

## Staff Prepared Paper on the IAASB's Future Project Addressing Audit Evidence

### Objective of Agenda Item

The objective of this Agenda Item is to obtain the IAASB's views on issues regarding audit evidence, for the purpose of providing input to the newly formed Audit Evidence Working Group (AEWG), as it commences its work in exploring the issues related to audit evidence. This paper has been prepared by IAASB Staff. In addition to providing a history of ISA 500,<sup>1</sup> this paper outlines the IAASB's journey on various issues related to audit evidence, and identifies some of the key issues that may need to be explored by the AEWG as it commences its work.

Recognizing the progress that the AICPA Auditing Standards Board (ASB) has made in their project to address audit evidence, the IAASB's discussion on audit evidence will include a presentation to update the IAASB on the ASB's current proposals.

### Background

#### *History of ISA 500*

1. ISA 500 was issued in December 2008 as part of the IAASB's revisions to improve the clarity of its International Standards. At the time, ISA 500 was subject to limited redrafting to reflect only the conventions and matters of clarity generally, as the standard had been recently revised in 2003. The most significant issues, among others, considered and addressed in the revision included:
  - (a) The location of the requirement for the auditor to obtain sufficient appropriate audit evidence, which was moved from ISA 500 to paragraph 17 of ISA 200.<sup>2,3</sup> Therefore, ISA 500 was refocused to address the auditor's responsibility to design and perform audit procedures to obtain audit evidence.
  - (b) Addressing both sufficiency and appropriateness of audit evidence in ISA 500.
  - (c) The location of the material dealing with the selection of items for testing by means other than audit sampling, which had previously been located in ISA 530.<sup>4</sup>
  - (d) The location of the material dealing with management's experts, which had previously been located in ISA 620.<sup>5</sup>

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<sup>1</sup> International Standard on Auditing (ISA) 500, *Audit Evidence*

<sup>2</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

<sup>3</sup> The IAASB agreed to relocate the requirement because it provides context to paragraph 21 of ISA 200 that requires the auditor to use the objectives in the relevant ISAs to evaluate whether sufficient appropriate audit evidence has been obtained.

<sup>4</sup> ISA 530, *Audit Sampling*

<sup>5</sup> ISA 620, *Using the Work of an Auditor's Expert*

2. In 2018, as part of the ISA 540 (Revised)<sup>6</sup> project, amendments were made to ISA 500 to include a definition of external information sources, emphasize external information sources in the requirement in paragraph 7 and incorporate new application material addressing external information sources. A version of ISA 500 that reflects these conforming and consequential amendments has been provided as a reference paper in **Agenda Item 8–B**.

#### Relationship of ISA 500 with Other ISAs

3. There are many interrelationships between ISA 500 and other ISAs, including ISA 200, ISA 315 (Revised)<sup>7</sup> and ISA 330.<sup>8</sup> As highlighted above, a substantial revision of ISA 500 was undertaken in 2003, concurrently with changes to ISA 200 and the introduction of ISA 315 and ISA 330. The relationship between ISA 200, ISA 330 and ISA 500 was reinforced during the clarity project and the ISA 500 Basis for Conclusions noted the following:

*The IAASB believes these amendments create an appropriate linkage between the three ISAs that deal directly with the sufficiency and appropriateness of audit evidence:*

- (a) *ISA 200 (Revised and Redrafted), which contains an overarching requirement to obtain sufficient appropriate audit evidence, and contains discussion of relevant factors when the auditor exercises professional judgment regarding whether sufficient appropriate audit evidence has been obtained;*
- (b) *ISA 500 (Redrafted), which focuses on designing and performing procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence; and*
- (c) *ISA 330 (Redrafted), which considers audit evidence in the context of further audit procedures to respond to assessed risks and includes a requirement to conclude whether sufficient appropriate audit evidence has been obtained.*

#### Developments Related to ISA 500

4. The post-implementation review of the clarified ISAs was completed in 2013. No key or important themes were identified in the [findings](#) that specifically related to ISA 500. However, as part of the suggested solutions to address professional skepticism, respondents proposed enhancing the requirements or guidance in ISA 500 to encourage auditors to seek more evidence to contradict management's assertions. Separately, respondents also noted the need to emphasize the importance of auditing the inputs used as the basis for analytical procedures in ISA 520,<sup>9</sup> which has a relationship to other issues discussed in this paper.
5. Over the last decade since ISA 500 was revised, there have been significant changes in the environment in which audits are performed. Among others:

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<sup>6</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

<sup>7</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

<sup>8</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>9</sup> ISA 520, *Analytical Procedures*

- (a) The rapid change in technology has affected how entities operate and process information, including the use of artificial intelligence, robotics, blockchain, cloud computing, social networks and new digital currencies and payment platforms.
  - (b) Developments in the use of advancing technologies are having a revolutionary effect on how audits are performed, for example, use of automated tools and techniques, such as data analytics, robotics and artificial intelligence.
6. In addition to these issues, high levels of reported poor results of external inspections and recent high-profile corporate failures in some jurisdictions have resulted in decreasing confidence and declining trust in audits. For example, in the United Kingdom (UK), the Secretary of State for Business, Energy and Industrial Strategy has initiated a review (the Brydon Review) into the quality and effectiveness of audit. The [terms of reference](#) for this review describe the objective of the review, which includes determining how assurance is provided and how that assurance can and should be made more effective for investors. The terms of reference further describe the scope of the review, and among the elements included in the scope are:
  - (a) The extent to which auditors can and should assess whether underlying information is reliable; and
  - (b) How audit can respond to the opportunities and challenges of new technology and other forms of innovation to increase the assurance and effectiveness of audit.
7. The increasing need to improve how the ISAs address the vast array of sources from which information can be obtained, professional skepticism and continual developments in technology stimulate the need to consider whether enhancements to ISA 500 are necessary. Recognizing the significance of these issues and the urgency with which they need to be addressed, the ASB initiated a project to revise AU-C section 500, *Audit Evidence*,<sup>10</sup> which was embarked upon in consultation with the IAASB's Steering Committee.
8. At its June 2018 meeting, the IAASB received an update on the ASB's project, highlighting some of the initial issues identified. Since then, the ASB has continued to progress its project and during the March 2019 discussion, the IAASB will receive an update on the ASB's project, including an outline of the current proposed revised requirements (see presentation in **Agenda Item 8–A**). Appendix 1 of this paper provides an outline of the ASB's proposed requirements, which have been mapped to the requirements in extant ISA 500.
9. The remainder of this paper outlines the IAASB's journey on various issues related to audit evidence, and identifies some of the key issues that may need to be explored by the AEWG as it commences its work. Some of the issues highlighted in this paper were discussed in [Agenda Item 7](#) of the June 2018 meeting and have been repeated in this paper for the purposes of completeness and a reminder about the issues identified to date. Given only the recent formation of the AEWG, this paper has been developed by IAASB Staff in consultation with the AEWG chair.

## Technology

10. As highlighted above, evolution in technology has affected how entities operate and process information, as well as the nature of audit procedures designed and performed by auditors. For example, when ISA

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<sup>10</sup> AU-C section 500 is largely aligned to ISA 500.

500 was last revised in 2003 (other than limited redrafting in 2008), the following technologies, tools or sources of information did not exist:

- (a) Google's IPO leading to widespread commercial use (2004)
- (b) FaceBook (2004)
- (c) YouTube (2005)
- (d) Twitter (2006)
- (e) iPhone (2007)
- (f) Instagram (2010)

11. In 2016, the IAASB released the Request for Input, [Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#). The paper explored various issues and challenges associated with the use of data analytics in the performance of audits. Some of the limitations and challenges explored in the Request for Input relevant to audit evidence included:

- (a) The need to have a clear understanding of the data, in particular its relevance to the audit.
- (b) How data analytics fits within the audit evidence model, including the use of data analytics to simultaneously perform risk assessment procedures and further audit procedures.
- (c) The extent of work effort in considering the relevance and reliability of external data, including whether external data is complete and accurate.
- (d) The procedures the auditor is expected to perform over information produced by the entity.
- (e) The extent of testing needed of general IT controls and application controls, and the impact of deficiencies in general IT controls and application controls.
- (f) The implications of analyzing a larger portion of a population, including how to address exceptions identified.
- (g) How the use of data analytics contributes to obtaining sufficient appropriate audit evidence.

12. In January 2018, the IAASB released a Feedback Statement, [Exploring the Growing Use of Technology in the Audit, With a Focus on Data Analytics](#), which noted respondents' overall views that the ISAs are not broken and should remain principles based, but need to reflect the digital era in application guidance. Specific views provided by respondents relating to audit evidence included:

- (a) The need to exercise professional skepticism when using data analytics.
- (b) Clarity about how data analytics contributes to the audit evidence model.
- (c) The importance of the source and quality of the data used and challenges in considering the relevance and reliability of both internal and external data.

With respect to next steps for the IAASB, respondents suggested that the revision of ISA 230<sup>11</sup> and ISA 500 be prioritized by the IAASB and that the effects of new technologies, such as blockchain, artificial intelligence, and robotics be considered.

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<sup>11</sup> ISA 230, *Audit Documentation*

13. Since the issuance of the 2016 Request for Input, technology has continued to evolve at a rapid pace, including amplified use of new technologies such as robotics, artificial intelligence and blockchain technology. These technologies have had an impact on how entities operate and process information, and therefore affect how auditors gather information and then evaluate that information as audit evidence. Auditors are also using new technologies as tools to perform audit procedures, resulting in many new innovative audit techniques.
14. Given the continual evolution of the environment, consideration may be needed to assess whether ISA 500 remains fit for purpose. In particular, consideration may need to be given to:
  - (a) How information obtained through emerging audit techniques fit within the audit evidence model. For example, ISA 500 categorizes and explains the various audit procedures that may be undertaken for obtaining audit evidence. The categories may either need 1) revision to accommodate emerging audit techniques; or 2) further guidance to explain how emerging audit techniques relate to the current categories of audit procedures described in the standard.
  - (b) The requirements addressing information to be used as audit evidence, from both internal and external sources, given the rise of new information sources, increasing availability of information, and changes in how the information is generated. For example, consideration may be needed about:
    - (i) How the auditor's considerations of the relevance and reliability of information are affected by the source of the information and the underlying manner in which the information has been prepared (e.g., the use of artificial intelligence software to generate the information or blockchain technology). This includes considering whether information should be viewed through the same lens and subject to the same assessment, irrespective of its source (i.e., internal or external). For internal information, this may also include the extent to which general IT controls and application controls should be considered by the auditor and the impact of deficiencies on the auditor's considerations of the relevance, reliability, accuracy and completeness of the information.
    - (ii) The extent to which the auditor should consider the completeness and accuracy of the information, including information obtained from external sources (this is already addressed to a certain degree in paragraph 9 of ISA 500 for information produced by the entity, and paragraph A34b regarding external information sources).
  - (c) The requirements and application material dealing with the selection of items for testing, and whether this remains relevant in the context of the nature of audit procedures undertaken in today's environment. Furthermore, consideration may also be needed about how ISA 500 defines sufficiency of audit evidence, which is focused on the quantity of audit evidence. The focus on quantity of evidence may no longer be appropriate in light of innovative audit techniques that enable testing of larger portions of the population, and there may be other factors affecting the consideration of the sufficiency of audit evidence.
  - (d) Other areas in need of modernization, for example, some of the definitions such as, the definition of accounting records are antiquated because they were written at a time in which paper was the predominant medium. Also, there are various statements in the application material in ISA 500 that over time have become outdated or factually questionable (e.g., paragraph A31 of ISA 500 states that the reliability of audit evidence is increased when it is obtained from independent sources

outside the entity, and contains other outdated statements about audit evidence in documentary form and original documentation). Finally, with the increasing use of emerging tools and techniques, the application material may need to be updated to recognize those emerging tools and techniques.

### Professional Skepticism

15. As highlighted above, the post-implementation review of the clarified ISAs was completed in 2013. The IAASB released the Invitation to Comment (ITC), [Enhancing Audit Quality: A Focus on Professional Skepticism, Quality Control and Group Audits](#), in December 2015 to obtain stakeholder views on key issues regarding quality control, group audits, and professional skepticism. Respondents generally agreed that the IAASB should take action to address the issues presented in the ITC. To address the issue of lack of professional skepticism in an audit, there were also calls from certain respondents for a requirement to actively seek out contradictory evidence.
16. Since the ITC, the IAASB has had numerous discussions regarding professional skepticism. Specifically, the following matters have been discussed that relate to audit evidence:
  - (a) At its June 2017<sup>12</sup> and December 2017<sup>13</sup> meetings, the IAASB agreed with the recommendations of the Professional Skepticism IAASB Subgroup not to introduce the concept of “levels” for the attitude of professional skepticism into the ISAs and that the current concept of the attitude of professional skepticism involving a “questioning mind” continues to be appropriate and should be retained within the ISAs. The IAASB also discussed whether the ISAs should provide more guidance on how professional skepticism impacts risk assessment, risk response, the evidence gathered, and the evaluation of the sufficiency and appropriateness of evidence. As part of this discussion, the IAASB suggested focusing on how the auditor evaluates whether sufficient, appropriate and persuasive audit evidence has been obtained.
  - (b) At its March 2018 meeting,<sup>14</sup> the IAASB discussed the concept of contradictory evidence. The discussion included:
    - (i) The appropriate term to describe contradictory or inconsistent evidence (currently the ISAs use these terms interchangeably).
    - (ii) Whether there should be a requirement for auditors to seek inconsistent evidence in all circumstances. The IAASB agreed that this would not be an appropriate way forward.
    - (iii) The role of professional judgment when making decisions about when to seek evidence from other sources, the work effort that should be applied when seeking such evidence and how inconsistent evidence ought to be dealt with in practice. This also included a discussion about whether the ISAs should provide factors for auditors to consider when making such decisions, for example, in circumstances when more persuasive evidence is needed, further sources of evidence may be needed.
    - (iv) Whether ISA 500 should provide more guidance on how to deal with evidence that is not sufficiently relevant or reliable and resolving inconsistencies between evidence.

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<sup>12</sup> Refer to [Agenda Item 9-A](#) of the June 2017 meeting and the [meeting minutes](#).

<sup>13</sup> Refer to [Agenda Item 8](#) of the December 2017 meeting and the [meeting minutes](#).

<sup>14</sup> Refer to [Agenda Item 9](#) of the March 2018 meeting and the [meeting minutes](#).

- (v) The need to focus on the importance of the persuasiveness of evidence as part of the audit evidence project.

17. In light of these various discussions, within ISA 500 consideration may need to be given to:

- (a) The definitions of sufficiency and appropriateness of audit evidence. As explained in paragraph 14(c), the definition of sufficiency of audit evidence may need to be further explored. In addition, thought may be needed about the relationship between sufficiency and appropriateness of audit evidence, including how to incorporate the concept of persuasiveness, as suggested by the Board.
- (b) How the standard can be improved to embed concepts surrounding professional skepticism. In particular, recognizing how contradictory evidence was addressed in ISA 540 (Revised),<sup>15</sup> ISA 500 may need to also address obtaining evidence in an unbiased manner. Furthermore, thought may be needed about whether the standard should outline factors that may affect the auditor's considerations about seeking contradictory evidence. Enhancements to the standard may also be needed to address circumstances when contradictory evidence, or inconsistent evidence, is obtained.

### Other Issues Identified

18. Through the evolution of the ASB's project, many other issues within ISA 500 have come to surface, some of which are related to the matters discussed above. These issues include:

- (a) Whether the objective of ISA 500 remains appropriate. It has been noted that the current objective focuses on designing and performing audit procedures in the context of obtaining sufficient appropriate audit evidence. However, the nature of audit procedures is but one of many factors that affects the auditor's consideration of whether sufficient appropriate audit evidence has been obtained. Therefore, consideration may be needed about:
  - (i) The continued appropriateness of the objective of ISA 500, i.e., focusing less on designing and performing audit procedures since the design of risk assessment procedures is addressed in ISA 315 (Revised) and the design of further audit procedures is addressed in ISA 330. As part of this consideration, further exploration may be needed about whether, as a basis for concluding on the sufficiency and appropriateness of audit evidence, ISA 500 should address: 1) the relevance and reliability of information obtained; 2) *the sources of information* that are used in performing the audit procedure; and 3) whether the information corroborates or contradicts the assertions in the financial statements.
  - (ii) The factors that should be considered by the auditor when evaluating whether sufficient appropriate audit evidence has been obtained. This includes how to incorporate factors in the standard in a manner that does not set unachievable expectations for the auditor when assessing the factors. It is noted that the ASB has proposed a multi-element assessment that would assist the auditor in concluding whether sufficient appropriate audit evidence has been obtained.
  - (iii) The relationship between ISA 500 and other ISAs, in particular ISA 200, ISA 315 (Revised) and ISA 330.

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<sup>15</sup> See paragraph 18 of ISA 540 (Revised).

- (b) Whether ISA 500 remains the appropriate location of the requirements and application material dealing with management experts.
19. If changes to ISA 500 were made, this may have consequences for other standards. For example:
- (a) Paragraph 17 of ISA 200 requires the auditor to obtain sufficient appropriate audit evidence and paragraph 21 addresses the auditor's consideration of the objectives in the ISAs in the context of evaluating whether sufficient appropriate audit evidence has been obtained. These fundamental concepts would not change. However, much of the application material in paragraphs A30 to A33 of ISA 200 is similar to paragraphs A1–A6 of ISA 500. Therefore, any changes in this material in ISA 500 would need to be considered and reflected in ISA 200.
  - (b) Paragraph 26 of ISA 330 requires the auditor to conclude whether sufficient appropriate audit evidence has been obtained and includes application material that provides factors that may influence the auditor's judgments. This material would need to be aligned with any revisions to ISA 500.
  - (c) Paragraph 5(b) of ISA 520 requires the auditor to evaluate the reliability of data, and specifies factors to be taken into account, including source, comparability, nature and relevance and controls over preparation of the data. These factors need to be consistent with those considered by the auditor for information to be used as audit evidence.

#### **IAASB Discussion and Way Forward**

20. The IAASB's [Proposed Strategy for 2020–2023 and Work Plan for 2020–2021](#) highlights audit evidence as one of two new initiatives that will progress in earnest in 2019. In particular, it notes “the need for changes in the standards to address issues and challenges related to audit evidence, in particular in relation to evolving technologies and automated tools that are being used, as well as thinking more about how professional skepticism can be further enhanced within the ISAs.” Feedback on the proposed Strategy and Work Plan, which is due by June 4, 2019, may provide additional insight into issues related to audit evidence.
21. The IAASB discussion on audit evidence will include a presentation to outline the relationship between ISA 500 and other key ISAs and an update on the latest proposals arising from the ASB's project on audit evidence. In addition to the presentation, there will be a breakout session to further explore the issues regarding audit evidence. The IAASB's discussion in March 2019 will provide important input for the AEWG as it commences its work in considering the issues related to audit evidence.

#### **ASB's Timeline**

22. As highlighted in the presentation in **Agenda Item 8–A**, the ASB plans to issue its exposure draft in May 2019, with a final standard expected in January 2020.

**Appendix 1**

**Comparison of Extracts of ISA 500 to the ASB's Latest Proposals**

**Agenda Item 8–A** includes an outline of the ASB's current proposals addressing audit evidence. The IAASB discussion will include a presentation to explain these proposals. The table below compares ISA 500 to the ASB's proposals.

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
<b>Introduction</b>		
<p>2. This ISA is applicable to all the audit evidence obtained during the course of the audit. Other ISAs deal with specific aspects of the audit (for example, ISA 315 (Revised)), the audit evidence to be obtained in relation to a particular topic (for example, ISA 570 (Revised)), specific procedures to obtain audit evidence (for example, ISA 520), and the evaluation of whether sufficient appropriate audit evidence has been obtained (ISA 200 and ISA 330).</p>	<p>2. Audit evidence is necessary to provide a basis for the auditor's opinion. It is cumulative in nature and it is obtained through the performance of one or more audit procedures during the course of the audit or from other sources.</p> <p>3. The application of this proposed SAS assists the auditor in fulfilling the auditor's responsibilities in other sections in GAAS in designing and performing audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion, by setting out factors and attributes of audit evidence to assist the auditor in evaluating the results of those audit procedures.</p> <p>4. Accordingly, this proposed SAS is to be read in conjunction with other</p>	<p>ASB introductory and scope paragraphs retain linkage to other standards but are more robust.</p> <p>ASB introductory paragraph explicitly addresses that the standard is not intended to create documentation requirements not already required elsewhere in GAAS.</p>

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
	<p>sections in GAAS that address the auditor's responsibilities to identify and assess the risks of material misstatement,<sup>16</sup> design and implement responses to the risks of material misstatement identified and assessed,<sup>17</sup> and form an opinion on the financial statements.<sup>18</sup></p> <p>5. The overall evaluation about whether sufficient appropriate audit evidence has been obtained is a matter of professional judgment and also involves exercising professional skepticism in gathering and evaluating such evidence. Evaluating whether sufficient appropriate audit evidence has been obtained includes consideration of, among other things, the assessment of the risks of material misstatements and the nature and extent of the audit procedures performed.</p> <p>6. The source, relevance, and reliability of the information that may be used as audit evidence</p>	

<sup>16</sup> AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*

<sup>17</sup> AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*

<sup>18</sup> AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
	<p>affects its persuasiveness. Audit evidence is also assessed in relation to whether it corroborates or contradicts the assertions in the financial statements. The attributes and factors used to evaluate whether information obtained represents appropriate audit evidence is depicted as follows: [Cube omitted]</p> <p>7. This proposed SAS does not establish audit documentation requirements beyond those audit documentation requirements that already exist in other sections.</p>	
<b>Objective</b>		
<p>4. The objective of the auditor is to design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.</p>	<p>The objective of the auditor is to evaluate information to which audit procedures have been applied in the performance of the audit as a basis for concluding whether sufficient appropriate audit evidence has been obtained.</p>	<p>Design of risk assessment and further audit procedures addressed in ISA 315 (Revised) and ISA 330 thus objective changed to focus on evaluation of information as audit evidence rather than design of procedures.</p>
<b>Definitions</b>		
<p>(a) Accounting records – The records of initial accounting entries and supporting records, such as checks and records of electronic fund transfers;</p>		<p>The definition of accounting records has been moved by the ASB as part of the new definition of "Internal Information Sources."</p>

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
<p>invoices; contracts; the general and subsidiary ledgers, journal entries and other adjustments to the financial statements that are not reflected in journal entries; and records such as work sheets and spreadsheets supporting cost allocations, computations, reconciliations and disclosures.</p>		
<p>5(b) Appropriateness (of audit evidence) – The measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which the auditor's opinion is based.</p>	<p>Appropriateness (of audit evidence) – The measure of the relevance and reliability of audit evidence. The persuasiveness of audit evidence is affected by the auditor's assessment of the risks of material misstatement and by the appropriateness of such audit evidence.</p>	
<p>5(c) Audit evidence – Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and information obtained from other sources.</p>	<p>Audit evidence – Information to which audit procedures have been applied.</p>	
	<p>External information – The information obtained external to</p>	<p>New definition.</p>

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
	the entity, including information from external information sources.	
5(cA) External information source – An external individual or organization that provides information that has been 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 a management's expert, service organization <sup>19</sup> , or auditor's expert <sup>20</sup> the individual or organization is not considered an external information source with respect to that particular information.	External information source – An external individual or organization that provides information that has been used by the entity in preparing the financial statement 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 a management's specialist, service organization, or auditor's specialist the individual or organization is not considered an external information source with respect to that particular information.	ISA 500 definition of EIS retained but ASB moved most of the application material related to EIS unchanged an appendix.
	Internal information sources – The information developed or maintained by the entity, including accounting records.	New definition.
	Internal information – The information developed or maintained by the entity, including accounting records. The persuasiveness of audit evidence	New definition (application material addresses “accounting records”).

<sup>19</sup> ISA 402, *Audit Considerations Relating to an Entity Using a Service Organization*, paragraph 8.

<sup>20</sup> ISA 620, *Using the Work of an Auditor's Expert*, paragraph 6

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
	is affected by the auditor's assessment of the risks of material misstatement and by the appropriateness of such audit evidence.	
5(e) Sufficiency (of audit evidence) – The measure of the quantity of audit evidence. The quantity of the audit evidence needed is affected by the auditor's assessment of the risks of material misstatement and also by the quality of such audit evidence.	<p>Sufficiency (of audit evidence) – The measure of the persuasiveness of audit evidence.</p> <p><u>Application material:</u></p> <p>The sufficiency and appropriateness of audit evidence are interrelated. Sufficiency and appropriateness are integral factors in evaluating the persuasiveness of the audit evidence.</p> <p>Appropriate audit evidence is sufficient (that is, persuasive) when an experienced auditor would be persuaded to draw conclusions based on consideration of the audit evidence.</p>	
<b>Requirements</b>		
6. The auditor shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.	16. When evaluating information obtained as a basis for concluding whether sufficient appropriate audit evidence has been obtained, the auditor should assess the nature, timing, and extent of the audit procedures performed in obtaining the audit evidence.	Consideration of audit procedures retained but moved later in the standard.

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
<p>7. When designing and performing audit procedures, the auditor shall consider the relevance and reliability of the information to be used as audit evidence, including information obtained from an external information source.</p>	<p>11. The auditor should evaluate information obtained as a basis for concluding whether sufficient appropriate audit evidence has been obtained by evaluating its relevance and reliability in the context of the source from which it was obtained and whether the information obtained corroborates or contradicts the assertions in the financial statements as set out in paragraphs 12–14 of this standard.</p> <p>12. In evaluating information obtained in accordance with paragraph 11, the auditor should assess the relevance and reliability of the information to be used as audit evidence.</p> <p>13. In evaluating information obtained in accordance with paragraph 11, the auditor should assess the sources of information to be used as audit evidence.</p> <p>14. In evaluating information obtained in accordance with paragraph 11, the auditor should assess whether the information obtained corroborates or contradicts the assertions in the financial statements.</p>	<p>ASB felt that use of “should consider” was not strong enough so using “evaluate” or “assess.”</p>

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
<p>8. If information to be used as audit evidence has been prepared using the work of a management's expert, the auditor shall, to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes:</p> <p>(a) Evaluate the competence, capabilities and objectivity of that expert;</p> <p>(b) Obtain an understanding of the work of that expert; and</p> <p>(c) Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.</p>		<p>This content has been relocated to another standard with no change to requirements or application material.</p>
<p>9. When using information produced by the entity, the auditor shall evaluate whether the information is sufficiently reliable for the auditor's purposes, including, as necessary in the circumstances:</p> <p>(a) Obtaining audit evidence about the accuracy and completeness of the information; and</p>	<p>See paragraph 12 above</p>	<p>This has been subsumed in the requirements in paragraphs 12 with application material addressing elements of reliability such as:</p> <ul style="list-style-type: none"> <li>• Accuracy</li> <li>• Completeness</li> <li>• Authenticity, and</li> <li>• Risk of bias.</li> </ul>

ISA 500	ASB's Proposals (As at February 2019 – See Agenda Item 8–A)	Notes
(b) Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes.		
10. When designing tests of controls and tests of details, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure		The ASB moved this requirement to AU-C 330 as part of the ASB's clarity project.
<p>11. If:</p> <p>(a) audit evidence obtained from one source is inconsistent with that obtained from another; or</p> <p>(b) the auditor has doubts over the reliability of information to be used as audit evidence,</p> <p>the auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit.</p>	<p>15. If</p> <ul style="list-style-type: none"> <li>• audit evidence obtained from one source is inconsistent with that obtained from another or</li> <li>• the auditor has doubts about the reliability of information to be used as audit evidence,</li> </ul> <p>the auditor should determine what modifications or additions to audit procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the audit.</p>	Requirement carried over from ISA 500.