



# Audit Evidence ASB Meeting October 2022

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# IAASB September Meeting

- Voted to issue exposure draft of proposed ISA 500 (Revised)
  - Issuance expected in October 2022 with comments due April 2023
  - Very few changes
    - From June draft to draft presented in September
    - Made to September draft at the meeting
  - Generally consistent with SAS 142 but areas of concern
    - Continuing concerns:
      - Possible incremental requirement in proposed ISA paragraph 11 (see slide 5)
      - Expectations around documentation
      - Implications of differences in wording compared to SAS 142
      - Non-authoritative guidance to be developed
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# Audit Evidence Task Force Next Steps

- Analyze “Appendix B” differences between requirements of SAS No. 142 and proposed ISA 500 (Revised) – first report back today
- Prepare comment letter on ISA 500 (Revised) – due April 2023
- Continue to monitor and discuss IAASB progress on ISA 500 (Revised)
- In due course, recommend whether to make further changes to ASB standards in light of
  - Final ISA 500 (Revised) – expected June 2024
  - Ongoing work of the ASB’s Technology Working Group
  - PCAOB standard-setting proposals related to AS 1105 and other standards – expected 2023

# Substance differences between ISAs and GAAS analyzed in 5 areas

Requirements  
in ISAs not in  
GAAS

Requirements  
in GAAS not  
in ISAs

Differences  
between  
requirements

Differences in  
wording of  
requirements

Placement of  
requirements  
in GAAS

Note: The Task Force's preliminary analysis has been provided as an Appendix to this slide deck, we will focus on the matters highlighted in yellow for purposes of the discussion, which are highlighted on the next 2 slides.

# Possible Incremental Requirement in Proposed ISA 500 (Revised)

Proposed ISA 500, par. 11	AU-C sec. 501, par. 27
<p>If information intended to be used as audit evidence has been prepared by a management's expert, as part of the auditor's evaluation in accordance with paragraph 9, the auditor shall:</p> <ul style="list-style-type: none"><li>• Evaluate the competence, capabilities and objectivity of that expert;</li><li>• Obtain an understanding of the work performed by that expert; and</li><li>• <b>Obtain an understanding about how the information prepared by that expert has been used by management in the preparation of the financial statements, including:</b><ul style="list-style-type: none"><li>• How management has considered the appropriateness of the information prepared by that expert; and</li><li>• Modifications made by management to the information prepared by that expert, and the reasons for such modifications</li></ul></li></ul>	<p>If information to be used as audit evidence has been prepared using the work of a management's specialist, the auditor should, to the extent necessary, taking into account the significance of that specialist's work for the auditor's purposes</p> <ul style="list-style-type: none"><li>• Evaluate the competence, capabilities, and objectivity of that specialist;</li><li>• Obtain an understanding of the work of that specialist; and</li><li>• <b>Evaluate the appropriateness of that specialist's work as audit evidence for the relevant assertion</b></li></ul>

- ***The ISA is more focused and specific on evaluating how management used and considered the work of the specialist, whereas GAAS requires a more principles-based evaluation of the specialist's work as audit evidence.***

## For Consideration – Differences between requirements

Proposed ISA 500 Paragraph 9	SAS 142
<p>The auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall consider:</p> <ul style="list-style-type: none"><li>• The source of the information; and</li><li>• The attributes of relevance and reliability that are applicable in the circumstances, given the intended purpose of the audit procedures.</li></ul>	<p>The auditor should evaluate information to be used as audit evidence by taking into account</p> <ul style="list-style-type: none"><li>• the relevance and reliability of the information, including its source, and</li><li>• whether such information corroborates or contradicts assertions in the financial statements</li></ul>

- ***The ISA explicitly requires the auditor to consider attributes of relevance and reliability that are applicable in the circumstances, while this consideration is implicit in SAS 142.***
  - ***In addition, the ISA is worded as a requirement to evaluate the relevance and reliability as opposed to the SAS' focus on more broadly evaluating the information.***
  - ***We do not believe this results in a fundamental difference in how the auditor would apply the requirements.***
  - ***However, there could be differences in interpretation (especially by regulators) in terms of what is expected to be documented to evidence compliance with this requirement (e.g., for each piece of information to be used as audit evidence to show which attributes were “applicable”).***
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