



Agenda Item 1

Audit Evidence

Objective of Agenda Item

To discuss a draft of proposed revised AU-C section 500, *Audit Evidence* (AU-C section 500).

Agenda Item 1A represents an updated version of the proposed SAS, Audit Evidence. This version reflects edits made to the proposed SAS to address comments received from ASB in connection with the turn-around version of the proposed SAS discussed with the ASB on Thursday, January 17, 2019. The primary focus of the edits, and thus the subject for discussion with the ASB at this meeting is to discuss the following sections of the proposed SAS:

- Scope
- Objective
- Definitions
- Requirements

It is not the intent to discuss the application material related to the requirements. Although some edits have been made to that application material, comments received from ASB members have not yet been processed as several comments required discussion with the Task Force. It is also not the intent to discuss the Explanatory Memorandum or the conforming amendments.

Highlights of January ASB Meeting

Major issues discussed and significant conclusions reached were as follows:

- The ASB was supportive of the direction of the project. However, the ASB expressed the view that the proposed standard needs further editing and refinements.
- Some ASB members expressed the view that the proposed effective of years ending December 15, 2020 maybe challenging given the timeline of the project.
- The ASB was supportive of the graphic illustration of the proposed attributes and factors that affect audit evidence (the “Cube”). However, the ASB found the term “relationship to management assertions” to describe the notion of corroborative or contradictory information confusing. After discussion, the ASB decided to retain the Cube but suggested that the Cube should be more prominently featured elsewhere in the proposed

standard so that it can better illustrate the proposed attributes and factors of audit evidence.

- The ASB directed the Task Force to:
 - augment the scope section to better articulate the interrelationship of the proposed SAS to other standards such as AU-C section 315 and 330. The ASB also directed the Task Force to make it clearer that information obtained by the auditor only becomes audit evidence after audit procedures are applied to the information.
 - make it explicit that the requirements in the proposed SAS do not establish incremental audit documentation requirements beyond those already required in other standards.
 - revise the objective to make it more explicit that the auditor evaluates information as a basis to conclude whether sufficient appropriate audit evidence has been obtained.
 - add guidance to better explain the concept of “sufficient appropriate audit evidence” by explaining separately the concepts of “sufficiency” and “appropriateness” and how “sufficiency” is assessed based on the persuasiveness of audit evidence.
 - clarify the intended work effort of the requirements dealing with the factors and attributes to be used for evaluating whether sufficient appropriate audit evidence has been obtained, specifically some ASB members expressed the view that the requirement “should consider” might be too weak especially as it relates to relevance and reliability of the information.
 - relocate significant portions of the application material related external information sources (EIS) to an appendix. Reconsider the application material dealing with the accuracy and completeness of external information sources.

Matters for the ASB’s Consideration

Conforming Amendments to AU-C 330

Upon further reflection and review of AU-C 330, AICPA staff believes that further conforming amendments to AU-C 330 might be necessary in order to better align the proposed SAS to AU-C 330.

The following is a summary of the paragraphs that might require amendments:

<i>AU-C 330 Paragraph</i>	<i>Comment</i>
.27 Based on the audit procedures performed and the audit evidence obtained, the auditor should evaluate, before the conclusion	Requires minor revisions

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<p>of the audit, whether the assessments of the risks of material misstatement at the relevant assertion level remain appropriate.</p>	
<p>.28 The auditor should conclude whether sufficient appropriate audit evidence has been obtained. In forming a conclusion, the auditor should consider all relevant audit evidence, regardless of whether it appears to corroborate or contradict the assertions in the financial statements.</p>	<p>Amend to simply refer auditors to AU-C 500 for requirements and application material with respect to concluding about whether sufficient appropriate audit evidence has been obtained.</p>
<p>.A75 The auditor’s professional judgment about what constitutes sufficient appropriate audit evidence is influenced by such factors as the</p> <ul style="list-style-type: none"> • significance of the potential misstatement in the relevant assertion and the likelihood of its having a material effect, individually or aggregated with other potential misstatements, on the financial statements (see section 450, <i>Evaluation of Misstatements Identified During the Audit</i>). • effectiveness of management’s responses and controls to address the risks. • experience gained during previous audits with respect to similar potential misstatements. • results of audit procedures performed, including whether such audit procedures identified specific instances of fraud or error. 	<p>Delete</p>

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| <ul style="list-style-type: none">• source and reliability of the available information.• persuasiveness of the audit evidence.• understanding of the entity and its environment, including its internal control. | |
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Questions for the ASB

1. What are the ASB's views about the possible additional conforming amendments to AU-C 330?

Items Presented

Agenda Item 1 – Issues Paper

Agenda Item 1A – AU-C section 500 Exposure Draft

Mr. Dohrer will refer to the Agenda Item 1A in leading the discussion.