



Agenda Item 2C

Proposed Statement on Auditing Standards *Audit Evidence*

Introduction

Scope of This Proposed SAS

1. This proposed Statement on Auditing Standards (SAS) explains what constitutes audit evidence in an audit of financial statements and addresses how an auditor evaluates information to be used as audit evidence, by setting out attributes of information. Taking these attributes into account assists the auditor in exercising professional skepticism.
2. ~~This proposed SAS sets out attributes of information to be used as audit evidence. The attributes of relevance and reliability of the information, including its source, and whether the information corroborates or contradicts the assertions in the financial statements are key concepts when the auditor evaluates information to be used as audit evidence. Taking these attributes into account assists the auditor in demonstrating how professional skepticism has been appropriately exercised during the audit.~~
- 3.2. The application of this proposed SAS assists the auditor in fulfilling the auditor's responsibilities in other AU-C sections.* This proposed SAS is to be read in conjunction with other AU-C sections, including those that address the auditor's responsibilities to identify and assess the risks of material misstatement,¹ design and implement responses to the risks of material misstatement identified and assessed by the auditor,² and form an opinion on the financial statements.³ In particular, AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, requires the auditor to conclude whether sufficient appropriate audit evidence has been obtained and thereby provides a basis for

* All AU-C sections can be found in AICPA *Professional Standards*.

¹ See AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*.

² AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.

³ AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*.

the auditor's opinion. (Ref: par. A1)

4.3. The auditor's overall conclusion in accordance with AU-C section 330 about whether sufficient appropriate audit evidence has been obtained is a matter of professional judgment based on the results of audit procedures performed and includes evaluating the following: (Ref: par. A2A2–A3A4)

- .a Whether the assessment of the risks of material misstatement at the financial statement and at the relevant assertion levels remains appropriate
- .b The evaluation of information to be used as audit evidence in accordance with this proposed SAS

Effective Date

5.4. This proposed SAS is effective for audits of financial statements for periods beginning on or after December 15, 2021.

Objective

6.5. The objective of the auditor is to evaluate information to be used as audit evidence, including the results of audit procedures, to inform the auditor's overall conclusion about whether sufficient appropriate audit evidence has been obtained.

Definitions

7.6. For purposes of generally accepted auditing standards (GAAS), the following terms have the meanings attributed as follows:

Appropriateness (of audit evidence). The measure of the quality of audit evidence, that is, its relevance and reliability in providing support for the conclusions on which the auditor's opinion is based. (Ref: par. A4–A5)

Audit evidence. Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence consists of information that both corroborates or contradicts assertions in the financial statements. (Ref: par. A6–A9)

External information source. An individual or organization external to the entity that provides information that is used by the entity in preparing the financial statements or that has been obtained by the auditor as audit evidence, when such information is suitable for use by a broad range of users. When information has been provided by an individual or

organization acting in the capacity of management's specialist, service organization,⁴ or auditor's specialist,⁵ the individual or organization is not considered an external information source with respect to that particular information.

Sufficiency (of audit evidence). The measure of the quantity of audit evidence. The quantity of audit evidence necessary is affected by the auditor's assessment of the risks of material misstatement and the quality of the audit evidence obtained (that is, its appropriateness). (Ref: par. A10—[A11A12](#))

Requirements

Evaluating Information to Be Used as Audit Evidence

8.7. The auditor should evaluate information to be used as audit evidence by taking into account: (Ref: par. [A13](#))

- a. the relevance and reliability of the information, including its source, ~~and and~~(Ref: par. [A14–A39](#))
- b. whether such information corroborates or contradicts assertions in the financial statements. (Ref: par. [A12A40–A46A45](#))

9.8. The auditor's evaluation of the information to be used as audit evidence in accordance with paragraph [8.7](#) should include, ~~when necessary~~:

- c. ~~obtaining audit evidence about the accuracy and completeness of the information or~~
- a. evaluating whether the information is sufficiently precise and detailed for the auditor's purposes. ~~and~~
- b. as necessary, obtaining audit evidence about the accuracy and completeness of the information. (Ref: par. [A31, A44–A45](#))

Audit Procedures for Obtaining Audit Evidence

10.9. In evaluating information to be used as audit evidence, the auditor should consider whether the results of audit procedures provide a basis for concluding on the sufficiency and appropriateness of audit evidence obtained. (Ref: par. [A47A46–A69A67](#))

Doubts About the Reliability of Information to be Used as Audit Evidence or Inconsistencies in Audit Evidence

⁴ See AU-C section 402, *Audit Considerations Relating to an Entity Using a Service Organization*.

⁵ See AU-C section 620, *Using the Work of an Auditor's Specialist*.

11.10. The auditor should determine whether modifications or additions to audit procedures are necessary to resolve doubts about the reliability of information to be used as audit evidence or any inconsistencies in audit evidence, including when:

- a. Information to be used as audit evidence obtained from one source is inconsistent with that obtained from another source
- b. Information to be used as audit evidence contradicts assertions in the financial statements
- b. The results of an audit procedure are inconsistent with the results of another audit procedure.

(Ref: par. [A70A68–A71A69](#))

[Application Material and Appendices intentionally omitted]