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[submitted through the IAASB website]

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Dear Sirs

IAASB consultation: Proposed ISA 500 (Revised), Audit Evidence, and proposed confirming and other consequential amendments to other ISAs

Baker Tilly International is a network of independent accountancy and business advisory firms. Member firms of Baker Tilly International provide assurance, tax, consulting, and advisory services. Our 41,200 people in 703 offices across 145 territories serve clients of all sizes across all sectors, including listed entities and public interest entities (PIEs).

We welcome the opportunity to comment on the IAASB's proposed revisions to ISA 500. The insights from our member firms inform our comments below as well as our detailed responses to the Exposure Draft questions which can be found in Appendix 1.

Our main comments are:

- There is too much in application guidance
- Technology considerations could have been included more fully.

If I can clarify any of the comments in this letter then please contact me using the details below.

Yours faithfully

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Director of Professional Standards

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**WORLDWIDE NETWORK OF INDEPENDENT ACCOUNTING FIRMS
MEMBER OF THE FORUM OF FIRMS**

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Appendix

Overall Questions

1. Is the purpose and scope of ED-500 clear? In this regard:

a) Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?

b) Are the relationships to, or linkages with, other ISAs clear and appropriate?

Baker Tilly response:

The scope of ED 500 as set out in paragraphs 1 to 3 is clear. In this regard:

a) Yes.

b) The wording of paragraph 13 would benefit from further clarification as to its purpose and intent, and this would help clarify the interaction with paragraph 26 of ISA 330.

2. What are your views about whether the proposed revisions in ED-500, when considered collectively as explained in paragraph 10 above, will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?

Baker Tilly response:

We agree that there are aspects of auditing practice related to audit evidence that can be improved by changes to ISA 500 e.g. consideration of the relevance and reliability of information to be used as audit evidence. However, concepts such as the sufficiency and appropriateness of audit evidence, which are well understood throughout the audit profession, have become clouded by the drafting of some of the new and amended requirements in ED 500.

More emphasis could be given to evidence that is obtained through technology. There could be deeper consideration of the source, reliability and the like – not just the possibility of say faked video/ audio but also basic information like confirmations and the bias of developers which could influence the likes of chatbots and other Artificial Intelligence.

3. What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 above)?

Baker Tilly response:

In some instances application material appears to have been included as compensation for requirements, paragraph 13 being an example of this. There is too much application material. Instead the paragraph be clarified/optimised.

4. Do you agree that ED-500 is appropriately balanced with respect to technology by reinforcing a principles-based approach that is not prescriptive but accommodates the use of technology by the entity and the auditor, including the use of automated tools and techniques?

Baker Tilly response:

Technology could have been incorporated more fully into the proposed Standard. Whilst the IAASB has published some excellent non-authoritative guidance on the use of technology in audit, these publications are not widely publicised and the information therein is not reaching front line auditors. Being classed as guidance also results in divergent local practice and regulatory views.

Whilst we understand that it is difficult to incorporate technology guidance into the ISAs due to the fast-paced nature of technological development, a greater degree of authority for such guidance is nevertheless desirable. The IAASB might consider creating a separate section of application guidance that is annotated to say it will be updated at a faster pace than is normally the case with ISAs, but which has the requisite authority needed to promote global consistency of interpretation and practice.

5. Do the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence?

Baker Tilly response:

We agree that the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence.

Specific Questions

6. Do you support the revised definition of audit evidence? In particular, do you agree with the “input-output model” that information can become audit evidence only after audit procedures are applied to it?

Baker Tilly response:

We agree with the revised definition of audit evidence, including the concept that “information” comprises both that provided by the entity and that obtained externally. We agree that information becomes audit evidence after audit procedures are applied to it.

7. Does the application material appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence?

Baker Tilly response:

The core concept of persuasiveness should be a defined term, and should be mentioned in the requirements section of ED 500. The description in the application material may be enhanced by the inclusion of a diagram illustrating the relationship with sufficiency and appropriateness, particularly the concept that increasing the quantity of audit evidence does not necessarily result in more persuasive evidence.

8. Will the requirements and application material in ED-500 support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence?

Baker Tilly response:

We agree with the principles based approach of paragraph 9 and the inclusion of the attributes to consider when assessing the relevance and reliability of information to be used as audit evidence. The attributes are well described and straightforward to understand.

Whilst understanding that there is a reluctance to include specific requirements in respect of audit documentation that go beyond the general principles set out in ISA 230, we nevertheless believe that

this is an area which would benefit from an explicit documentation requirement. The extent of documentation required of the auditor's assessment of relevance and reliability is subject to considerable interpretation, including by different regulators, and clear guidance in this area would support global consistent application.

9. Do you agree with the separate conditional requirement to obtain audit evidence about the accuracy and completeness of information when those attributes are applicable in the circumstances?

Baker Tilly response:

No. Whilst we understand the desire not to dilute the extant requirement to assess the completeness and accuracy of information provided by the entity (IPE), the separate inclusion of paragraph 10 detracts from the principles-based approach of paragraph 9.

We suggest replacing "obtain audit evidence" in paragraph 10 with "evaluate". The need to "obtain audit evidence" about completeness and accuracy appears to be a circular argument, in that the auditor is being asked to obtain audit evidence over these assertions in order to be able to assert that the information in question is relevant and reliable and can itself be used as audit evidence. It is true that the auditor needs to evaluate whether sufficient evidence has been obtained and whether the information is usable, biased in any way, relevant to the objective etc.

We agree with the premise in question 6 above but we are concerned that the attributes referred to in paragraphs 9b and 10 are to be applied equally to both IPE and information obtained externally. Completeness and accuracy of information will often be applicable regardless of the source of the information, but in practice may be impossible to evaluate, let alone obtain audit evidence about. We acknowledge that paragraph A63 tries to address this issue and should be promoted to a requirement paragraph.

10. Do you agree with the new "stand back" requirement for the auditor to evaluate audit evidence obtained from the audit procedures performed as a basis for concluding in accordance with ISA 330 that sufficient appropriate audit evidence has been obtained?

Baker Tilly response:

The new "stand back" requirement in paragraph 13 is drafted generically, and its interaction with that in paragraph 6 of ISA 330 is unclear.

In our view "stand back" is more about evaluating if the risks identified have been addressed properly by the audit procedures performed and audit evidence obtained (being part of these procedures) and not just about sufficiency.

Paragraph A86 suggests that paragraph 13 is aimed particularly at situations where more than one test is performed to obtain audit evidence over an assertion, in which there is a need to consider the results of all such tests in reaching a conclusion regarding the sufficiency and appropriateness of the audit evidence in respect of that assertion. If so, then this should be brought out more clearly in the wording of the requirement paragraph. The inclusion of an example in the application material would also be beneficial.

11. Are there any other matters you would like to raise regarding ED-500? If so, please clearly indicate the requirement(s) or application material, or the theme or topic, to which your comment(s) relate?

Baker Tilly response:

There is no guidance in the standard which addresses the engagement of an expert. Management could have framed the engagement or only provided relevant information which could influence or focus the outcome of the work performed by the expert. It could be made clearer that the conditions of the engagement performed by the expert should be reviewed for any evidence of bias or impaired objectivity.

As drafted the guidance focuses on the outcome which could be manipulated by management.

Request for General Comments

12. The IAASB is also seeking comments on the matters set out below:

- a) Translations—Recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing ED-500.
- b) Effective Date—Recognizing that ED-500 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning approximately 18 months after approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

Baker Tilly response:

- a) We have no comments regarding translation.
- b) We have no concerns regarding the effective date, assuming the expectation that the final Standard will be completed in June 2024 and so applicable no earlier than December 2025 year ends.