

**REVISION OF INTERNATIONAL STANDARD ON AUDITING (ISA) 500,
AUDIT EVIDENCE**

This project proposal was developed and approved by the International Auditing and Assurance Standards Board (IAASB) at its meeting in December 2020.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board, which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance.

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

I. Subject

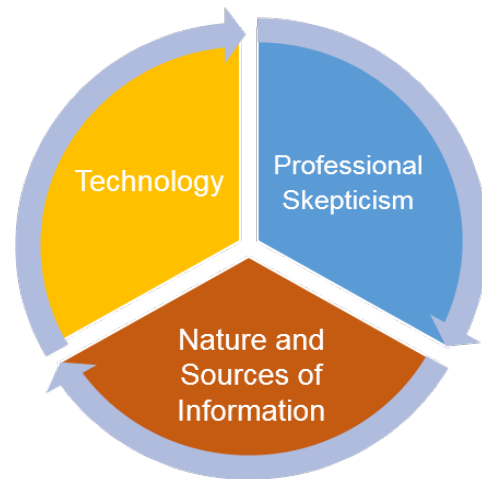
1. This project proposal addresses the revision of ISA 500.

II. Background

2. ISA 500 deals with the auditor's responsibilities to design and perform audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion. The IAASB considered ISA 500 in December 2008 as part of the IAASB's revisions to improve the clarity of its International Standards. In addition, consequential amendments were made to the standard in 2018 as part of the project to revise ISA 540¹ (i.e., to include material addressing external information sources, as defined). No other updates have been made to ISA 500 during a period where the world has evolved with rapid changes in technology and the types of information sources available to auditors.
3. Given the evolving use of technology by auditors, the IAASB released a [Request for Input, Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#) in December 2016. The paper identified and explored various issues and challenges associated with the use of data analytics and other technology in the performance of audits. Simultaneously, the purpose of the publication was to obtain stakeholder input and perspectives on the issues identified, including whether all of the issues relevant to the use of data analytics and other technology in a financial statement audit had been identified.

¹ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

4. To provide an overview of the key messages from the responses to the Request for Input, the IAASB issued a [Feedback Statement](#), *Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics* in January 2018. Key messages included that the ISAs aren't broken and should remain principle-based, but need to reflect the digital era. Moreover, specific views were expressed in relation to the topic of audit evidence, including:
 - Emphasizing the need to exercise professional skepticism when considering audit evidence obtained from data analytics.
 - Clarifying how the use of data analytics contributes to the audit evidence model.
 - Highlighting the importance of the source and quality of the data used and challenges in considering the relevance and reliability of both internal and external data.
5. Subsequently, the IAASB established the Audit Evidence Working Group (AEWG) in January 2019. The preliminary purpose of the AEWG was twofold, to:
 - Identify and explore possible issues related to audit evidence and technology in the context of ISAs, and in particular, ISA 500; and
 - Develop recommendations for possible further actions, such as guidance or standard setting, if it was identified that further action was necessary.
6. The AEWG developed an initial listing of possible issues categorized into the following topics related to the auditor's consideration of audit evidence:
 - Changes in the source of information and how the information is processed, communicated and used;
 - Continual developments in technology; and
 - The exercise of professional skepticism.
7. The AEWG presented the initial listing of issues and possible actions to address the identified issues to the Board in June 2019.² In determining whether ISA 500 and possibly other standards needed to be revised, the Board was of the view that further information-gathering and targeted outreach activities were necessary to understand:
 - The extent to which the issues identified or other issues (if any) are creating challenges in practice, including the reasons or causes of those issues; and
 - How the issues may be best addressed.



The nature and extent of the further information gathering and targeted outreach activities were captured in the [Audit Evidence Workstream Plan](#).

² [Agenda Item 7](#) of the June 2019 IAASB Audit Evidence issues paper

8. The Board also noted the importance and need to address audit evidence issues related to technology, and specifically for issues where there was an opportunity for a timely response through developing and issuing non-authoritative support material. The Data Analytics Working Group was renamed the Technology Working Group (TWG) and was tasked to develop and issue such non-authoritative support material. The Board also recommended establishing a [Technology Workstream Plan](#), setting out a process for the identification, development and issuance of non-authoritative support materials. With the establishment of the Audit Evidence and Technology Workstream Plans, and the related allocation of responsibility to the AEWG and TWG, the differentiation between the activities of these two working groups was clarified.
9. At its June 2020 meeting, the IAASB discussed the outcome of the AEWG's information gathering and targeted outreach activities, which included an updated listing of audit evidence related issues.³ Key overall messages communicated to the Board included that:
- Issues creating the most difficulties in practice were generally closely related to the information to be used as audit evidence, the evaluation of whether sufficient appropriate audit evidence has been obtained and the definitions of 'sufficiency' and 'appropriateness.' Further, the evolution of technology has created additional challenges in relation to the evaluation of whether sufficient appropriate audit evidence has been obtained.
 - Notwithstanding the evolution in technology, the relevance of many of the audit evidence issues identified were further emphasized in light of the COVID-19 pandemic.
 - A project to revise ISA 500, including conforming and consequential amendments to other ISAs was broadly noted as the desired approach by stakeholders to address the identified audit evidence issues. Accordingly, the AEWG recommended, and the Board supported, prioritizing those issues that were directly related to a project to revise ISA 500, and only making necessary conforming and consequential amendments to other ISAs.
10. A number of other issues were identified by the AEWG as part of its information gathering and research activities that will not be further explored in the audit evidence project, as agreed with the Board in June 2020. These issues have been disposed as follows:
- Certain issues will form part of future work plan decisions in accordance with the IAASB's Framework for Activities⁴ (i.e., topics in "Category A" of the Framework for Activities for consideration for future IAASB action). These issues primarily related to possible enhancements to standards other than ISA 500 (e.g., ISA 330)⁵, and assurance other than audits or reviews of financial statements.
 - Issues that are more closely related to the activities of other working groups or task forces, for example the TWG, Fraud Working Group or ISA 600⁶ Task Force.
 - Issues that require no further action by the IAASB, for example, because they cannot be addressed through standard setting activities. Also, upon further reflection, a few issues have

³ See [Agenda Item 7](#) of the June 2020 IAASB meeting

⁴ The IAASB's 'Framework for Activities' sets out a framework for how it undertakes its work, including describing the processes and procedures for selecting and prioritizing specific activities to deliver on its committed actions.

⁵ ISA 330, *The Auditors Responses to Assessed Risks*

⁶ ISA 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

already been dealt with in recently completed IAASB projects or are sufficiently addressed in terms of the principles-based requirements and related application material in the current ISA.

Basis of Project Proposal

11. The IAASB has undertaken wide-ranging information gathering and research activities in relation to possible new topics of global relevance to identify emerging issues, changing business or public practice environments, developments in accounting and auditing practices, and changes in technology that inform the development of new and revised standards that address the needs of the IAASB's stakeholders.
12. This project proposal has been formed on the basis of:
 - (a) Information gathering activities which included analyzing the results of the:
 - [Post-implementation review](#) of the clarified ISAs.
 - Request for Input, *Exploring the Growing Use of Technology in the Audit, with a Focus on Data Analytics*.
 - Input received on IAASB public consultations relating to other standard setting projects, including input received in the projects to revise ISA 315 (Revised)⁷ and ISA 540.
 - (b) Targeted outreach activities with stakeholders, including:
 - Regulators and audit oversight bodies; including representatives from regulator inspection teams;
 - National Standard Setters;
 - Accounting firms, including members of the Global Public Policy Committee and other members of the Forum of Firms;
 - Public sector organizations;
 - International Federation of Accountants' (IFAC) Professional Accountancy Organization members; including the IFAC Small and Medium Practices (SMP) Advisory Group; and
 - Preparers of financial statements.
 - (c) Analysis of the Audit Evidence Project of the American Institute of Certified Public Accountants (AICPA);
 - (d) Review of academic research on the topic of audit evidence;
 - (e) Consideration of the IAASB's [Strategy for 2020-2023](#) and [Work Plan for 2020-2021](#);
 - (f) Consideration of the activities of the Professional Skepticism Working Group (PSWG), in particular its work in relation to the IAASB's [Invitation to Comment \(ITC\)](#), *Enhancing Audit Quality in the Public Interest*, and
 - (g) The AEWG's and Board's discussions to date.

⁷ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*

Coordination with Other Working Groups to Date

Technology Working Group

13. In preparing the listing of audit evidence related issues, some issues were identified by the AEWG and the TWG as being more suited to be addressed by non-authoritative support material focused on the effect of technology when applying certain aspects of the ISAs. Therefore, where the TWG included any of these issues in the Technology Workstream Plan for the development of non-authoritative support material, the issue was excluded from the scope of issues to be covered by the audit evidence project proposal.

Professional Skepticism Working Group

14. In June 2015, the IAASB established the PSWG to commence a project on professional skepticism.⁸ The objective of the project was to formulate views on whether and how the IAASB could further contribute to strengthening the understanding and application of the concept of professional skepticism as it applies to an audit.
15. To solicit input, among other matters, on how to reinforce the fundamental concept of professional skepticism throughout the audit, the IAASB included a section on professional skepticism in the ITC. In the spirit of the IAASB's efforts to improve the exercise of professional skepticism throughout the audit, the AEWG considered the work of the PSWG from the responses to the ITC in the context of audit evidence.

III. How the Project Serves the Public Interest

16. The IAASB's remit is to set robust global standards that enable high-quality audits, assurance and related services engagements with a view to building trust in the financial and non-financial reporting process. The IAASB also issues other non-authoritative pronouncements to support implementation and application of its standards. In focusing on revisions that are in the public interest, this project proposal sets out the IAASB's work effort to:
 - Promote consistent practice and behaviors by auditors;
 - Drive effective actions by auditors in addressing audit evidence;
 - Reinforce professional skepticism throughout the audit; and
 - Facilitate scalability and proportionality in the development and revision of the standard(s) addressed by the IAASB's project proposals.

The IAASB's work is also intended to enhance confidence in, and the reputation of, the global auditing and assurance profession.

17. In addressing these broad public interest issue objectives, the IAASB identified three audit evidence related public interest issues. These public interest issues are based on the categorization of the listing of audit evidence related issues (as identified in paragraph 6).

⁸ The IAASB has a project looking at professional skepticism more broadly. For details, see [Project Page](#)

Responding to Changes in the Information that is Being Used by Auditors, Including the Nature and Source of the Information

18. The world of information is transforming at a rapid pace, largely as a result of the evolution of technology, including entities' increasing use of electronic or digitized information. Changes because of the use of big data and social media for example, have affected the sources, diversity and volume of information available to entities and auditors. This has impacted the manner in which entities obtain, process, manage, use, communicate and report information, and has also influenced how, and from where, auditors obtain audit evidence. As a result, the IAASB has determined that consideration is needed about whether ISA 500, as a foundation standard for the auditor's considerations and judgments relating to audit evidence, remains fit for purpose.
19. Given the expansion of the sources and volume of information, it is in the public interest to explore the nature and extent of the auditors' consideration of the relevance and reliability of information, including how the source of information may influence its relevance and reliability.

Modernizing and Supporting a Principle Based Standard that Recognizes the Evolution in Technology

20. The availability of more information and the ability of the auditor to use innovative audit techniques to obtain, prepare or analyze such information, allows the auditor to process and consider increasing volumes of information and data. This raises questions about how the use of automated tools and techniques 'fit' within ISA 500, including:
 - Where audit procedures are performed using automated tools and techniques, the types of audit procedures that may be performed (i.e., inspection, observation, inquiry, etc.) and the nature of such audit procedures (i.e., risk assessment, tests of controls, tests of details, etc.); and
 - The importance of the source and quality of the information used and challenges in considering the relevance and reliability of both internal and external information.
21. In today's changing environment, auditors are using, to varying degrees, automated tools and techniques, for example data analytics, robotic process automation, drone technology, machine learning and other artificial intelligence applications. However, ISA 500 does not specifically address the potential benefits and implications when such tools and techniques are used in obtaining, preparing or analyzing information to be used as audit evidence. The IAASB therefore believes it is in the public interest, to enhance or clarify ISA 500 to address the increasing use of technology.

Fostering the Maintenance of Professional Skepticism when Making Judgments About Information to be Used as Audit Evidence and Sufficient Appropriate Audit Evidence

22. Professional skepticism is a fundamental concept and core to audit quality, and it is therefore in the public interest to explore what should be done to reinforce the exercise of professional skepticism when evaluating the sufficiency and appropriateness of audit evidence. Some corporate failures have resulted in questions being raised about the role of the auditor, including highlighting concerns about the appropriateness of professional skepticism exercised by auditors when making professional judgments about information to be used as audit evidence and whether sufficient appropriate audit evidence has been obtained.

23. The use of technology may facilitate the auditor's exercise of professional skepticism when making judgments about information to be used as audit evidence. On the other hand, there are also challenges associated with the overreliance on technology when making such judgments.
24. The relevance of many of the audit evidence issues identified was further emphasized in light of the COVID-19 pandemic. These developments underline the importance and need for the auditor to exercise professional skepticism when making judgments about audit evidence in the context of ISA 500.

IV. Project Objectives

25. In developing the proposed changes to ISA 500, the IAASB will focus on the clarity and conciseness of the proposed changes to facilitate a proper understanding of the standard once complete. Consideration will also be given to the global operability, ease of the implementation and the ability to be consistently applied as the standard is being developed and finalized.
26. Given the public interest issues identified, the IAASB believes it will be necessary to enhance its International Standards by undertaking a project to revise ISA 500, with the following objectives:

Overarching

- Clarify the purpose and scope of ISA 500 and explain its relationship with other standards.

Sources of Information

- Enhance and clarify the auditor's responsibilities in relation to information to be used as audit evidence, for both internal and external sources of information, and evaluating the sufficiency and appropriateness of audit evidence. In doing so, the IAASB will explore changes that may be needed to the definitions and common terms used in extant ISA 500.
- Develop a principles-based approach to considering and making judgments about information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained. In doing so, the IAASB will explore various factors or attributes of information that may be considered by the auditor when making such judgments. A principles-based approach will also contribute to the scalability of the standard.

Technology

- Modernize ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era. The IAASB will retain a principles-based approach that would contribute to the standard being scalable to a wide variety of circumstances (i.e., in terms of both the entity's and auditor's use of technology) and that remains fit for purpose. In general, the intention is not to be prescriptive with respect to the use of technology, but rather recognize or accommodate the use of technology, for example, including application material to demonstrate how the principles may apply when technology is involved. In doing so, the IAASB intends to clarify:
 - The effect of technology in relation to sources of information. For example, the use of big data and other external sources have affected the diversity and volume of information available to entities and auditors.

- Considerations when automated tools and techniques are used to obtain or prepare information to be used as audit evidence, including regarding the nature and format of information that may be available to the auditor. However, in the context of ISA 500, this project will not address how to design and perform audit procedures through the use of automated tools and techniques.

Professional Skepticism

- Emphasize the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.
27. The IAASB will also consider whether improvements in the structure of the standard are necessary to facilitate improvements in effectively applying ISA 500 in achieving the purpose and objective of the standard.

V. Project Scope

28. To address the project objectives, the project scope is to:
- Develop revisions to ISA 500 to establish more robust requirements and appropriate application material. It is intended that these revisions will achieve greater consistency in auditor judgments about audit evidence, as well as better explain the scope of the standard and its relationship with other standards, for example ISA 200,⁹ and ISA 330.
 - Propose conforming and consequential amendments to other ISAs that may be necessary as a result of revisions to ISA 500.
 - Determine whether non-authoritative materials should be developed by the IAASB, or others, to supplement revisions to ISA 500 and thereby aid its effective implementation through first-time implementation support activities.

VI. Outline of the Project

Major Issues that Will Be Addressed

29. As noted, the IAASB discussed the outcome of the information gathering and targeted outreach activities of the AEWG at its June 2020 meeting. The discussion included the Board's consideration of, and support for, an updated listing of audit evidence related issues,¹⁰ which has been taken into account in developing this project proposal.
30. The major issues that the IAASB will address can be summarized by theme, as presented in paragraphs 31 to 45.

Clarifying the Purpose and Scope of the Standard

31. ISA 500 sets out a principles-based approach in relation to the requirements that are appropriate to achieve the auditor's objective to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions

⁹ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹⁰ The listing of issues was included in appendix 4 of the June 2020 [IAASB Audit Evidence Issues Paper](#)

on which to base the auditor's opinion. Questions have arisen about the purpose of ISA 500 in the context of the other ISAs, and in particular whether:

- ISA 500 is intended to be a performance standard;¹¹ as opposed to a standard designed to provide context for auditor performance requirements in other standards; and
 - The objective of the standard is sufficiently distinct from the objective in ISA 330.
32. Based on the outcome of the discussions about the purpose and scope of ISA 500, there may be consequences for the relevance or placement of extant ISA 500 requirements. For example, if the objective is changed to focus on judgments about the sufficiency and appropriateness of information to be used as audit evidence, it may be necessary to reconsider whether some extant requirements, relevant to the design and performance of audit procedures, are to be retained or relocated to another ISA, for example ISA 330. If requirements from extant ISA 500 are relocated to another standard, the IAASB acknowledges that amendments may then be needed to integrate these requirements into the other ISA. There is flexibility to do so through consequential amendments (see paragraph 28); however, this project does not include the broader revision of any other standard.
33. In addition to the consideration of the objective, the IAASB will also consider whether the relationship of ISA 500 with other standards is adequately explained, including the distinction between ISA 500 and ISA 330.¹²

Sources of Information – Clarifying the Auditor's Responsibility When Considering the Relevance and Reliability of Information to be Used as Audit Evidence, and Evaluating Audit Evidence Obtained

34. Many of the audit evidence issues creating the most difficulties in practice are closely related to the concept and evaluation of sufficient appropriate audit evidence. The evolution in the nature and sources (as well as volume) of information and the use of technology in designing and performing audit procedures have raised questions about the factors or attributes that are considered by the auditor in relation to information to be used as audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained. The IAASB will explore changes that may be needed to address these matters, including:
- Whether the definitions of appropriateness of audit evidence and sufficiency of audit evidence¹³ remain appropriate.
 - What factors or attributes may need to be considered by the auditor when making judgments about information to be used as audit evidence, and in evaluating whether sufficient appropriate audit evidence has been obtained.
35. The IAASB will explore whether the definition of sufficiency should have a broader focus than quantity alone, given the significant changes in the nature and sources (as well as volume) of information.

¹¹ For example, the objective of ISA 500 indicates that 'the objective of the auditor is to design and perform audit procedures,' and paragraph 6 requires the auditor to 'design and perform audit procedures.'

¹² ISA 500, paragraph A6

¹³ Paragraph 5(e) of ISA 500 describes the sufficiency of audit evidence as the measure of the quantity of audit evidence.

36. The IAASB will also explore the relevancy of the notion of the ‘persuasiveness’ of audit evidence in the context of ISA 500, given the auditor’s responsibility to obtain more persuasive audit evidence the higher the auditor’s assessment of risk.¹⁴
37. In relation to the concept of sufficient appropriate audit evidence, the IAASB intends to explore whether the development of a set of relevant factors or attributes is useful in enhancing auditor judgments. Such a framework of factors or attributes may achieve greater consistency in auditor judgments about the concept and evaluation of sufficient appropriate audit evidence.
38. In particular, in addressing the auditor’s consideration of the reliability of information to be used as audit evidence, ISA 500 addresses specific characteristics of the reliability of information produced by the entity that the auditor is required to evaluate.¹⁵ Such work effort is not specifically addressed in relation to information from other sources. The IAASB will explore whether such distinction remains appropriate.
39. The IAASB will also explore whether changes to ISA 500 are needed related to:
- The notion that information from any source may be susceptible to different biases, including auditor bias in considering information to be used as audit evidence.
 - Challenges when distinguishing between internal and external information, including whether the distinction between information obtained from internal and external information sources is clear in the context of pre-existing concepts (e.g., information produced by the entity, external information sources, a management’s expert, and a service organization).
 - Challenges in considering the reliability of external information (e.g., restrictions on access to external sources of information and the auditor’s ability to determine reliability).
 - Challenges related to possible overreliance on information from certain sources.
 - Whether information to be used as audit evidence should be subject to consideration of the same factors or attributes and work effort, irrespective of its source, when considering its relevance and reliability. For example, should information to be used in risk assessment procedures be subject to the same level of consideration as information to be used in a substantive analytical procedure?

Continual Developments in Technology – Providing Clarity about the Categorization of Audit Procedures When Using Automated Tools and Techniques, and Other Technology Related Challenges

40. New technologies have raised questions about where audit procedures performed using automated tools and techniques fit within:
- The types of audit procedures that may be performed (i.e., inspection, observation, inquiry etc.); and
 - The nature of audit procedures (i.e., risk assessment procedures or further audit procedures comprising tests of controls and substantive procedures).

¹⁴ ISA 330, paragraph 6(b)

¹⁵ ISA 500, paragraph 9

In addition, questions are being asked about whether an audit procedure could be both a risk assessment procedure and a further audit procedure at the same time. This question is particularly relevant, but not limited, to circumstances where the auditor uses automated tools and techniques.

41. Although the question about ‘dual purpose’¹⁶ is not dependent on the use of automated tools and techniques, the IAASB recognizes that the capabilities of modern automated tools and techniques (such as data analytics) may allow the auditor to perform risk assessment procedures that go beyond traditional risk assessment procedures as the information is analyzed at a significantly more granular level. It was therefore questioned, for example:
- Under which conditions (if any) do risk assessment procedures reduce risks of material misstatement to an acceptably low level; and
 - Can data analytics be designed in such a way to simultaneously serve the purpose of identifying and assessing risks of material misstatement and detecting material misstatements at the assertion level (and if so, when and how).

Aspects of these questions have been addressed by the IAASB’s TWG through the issuance of non-authoritative support material. The IAASB will consider the work of the TWG in exploring whether, and if so, how, ISA 500 could more robustly address the categorization of audit procedures, in particular when using automated tools and techniques.

42. The IAASB will also consider other challenges arising from the continual developments in technology, for example technology enabling the auditor to use information from a wider range of sources, the use of innovative audit techniques to obtain, prepare or analyze information, and to process and consider increasing volumes of information and data. Such challenges may include:
- The impact of technology in relation to sources of information and whether and how the risk of the auditor over-relying on technology should be addressed or clarified.
 - Whether the standard remains relevant and appropriate in relation to the selection of items for testing.
 - The required work effort to follow up on exceptions identified when using automated tools and techniques in performing audit procedures.

Professional Skepticism

43. Based on its information gathering activities, the IAASB concluded that ISA 500 could more robustly address the need for professional skepticism when making judgments about information to be used as audit evidence and whether sufficient appropriate audit evidence has been obtained. In particular, it was suggested that the IAASB needs to focus on elaborating what the phrase ‘a critical assessment of evidence’ in the definition of professional skepticism entails (e.g., by seeking to enhance ISA 500).
44. ISA 220 (Revised)¹⁷ describes how conditions inherent to some audits can create pressures on engagement team members that impede the appropriate exercise of professional skepticism, including when evaluating audit evidence, and the need for the auditor to take appropriate action to

¹⁶ Dual purpose in this context refers to whether a procedure could be both a risk assessment procedure and a further audit procedure at the same time. However, the question here is distinct from and does not address the design of a test of controls to be performed concurrently with a test of detail on the same transaction, as addressed by ISA 330 paragraph A23.

¹⁷ ISA 220 (Revised), *Quality Management at Engagement Level*, paragraphs A35–A36.

mitigate those impediments. The IAASB will explore whether, and if so, how, the material in ISA 220 (Revised) may be drawn upon.

45. The IAASB will also explore how ISA 500 can reinforce the role of professional skepticism when making judgments about information to be used as audit evidence, irrespective of the auditor's use of manual procedures or automated tools and techniques.

Coordination

Technology Working Group

46. Paragraph 13 provides information regarding coordination with the TWG to date. As the IAASB progresses its work, audit evidence matters may be identified for which there is an opportunity for a more timely response in the form of non-authoritative support material. To the extent that such issues relate to technology, the Audit Evidence Task Force (AETF) will coordinate with the TWG to consider such matters. The AETF will also consider whether, and if so, how, the work of the TWG may be relevant in developing proposed revisions to ISA 500.

Professional Skepticism Working Group

47. Paragraphs 14 and 15 provide information regarding coordination with the PSWG to date. The AETF, in conjunction with the PSWG, will further explore what could be done to enhance ISA 500 in terms of more robustly addressing the need for professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained.

Other Working Groups or Task Forces

48. ISA 500 includes one explicit reference to fraud and ISA 240.¹⁸ The application material explains that ISA 240 deals with circumstances where 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. In progressing the project, the IAASB will consider whether fraud considerations are appropriately addressed in ISA 500 in the context of audit evidence. In doing so, the AETF will consider the work performed by the IAASB's Fraud Working Group.
49. Furthermore, the AETF will continue to consider the work of other IAASB Task Forces or Working Groups. For example, the AETF will consider the work of the Audits of Less Complex Entities (LCE) Task Force as well as the Complexity, Understandability, Scalability and Proportionality Working Group as it develops its drafting principles and guidelines.

Coordination with the International Ethics Standards Board for Accountants (IESBA)

50. IESBA established a Technology Working Group (IESBA TWG) in 2018, with the objective to identify potential ethical implications of technology developments on the robustness and relevance of the fundamental principles and independence standards in the IESBA Code.¹⁹ The AETF will coordinate with the IESBA TWG or liaise with the IAASB TWG in terms of its coordination with the IESBA TWG in relation to technology related aspects of audit evidence. In addition, the AETF will engage with IESBA

¹⁸ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph A33

¹⁹ *International Code of Ethics for Professional Accountants (including International Independence Standards)*

representatives and staff more broadly to identify any ethics considerations or matters of relevance in terms of the audit evidence related issues that are within the scope of this project.

VII. Impact Analysis Considerations

51. The primary expected benefit of this project is to better enable the consistent performance of quality audits by enhancing and clarifying the auditor's responsibilities in relation to information to be used as audit evidence and evaluating the sufficiency and appropriateness of audit evidence. This will assist auditors when making judgments in this regard.
52. Regardless of whether the outcome of this project results in new or revised requirements or application material or other guidance, there will be cost and benefit implications for audits of financial statements. It is anticipated that the impact on individual audits would vary depending on the facts and circumstances of the entity. The impact at firm level will also vary depending on the firm's policies or procedures currently in place, and the impact of any changes on the firms' human, technological and intellectual resources.
53. By addressing the public interest matters highlighted in Section III of this project proposal, the IAASB will clarify how auditors apply ISA 500 in the context of using information from a wide range of information sources, including when information has been obtained through the use of automated tools and techniques. This in turn may have benefits in terms of the auditor's engagement with management and those charged with governance, and ultimately, the confidence of users in the audit of the financial statements. Regulators and audit oversight bodies will also have more clarity in undertaking inspections and other activities with respect to auditors' responsibilities relating to audit evidence
54. In summary, establishing robust principles within the standard to assist the auditor in considering the relevance and reliability of information to be used audit evidence is expected to enhance auditor judgments about whether sufficient appropriate audit evidence has been obtained. As the auditor is required to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level, such changes are expected to positively impact the quality of audits, which is in the public interest.

Implications for Any Specific Persons or Groups

55. As noted, the project has implications for all participants in the financial reporting ecosystem. For example, the project will impact participants to the standard-setting process, including the adoption and implementation of the standards (i.e., regulators and audit oversight bodies, national standard setters and audit firms) and will also impact preparers, those charged with governance, users of financial statements and auditors. The IAASB will continue to draw on its stakeholders' knowledge and input throughout the standard setting process.
56. As the ISAs apply to audits of financial statements of all entities, the risk of unintended consequences to audits of LCEs needs to be considered. In addition to outreach activities, including outreach specifically with IFAC's SMP Advisory Group, the AETF will liaise with the LCE Task Force as the separate LCE standard is developed as described in paragraph 49.

VIII. Development Process, Project Timetable and Project Output

Development Process and Project Timetable

57. The project will be conducted in accordance with the Public Interest Activity Committees' Due Process and Working Procedures.²⁰
58. Below is a preliminary timetable, noting that specific project milestones and outputs may change as the project develops. The IAASB Consultative Advisory Group's input will be obtained throughout the project.

Timing	Action
December 2020	Approval of project proposal and deliberation of issues
January 2021 – February 2022	Development of the exposure draft – progressing issues and drafting the proposed revisions to ISA 500
	Dialogue with stakeholders on key issues and proposals
March 2022	IAASB approval of exposure draft, with a 120-day comment period, including proposed conforming and consequential amendments to other ISAs
August 2022 – May 2023	Analysis of responses and resulting revisions to the exposure draft in developing the final standard
	Dialogue with stakeholders on key issues and proposals
June 2023	IAASB approval of ISA 500 (Revised)

Project Output

59. The expected output of the project is a revised ISA 500, with conforming and consequential amendments to other ISAs as may be necessary. The ISA 500 Task Force will, throughout the revision of the standard, consider and advise the IAASB as to the need for, and potential timing of, development of other non-authoritative materials. First-time implementation support activities or non-authoritative support materials may include, for example, fact sheets, questions and answers, webinars or presentations and flow charts, diagrams or illustrations.

IX. Resources Required

60. A project Task Force will be responsible for the project to revise ISA 500, and will be comprised of IAASB members, technical advisors, and external experts, as appropriate, with diverse backgrounds. For this purpose, and to appropriately consider the work performed by other national standard setters, the IAASB intends to include IAASB members or technical advisors who participated in the development of the AICPA's Audit Evidence Project. IAASB staff will provide support to the ISA 500 Task Force.

²⁰ [PIAC Due Process and Working Procedures](#)