330 about whether sufficient appropriate audit evidence has been obtained. If the auditor is unable to obtain sufficient appropriate audit evidence, the auditor is required to express a qualified opinion or disclaim an opinion on the financial statements in accordance with ISA 705 (Revised).

A77b. As explained in ISA 330,⁴¹ the auditor's judgment as to what constitutes sufficient appropriate audit evidence is influenced by, among other factors, the results of audit procedures performed. ISA 330 requires These audit procedures include further audit procedures whose the nature, timing and extent of further audit procedures to be are based on and are responsive to the assessed risks of material misstatement at the assertion level. The auditor's evaluation required by paragraph 13(a) is made in the context of the requirements of ISA 330 and therefore is focused on whether the audit evidence obtained meets the intended purpose of the audit procedures performed for relevant financial statement-assertions for significant classes of transactions, account balances and disclosures.

A77c. Other ISAs may also address the auditor's evaluation of whether sufficient appropriate audit evidence has been obtained for specific topics, such as ISA 570 (Revised).⁴² Paragraphs A3b–A3f further describe sufficient appropriate audit evidence, including factors that affect the sufficiency and appropriateness of audit evidence, and therefore its persuasiveness.

A77d. As explained in paragraph A21, an audit procedure may be designed to be effective in achieving an intended purpose, but if the performance or execution of the audit procedure (i.e., its application) is inappropriate, detection risk may not be reduced to an appropriate level. Paragraph A22 explains how ISA 220 (Revised) addresses the specific responsibilities of the auditor regarding quality management at the engagement level, and the related responsibilities of the engagement partner, which may affect the application of audit procedures. In addition, ISA 220 (Revised)⁴³ explains that the review of the engagement team's work consists of considering whether, for example:

³⁸ ISA 580, *Written Representations*, paragraphs 16-18

³⁹ ISA 315 (Revised 2019), paragraph 35

⁴⁰ ISA 330, paragraph 26

⁴¹ ISA 330, paragraph A62

⁴² ISA 570 (Revised), *Going Concern*, paragraph 17

⁴³ ISA 220 (Revised), paragraph A89

- The evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion; and
- The objectives of the audit procedures have been achieved.

Inconsistencies in Audit Evidence (Ref: Para. 13A)

A78. In some cases, the audit evidence obtained may corroborate the assertions in the financial statements (e.g., for a particular account balance), but when considered with other audit evidence, may indicate possible management bias.

Example:

There may be an indication of possible management bias when accounting estimates included in the financial statements are considered to be individually reasonable, but management's point estimates consistently trend toward one end of the auditor's range of reasonable outcomes that provide a more favorable financial reporting outcome for management.

A79. When audit evidence is inconsistent with other audit evidence, it may indicate that some of the information used as audit evidence is not reliable. Such inconsistencies may therefore call into question the appropriateness of the auditor's evaluation of the relevance and reliability of such information, in accordance with paragraph 9. Paragraph 11 addresses the auditor's responsibilities when the auditor has doubts about the relevance and reliability of information intended to be used as audit evidence. The extent to which the auditor may need to modify or add to the audit procedures to resolve the matter and the effect on other aspects of the audit may vary.

Example:

Obtaining audit evidence from different sources or of a different nature may indicate that an individual item of audit evidence is not reliable, such as when audit evidence obtained from one source is inconsistent with that obtained from another. This may be the case when, for example, responses to inquiries of management, those charged with governance, internal auditors, or others are inconsistent.

A80. When performing an audit procedure, such as a risk assessment procedure or a further audit procedure, the auditor may identify items that are inconsistent with the auditor's expectations or that exhibit characteristics that are unusual for the population. Different terminology may be used to describe these items, for example, exceptions, outliers, notable items, or items of audit interest. These items may indicate a possible misstatement in the financial statements. They may also indicate inconsistencies in audit evidence, particularly when other audit evidence has not identified similar exceptions or outliers, or cast doubt on the reliability of an information source. Paragraph 13A applies in such circumstances.

A81. In considering the effect of inconsistencies in audit evidence on other aspects of the audit, the auditor may consider whether the risk assessment remains appropriate in accordance with ISA 315 (Revised 2019).⁴⁴

⁴⁴ ISA 315 (Revised 2019), paragraph 37

- A82. ISA 230 addresses circumstances when the auditor identifies information that is inconsistent with the auditor's final conclusion regarding a significant matter and requires the auditor to document how the auditor addressed the inconsistency.⁴⁵
- A83. [Moved to paragraphs A77a and A77c]
- A84. [Moved to paragraph A77d]
- A85. [Moved to paragraph A77a]

⁴⁵ ISA 230, paragraph 11

Appendix

(Ref: Para. A2, A3n–A3o)

The Relationship of Proposed ISA 500 (Revised) to the Other ISAs and Examples of Types of Audit Procedures

This appendix explains the relationship of proposed ISA 500 (Revised) to the other ISAs regarding the responsibilities of the auditor in obtaining audit evidence. The appendix also describes some of the types of audit procedures designed and performed by the auditor to obtain audit evidence. Some audit procedures described in this appendix are defined in the ISAs. This appendix is non-exhaustive; other types of procedures may be designed and performed by the auditor.

Responsibility to Design and Perform Audit Procedures

1. As explained in paragraph 3, this ISA is applicable to all audit evidence obtained during the audit. Other ISAs address the auditor's responsibilities regarding specific aspects of the audit, and may also address the audit evidence to be obtained for specific matters, for example:

- ISA 315 (Revised 2019) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements.
- ISA 505⁴⁶ deals with the auditor's use of external confirmation procedures to obtain audit evidence in accordance with ISA 330 and ISA 500.
- ISA 520⁴⁷ deals with the auditor's use of analytical procedures as substantive procedures, and the auditor's responsibility to perform analytical procedures near the end of the audit;
- ISA 570 (Revised) deals with the auditor's responsibilities in the audit of financial statements relating to going concern and the implications for the auditor's report.

Types of Audit Procedures

Inspection

2. Inspection involves an examination (being physically present or using remote observation tools) of an asset or an examination of records or documents, whether internal or external, in paper form, digital form, or other media.

Examples:

- To test a control, the auditor may inspect records, using manual or automated tools and techniques, for evidence of authorization.
- The auditor may inspect the terms of revenue contracts with customers using automated tools or techniques, which may extract key information such as pricing and payment terms to use as audit evidence relevant to revenue recognition.

⁴⁶ ISA 505, *External Confirmations*

⁴⁷ ISA 520, *Analytical Procedures*

- 2a. Inspection of records and documents provides audit evidence of varying degrees of reliability, depending on their nature and source and, in the case of internal records and documents, on the effectiveness of the controls over their production. Some documents represent direct audit evidence of the existence of an asset, for example, a document constituting a financial instrument such as a stock or bond. Inspection of such documents may not necessarily provide audit evidence about ownership or value.
- 2b. Inspection of tangible assets may provide reliable audit evidence with respect to their existence, but not necessarily about the entity's rights and obligations or the valuation of the assets. Inspection of individual inventory items may accompany the observation of inventory counting.

Observation

3. Observation consists of looking at a process or procedure being performed by others. Similar to inspection, observation may involve being physically present or using remote observation tools. Observation provides audit evidence about the performance of a process or procedure, but is limited to the point in time at which the observation takes place, and by the fact that the act of being observed may affect how the process or procedure is performed. ISA 501 provides further guidance on observation of the counting of inventory.⁴⁸

Examples:

- In understanding the entity's system of internal control as part of risk assessment procedures, the auditor may observe control activities of the entity, for example:
 - Physical controls, such as the safeguarding of assets;
 - Management's procedures to monitor or capture the actual time worked of wage employees; or
 - Management may use automated controls to monitor or observe inventory movements, for example, by assigning a unique bar code or quick response code to all inventory items.
- Subject to certain exceptions, ISA 501⁴⁹ requires the auditor to attend the physical inventory counting of the client to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. The auditor may perform the required audit procedures by using manual or automated techniques, individually or in combination with each other. Automated techniques may include live video, screensharing or video footage from a drone.
 - As a test of control, the auditor may observe entity personnel performing the controls.
 - As a further substantive procedure, the auditor may observe inventory counting by the entity's personnel through the use of satellite tracking devices.

⁴⁸ ISA 501, *Audit Evidence—Specific Considerations for Selected Items*

⁴⁹ ISA 501, paragraph 4

Confirmation

4. An external confirmation requested by the auditor is directed to a third party, who is requested to provide a direct response to the auditor on a particular matter. The third party's (the confirming party) response may be in paper form, or by digital or other media. See ISA 505 for further guidance.

Examples:

The auditor may request an external confirmation of:

- Bank accounts and bank facilities with the bank. In some cases, this may be facilitated through third-party web-based and automated platforms.
- Account balances, such as accounts receivable and accounts payable.
- The terms of agreements or transactions an entity has with third parties.
- Whether any modifications have been made to an agreement and, if so, what the relevant details are.
- Whether "side agreements" have been entered into that may influence revenue recognition.

Recalculation

5. Recalculation consists of checking the mathematical accuracy of information.

Reperformance

6. Reperformance involves the independent execution of procedures or controls that were originally performed as part of the entity's internal control.

Examples:

The auditor may:

- Develop an auditor's point estimate or range to evaluate management's point estimate and related disclosures about estimation uncertainty, in accordance with ISA 540 (Revised).
- Reperform the reconciliation of accounts payable balances at year end, through matching creditor's statements to the transactions in the underlying accounting records.

Analytical Procedures

7. Analytical procedures consist of evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. See ISA 520 for further guidance.

Example:

In identifying and assessing the risks of material misstatement regarding revenue, the auditor may perform analytical procedures in order to identify transactions that do not meet certain criteria, such as transactions with unauthorized customers, transactions without matching shipping documents or transactions with unusual delivery timeframes. Such transactions may be assessed as having a higher risk of material misstatement. As explained in paragraph A3, the auditor may use manual techniques or automated tools and techniques, individually or in combination with each other, to perform the analytical procedures.

Inquiry

8. Inquiry consists of seeking information of knowledgeable persons within the entity or outside the entity. Inquiry is often used in performing risk assessment procedures and may range from formal written inquiries to informal oral inquiries. When performing further audit procedures, inquiry may provide audit evidence and may produce evidence of a misstatement. However, inquiry alone ordinarily does not provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level, nor of the operating effectiveness of controls.
9. Evaluating responses to inquiries is an integral part of the inquiry process. Responses to inquiries may provide the auditor with new information, or with information that either corroborates or contradicts other audit evidence. Responses to inquiries may provide a basis for the auditor to modify or perform additional audit procedures.
10. Although audit evidence obtained through inquiry may need to be corroborated through performing other audit procedures, when making inquiries about management intent, the information available to support management's intent may be limited. In these cases, understanding management's past history of carrying out its stated intentions, management's stated reasons for choosing a particular course of action, and management's ability to pursue a specific course of action may provide relevant information to corroborate the audit evidence obtained through inquiry.
11. In respect of some matters, the auditor may consider it necessary to obtain written representations from management and, when appropriate, those charged with governance to confirm responses to oral inquiries. See ISA 580 for further guidance.

Examples:

The auditor may inquire of management about their intent related to a particular matter. The auditor may corroborate management's intent through:

- Inspecting management's past history of carrying out its stated intentions;
- Understanding management's stated reasons for choosing a particular course of action, and inspecting information to corroborate such reasons; and
- Considering management's ability to pursue a specific course of action, based on the auditor's understanding of the entity, the matter to which management's intent relates and other audit evidence.