

September 15, 2007

Mr. James Sylph  
Technical Director, IAASB  
International Federation of Accountants  
545 Fifth Avenue, 14th Floor  
New York, NY 10017

**Re: Exposure Draft: *Proposed Redrafted International Standard on Auditing (ISA) 500  
“Considering the Relevance and Reliability of Audit Evidence”***

Dear Mr. Sylph:

The American Institute of Certified Public Accountants (AICPA) is pleased to have the opportunity to comment on the above referenced exposure draft.

We would like to commend the International Auditing and Assurance Standards Board (IAASB) on the issuance of this exposure draft. We believe that the exposure draft clarifies the concept of audit evidence and we support its issuance. We believe that the objective to be achieved by the auditor is appropriate, and that the criteria for determining whether a requirement should be specified have been applied appropriately and consistently.

We offer the following specific comments:

**Paragraph 11**

Paragraph 11 states that when designing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence. As written, the requirement to consider the relevance and reliability of audit evidence would be limited to the design phase of the audit procedure and not the performance phase of the audit procedure. We believe that the auditor should have a proactive responsibility to consider the relevance and reliability not only during the design of the audit procedure, but also during the evaluation of the audit evidence obtained. We suggest the following edit to paragraph 11:

When designing *and performing* audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence.”

**Paragraph 12**

Paragraph 12 establishes a requirement of the auditor to evaluate information produced by entity and used by the auditor for purposes of the audit. We agree that the auditor should evaluate the

reliability of the audit evidence when it is produced by the entity. However, we believe that the requirement should only apply to information that the auditor obtains while performing further audit procedures, and not risk assessment procedures. This is because risk assessment procedures are performed to identify the risks of material misstatement, not to produce direct audit evidence supporting assertions for a class of transactions, account balance, or disclosure. We also believe that the content in paragraph 12 is more appropriate as application material rather than a requirement.

### **Paragraph 13**

Paragraph 13 establishes a requirement of the auditor to determine the means of selecting items for testing that are effective in meeting the purpose of the audit procedure whether selected by means of audit sampling or other means. We agree that this requirement and related application guidance are appropriate, however we do not believe that ISA 500 is the appropriate standard to deal with this matter. ISA 330, *The Auditor's Responses to Assessed Risks*, deals with the nature, timing and extent of audit procedures that an auditor should perform in response to assessed risks. Accordingly, we believe that ISA 330 is the more appropriate standard to deal with this particular requirement and related application guidance.

### **Paragraphs A1-A3**

Paragraphs A1 through A3 provide application guidance to an auditor regarding the sources of audit evidence that an auditor obtains during the audit. However, the proposed ISA 500 lacks a related requirement. Paragraph A1 suggests that a source of audit evidence is the accounting records of the entity. Paragraph A3 provides examples of information from sources independent of the entity that the auditor may use as audit evidence. It would seem that in order for an auditor to obtain internal or external audit evidence, he or she would have to perform audit procedures to obtain it. Accordingly, we suggest that the ISA include a related requirement for this application guidance.

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Thank you for the opportunity to comment on this exposure draft. If you have any questions regarding the comments in this letter, please contact Hiram Hasty at +1-212-596-6011, [hhasty@aicpa.org](mailto:hhasty@aicpa.org) or Sharon Walker at +1-212-596-6026, [swalker@aicpa.org](mailto:swalker@aicpa.org).

Respectfully submitted,

/s/ Harold Monk Jr.  
Chair, Auditing Standards Board