



# Audit Evidence

## Discussion of Issues Related to IAASB Project to Revise ISA 500

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*Presentation at the May 2022 ASB Meeting*

# Executive Summary

## Discussion Objectives

- Recap the March 2022 IAASB meeting and current status of relevant issues
- Identify potential ASB monitoring and standard setting actions
- Early identification of recommendations for Wendy Stevens to raise for discussion at the June 2022 IAASB meeting

## Key Takeaways

- ASB tentative convergence plan
  - Proposed ISA is generally consistent with SAS 142, but monitoring certain areas
    - Key concepts include clarification of “auditor’s purpose” and proposed revised definition of audit evidence
  - Task Force will consider how best to move forward regarding potential ASB standard-setting action after issuance of ISA

## Actions

- ASB members to provide feedback on matters in the slide deck

# Relevant Background

- [Status of IAASB Project](#)
  - [IAASB Project Proposal – December 2020](#)
  - The IAASB’s objectives in revising ISA 500 are the same as the objectives that the ASB had in revising AU-C section 500
  - Project is currently in the “exposure draft development” phase
- March 2022 - IAASB discussed proposed revisions to ISA 500 and key issues considered by the IAASB’s Audit Evidence Task Force in drafting the proposed revisions
  - Although broadly supportive, the IAASB asked its task force to further explore and clarify certain areas, which are provided in more detail in slide 6

# Relevant Background

- ASB Task Force does not have significant/fatal flaw level concerns with respect to the proposed revisions. However, some issues were communicated to the IAASB that are discussed in subsequent slides
  - TF questioned whether the proposed revisions would result in a change in auditor behavior/action
  - TF concerned about potential differences with SAS 142

# March 2022 IAASB Meeting

## IASTF Issues Communicated

- Definitions and additional application material
  - While the definitions of *appropriateness (of audit evidence)* and *audit evidence* in proposed ISA 500 (Revised) are streamlined, certain concepts are excluded that will result in challenges to auditor understanding and ultimately to audit quality
- Clarity on documentation requirements
  - Concerned about how the auditor is expected to document his/her *evaluation*
- Information to be used as audit evidence
  - Runs to “auditor’s purpose” issue
- Reliance on technology
  - Proposed ISA provides examples of overreliance on technology – recommend that additional examples be provided to highlight potential under-reliance on technology

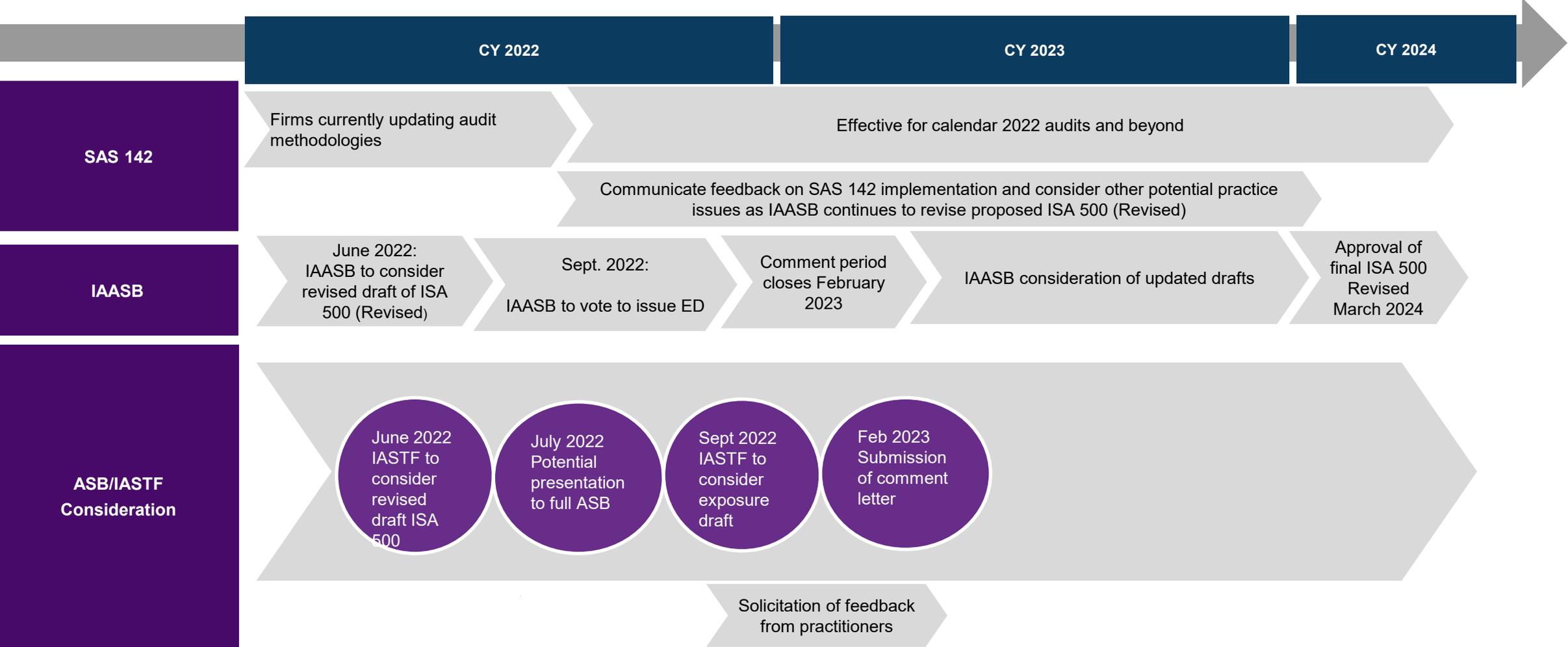
# March 2022 IAASB Meeting

## IAASB guidance/comments to its task force

- Further explore and clarify the purpose or role of proposed ISA 500 (Revised) in relation to the auditor's responsibility to design and perform audit procedures, including its relationship with the other ISAs
- Confusion on the meaning of the term “auditor’s purposes”
- Further consider the proposed definitions, including whether in all cases information needs to be subject to audit procedures to become audit evidence
- Suggestion to streamline application guidance but enhance certain sections (for example, technology related examples)
- A revised draft of the proposed ISA 500 (Revised) is expected to be presented to the IAASB at its meeting in June 2022

# Timeline of *Audit Evidence* Considerations for US Auditors/ASB

The following is an overview of relevant standards and standard setting project timelines related to *audit evidence*



# How can ASB inform the IAASB as it develops proposed ISA 500 (Revised)?

- Provide issues identified during implementation of SAS 142
- Feedback on how behavior has been changed (and audit quality enhanced)
  - Different firms, different guidance
- Cost/benefit to implement
  - Level of effort to update methodologies
  - Large firms vs. smaller firm experience

# Convergence Issues

- Pursuant to the ASB's Operating Policies, the ASB has a strategic objective to converge its standards with those of the IAASB
- Further, the ASB has a commitment to convergence with the ISAs and to its obligations and responsibilities as an "ISA Base" standard-setter
  - [IFAC's Statements of Membership Obligations](#) formally capture IFAC's longstanding requirement that its member bodies support the work of the IAASB by using their best endeavors to incorporate the ISAs in their national requirements and to assist with the implementation of ISAs

# Convergence Issues

- Current draft of proposed ISA 500 (Revised) is generally consistent with SAS 142
  - SAS 142 is effective for calendar 2022 audits
- Post issuance of ISA 500 (Revised), consider the revised ISA along with any post-implementation feedback on SAS 142, as well as
  - Any guidance on changes to AS 1105 from PCAOB
  - Work of ASB's Technology Working Group
- **ASB Members are asked for initial thoughts with respect to any potential revisions to AU-C section 500**

Should the ASB Task Force be doing anything else?

