

April 24, 2023

Willie Botha, Technical Director
International Auditing and Assurance Standards Board
529 5th Avenue
New York, New York 10017

Re: Exposure Draft: *Proposed International Standard on Auditing (ISA) 500 (Revised), Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs* (the Proposal or ED 500).

Dear Mr. Botha:

We appreciate the opportunity to comment on the International Auditing and Assurance Standards Board's (IAASB) above-referenced Exposure Draft.

Public confidence in the global auditing and assurance profession is clearly strengthened because of IAASB's dedicated work in serving the public interest, and we commend and seek to support those efforts.

About Thomson Reuters

Thomson Reuters is one of the world's most trusted providers of answers, helping professionals make confident decisions. Our customers operate in complex arenas that move society forward, including law, auditing, accounting, tax, government, and media. Thomson Reuters Confirmation® is the digital solution and global network trusted by audit firms, banks, law firms, and other businesses to quickly and securely verify financial data.

Confirmation® invented electronic confirmations over 20 years ago, and our focus from the beginning has been on reducing the risk of fraud in the audit process. We have built an extensive network of over 4,000 validated financial institutions, helping ensure that external audit confirmations get to the appropriate individuals within responding organizations, all within a highly secure environment designed specifically to prevent unscrupulous players from undermining the integrity of the audit process. We work closely with audit firms and external confirming parties to continually maintain and evolve a high-quality process that is efficient, secure, and designed specifically to minimize fraud opportunities.

Comments Relating to Question #6 Regarding the "Input-Output Model"

We agree generally with the "input-output model" that information can become audit evidence only after audit procedures are applied to it. However, the nature of such audit procedures may need to be clarified for situations in which external audit evidence is obtained through "third party web-based platforms" or other "service providers."

For example, such audit procedures would generally include steps necessary to ensure that the information is obtained through a process that is secure and properly controlled, as described with regard to confirmation procedures in paragraph A12 of ISA 505. It may also be beneficial for the IAASB to further define what such procedures should entail, along the lines of the guidance provided in the March 2022 PCAOB Spotlight Publication: *Observations and Reminders on the Use of a Service Provider in the*

Confirmation Process. (We recognize that the information referred to here is specific to confirmation procedures, whereas ISA 500 is much broader than just confirmation. These references are provided only to serve as tangible examples which may be relevant to other external information sources.)

Thomson Reuters Confirmation® maintains robust and industry-standard security controls to protect customer, company and confirming party data. Confirmation® undergoes annual SOC 1, SOC 2 and ISO 27001 examinations using premiere service providers, and controls are documented accordingly.

Comments Relating to Question #11 Regarding Other Matters

We believe that high quality technology-enabled confirmation tools provide the profession with a source of external evidence that is uniquely efficient, secure and appropriate (i.e., highly relevant and highly reliable). This is described well in paragraph A12 of extant ISA 505, indicating that the reliability of confirmation responses are enhanced when obtained through a process that is secure and properly controlled.

We believe that confirmation responses delivered by such systems meet all the Reliability criteria described in paragraph A56 of the Proposal (accurate, complete, authentic, unbiased and credible). We have concern, however, that ED 500 changes flowing through to ISA 505 may be interpreted by some auditors as lessening the emphasis on high quality confirmations received through third-party web-based platforms that are secure and properly controlled.

This might be inferred by some, for example, due to a) “external information sources” being referred to in cautionary terms in paragraph A46 (p. 36) of the Proposal, and b) the proposed revision in paragraph 2 of ISA 505 (pgs. 68-69 of the Proposal) keeping the statement that “audit evidence in the form of external confirmations received directly by the auditor from confirming parties may be more appropriate than evidence generated internally by the entity” but removing the extant generalizations in paragraph 2 stating that audit evidence obtained directly from independent sources is more reliable than evidence generated internally.

We think it is important that any such inferences or misunderstandings be avoided. External confirmation through a secure and well-controlled system is one of the most powerful and efficient fraud detection opportunities available to the audit profession today.

To avoid any such inferences or misunderstandings, we suggest that confirmation responses received through a secure and properly controlled system be explicitly cited in the Proposal as examples of high-quality evidence. This could be accomplished by all or any of the following –

- Revising paragraph A50 of the Proposal (p.38) to include the following bullet and footnote as an additional example of when reliability is enhanced:
 - If the source of information is a confirmation process that is secure and properly controlled, the reliability of the information is enhanced. ^x
 - ^x ISA 505, paragraph A12
- Revising paragraph 6 in the Appendix (p. 52) by adding the following underlined statement and footnote to the first bullet:



- Bank accounts and bank facilities with the bank. In some cases, this may be facilitated through third-party web-based and automated platforms, which if secure and properly controlled can enhance the reliability of the information. ^x
 - ^x ISA 505, paragraph A12
- Revising paragraph A4 of the Proposal (p. 26) by adding the following underlined example and footnote to the first bullet:
 - Describe circumstances when an audit procedure may be performed more effectively by using an automated tool and technique than manually. For example, ISA 240 explains that the use of automated tools and techniques may enable more extensive testing of digital transactions or account files,⁹ and ISA 505 explains that the reliability of electronic confirmation responses are enhanced when obtained through a process which is secure and properly controlled.¹⁰
 - ¹⁰ ISA 505, paragraph A12

As part of the above added citations, it would be beneficial to reference the following specific validation procedures described in paragraph A12 of ISA 505: "An electronic confirmation process might incorporate various techniques for validating the identity of a sender of information in electronic form, for example, through the use of encryption, electronic digital signatures, and procedures to verify web site authenticity."

This will provide a valuable example of highly reliable external evidence being obtained if validation procedures such as these are performed and the validity of an external information source is established.

We also suggest that the IAASB consider adding the following underlined wording to the last bullet in paragraph A48 of the Proposal (p. 38) to explicitly recognize that a Service Provider (such as an outside confirmation service) can also be a source of audit evidence/information:

- A service organization or service provider. ^x
 - ^x As defined in ISQM 1

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Thank you for the opportunity to provide input on this Exposure Draft. If you have any questions or would like to discuss these matters further, please contact me at your convenience at kyle.gibbons@thomsonreuters.com.

Sincerely,

Kyle Gibbons
 Managing Director Europe and Head of Global Accounts – Confirmation, part of Thomson Reuters