Audit Evidence Presentation

June 2018
Project’s Objectives

Address whether revision of an audit evidence standard is appropriate due to the evolving nature of audit services and relate to standard setting activities by the ASB and the IAASB.

Issues include:

- Framework for judging sufficiency and appropriateness of audit evidence
  - Accuracy
  - Completeness
  - Reliability
  - Etc.

- Use of emerging technologies by both the entity and the auditor

- Application of Professional Skepticism
Overall Objective of AU-C 500, Audit Evidence

“The objective of the auditor is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence…”

Re-examining whether an objective based on the design and performance of audit procedures still a viable model.

Considering whether the objective should also be based on criteria where the auditor obtains audit evidence based on a framework for judging the quality of audit evidence.
Definitions

Accounting Records
• Definition appears outdated and needs to reflect modern electronic audit evidence, e.g., blockchain

Sufficiency/Appropriateness
• Appear to be a good definitions but the task force is exploring the qualitative criteria underlying these terms

Management’s specialist
• Considering the PCAOB’s proposal on management’s specialists

Data Analytics
• Considering whether a definition of DA is appropriate.

External Information Sources
• Tracking the proposed conforming amendments arising from the ISA 540 ED.
Exploring the effect of Data Analytics and how the discrete classifications are overly prescriptive.

Current structure is not promoting the use of technology-enabled procedures.

Exploring the nature of Data Analytics. Is it a Risk Assessment Procedure? Is it a Substantive Procedure? What is the difference?

Relooking at the nature of Substantive Procedures.

- What makes it a substantive?
- Do we need discrete classifications, test of details, or substantive analytical review procedures?
- Considering the effect of emerging technologies on retention requirements

Considering retaining the extant classifications but focusing on criteria indicating quality evidence other than the nature of procedure used to obtain the audit evidence.
Considering Key Concepts

Considering whether the term “quantity” still appropriate as it relates to sufficiency. Maybe change the definition of “sufficiency” to focus on “persuasiveness.”

Believe that Professional Skepticism would be helpful in applying these concepts. Considering referencing Professional Skepticism in the requirement and adding application material to explain how this is accomplished.

The concepts should encompass evolving sources of audit evidence, e.g. external or electronic.
Considering Key Concepts

**Relevant** + **Reliable** = **Appropriate?**

- Extant application material seems to indicate that the sources of audit evidence are primarily internal.
- Exploring how contradictory evidence affects relevance and reliability.
- Considering the effect of Data Analytics.
- Should articulate the benefits of analyzing 100% of the population.
- Generalizations about audit evidence need to be modernized.
- Considering PCAOB’s Use of Management’s Specialists proposal.
- What is the effect of using Robotic Process Automation (RPA)?
- What is the effect of use of Artificial Intelligence (AI) or machine learning?
Audit Evidence – Sources

- Sufficient
- Appropriate

- Reliable
  - Entity–Internal
  - Entity–External

- Relevant
  - Entity–Management Expert
  - Auditor–External
Audit Evidence – Change in Focus

- Authenticity
- Integrity
- Appropriate
- Consistent
- Completeness
- Reliability
- Persuasiveness
- Relevance
- Accuracy
- Detailed/Precise
- Risk of Bias
Change in Focus
Possible Conforming Amendments

- AU-C 230
- AU-C 315
- AU-C 330
- AU-C 520
- AU-C 530
- AU-C 620
Next Steps

Task Force Meetings 2018
First Read ASB October 2018
ED January 2019
Final October 2019
Questions?
Thank you