

Proposed International Standard on Auditing 500 (Revised), Audit Evidence

ICAS Response

24 April 2023



Introduction

ICAS welcomes the opportunity to comment on the IAASB's proposed revised ISA 500 'Audit Evidence'.

Our CA qualification is internationally recognised and respected. We are a professional body of over 23,000 members who work in the UK and in more than 100 countries around the world. Our members represent different sizes of accountancy practices, financial services, industry, the investment community and the public sector.

Our Charter requires its committees to act primarily in the public interest, and our responses to consultations are therefore intended to place the public interest first. Our Charter also requires us to represent our members' views and to protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Any enquiries should be addressed to James E Barbour, Director, Policy Leadership:
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General comments

Whilst the ED 500 proposals provide an appropriate principles-based reference framework for auditors when making judgements about audit evidence throughout the audit, we believe that the IAASB has missed an opportunity to better reflect the practical challenges faced by auditors when making use of technology to obtain audit evidence. Additionally, we are not convinced that the proposed changes will lead to a significant increase in audit quality.

Responses to consultation questions

Question 1

Is the purpose and scope of ED-500 clear? In this regard:

- (a) Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?**
- (b) Are the relationships to, or linkages with, other ISAs clear and appropriate?**

- (a) Yes, ED 500 provides an appropriate principles-based reference framework for auditors when making judgements about audit evidence throughout the audit. What is not clear, however, is exactly what auditors will have to do differently in practice and therefore whether it will have a positive impact on audit quality.
- (b) Yes, generally the relationships to, or linkages with, other ISAs are clear and appropriate. However, the proposed stand-back for the auditor to evaluate audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained, appears duplicative to what is already required by ISA 330.

Question 2

What are your views about whether the proposed revisions in ED-500, when considered collectively as explained in paragraph 10 above, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?

When considered collectively we believe the proposed revisions will likely lead to enhanced judgements when obtaining and evaluating audit evidence. However, we are not convinced that the standard is a significant improvement on the extant ISA 500.

Question 3

What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 above)?

We have concerns that there has been a significant increase in application material. Whilst it does include some useful content there is considerable repetition and we question the value of this approach. We would have preferred an approach that had a more specific focus on how auditors can utilise technology to obtain information to be used as audit evidence.

Question 4

Do you agree that ED-500 is appropriately balanced with respect to technology by reinforcing a principles-based approach that is not prescriptive but accommodates the use of technology by the entity and the auditor, including the use of automated tools and techniques?

No, we do not agree. Technological innovation continues at pace and there is increased use by auditors of techniques such as data analytics, and machine learning. We therefore believe there is a need for the IAASB to better respond to the impact of such developments.

As we have highlighted in our response to the IAASB's proposed strategy and work plan for 2024 - 2027 we believe there is a need for a more comprehensive review of the ISA 500 series of standards to better take account of technological developments. The use of technology presents challenges to auditors as to what is expected of them in terms of evaluating audit evidence. There is more for the IAASB to do in this regard.

Question 5

Do the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence?

We believe that the requirements and application material in ED 500 do appropriately reinforce the exercise of professional scepticism in obtaining and evaluating audit evidence.

Question 6

Do you support the revised definition of audit evidence? In particular, do you agree with the "input-output model" that information can become audit evidence only after audit procedures are applied to it?

Yes, we are supportive of the revised definition of audit evidence.

Question 7

Does the application material appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence?

No, we believe there is scope for greater clarification to more appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. Therefore, we believe that the application material should be enhanced to better inform the user of the interrelationship between these respective concepts.

Question 8

Will the requirements and application material in ED-500 support an appropriate evaluation of the and reliability of information intended to be used as audit evidence?

Yes, we believe that the requirements and application material in ED-500 will support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.

Question 9

Do you agree with the separate conditional requirement to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances?

Yes, we agree in principle with this separate conditional requirement to obtain audit evidence about the accuracy and completeness of information in such circumstances.

Question 10

Do you agree with the new “stand back” requirement for the auditor to evaluate audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained?

We question whether this new “stand back” is actually required as the stand back requirement in ISA 330 already appears to address this point.

Question 11

Are there any other matters you would like to raise regarding ED-500? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate.

We have no other matters that we would like to raise.

Request for General Comments

12. The IAASB is also seeking comments on the matters set out below:

- (a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-500.**
- (b) Effective Date—Recognizing that ED-500 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged.**

The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

We have no comments on translation.

Yes, we are supportive of the proposed effective date.

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