



April 21, 2023

Mr. Willie Botha  
Technical Director  
International Auditing and Assurance Standards Board  
529 Fifth Avenue  
New York, New York 10017

**Re: Proposed International Standard on Auditing 500 (Revised) Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs**

Dear Mr. Willie Botha:

The Center for Audit Quality (CAQ) is a nonpartisan public policy organization serving as the voice of U.S. public company auditors and matters related to the audits of public companies. The CAQ promotes high-quality performance by U.S. public company auditors; convenes capital market stakeholders to advance the discussion of critical issues affecting audit quality, U.S. public company reporting, and investor trust in the capital markets; and using independent research and analyses, champions policies and standards that bolster and support the effectiveness and responsiveness of U.S. public company auditor firm and audits to dynamic market conditions. This letter represents the observations of the CAQ based upon feedback and discussions with certain of our member firms, but not necessarily the views of any specific firm, individual, or CAQ Governing Board member.

**General Support and Observations**

The CAQ appreciates the opportunity to share our views and provide input on the International Auditing and Assurance Standards Board's (IAASB or the Board) Exposure Draft of Proposed International Standard on Auditing (ISA) 500 (Revised), Audit Evidence (the Exposure Draft or ED-500). Herein we refer to information in the Exposure Draft included in Section 1 through Section 3 as the "Explanatory Memorandum."

We support the Board's stated objectives in the Exposure Draft and the key public interest issues the Board seeks to address through the proposed changes. Specifically, we support the Board's goal to develop a principles-based approach for making judgments about information intended to be used as audit evidence (IIUAE). Auditors use professional judgment when evaluating information to be used as



**CENTER FOR AUDIT QUALITY**  
555 13th Street NW, Ste 425 E  
Washington, DC 20004

(202) 609-8120  
[www.thecaq.org](http://www.thecaq.org)



audit evidence. The ways auditors evaluate information through the use of technology and automated tools and techniques is evolving. To ensure the Board develops an ISA that stands the test of time, it is key that the final ISA 500(R) be sufficiently principles-based. We support the focus on the appropriateness of audit evidence in the circumstances rather than the categorization of such audit evidence. While we make some suggestions to clarify this notion below, we believe that focusing on the overall persuasiveness of audit evidence, regardless of procedure type, will facilitate the auditor’s adoption of the final ISA 500(R) and support continued innovation in the audit.

To ensure the final ISA 500(R) is clear and consistently interpreted and applied, in line with the Board’s stated intentions, we offer feedback about specific proposed requirements, application material, and appendices that we encourage the Board to address in the final ISA 500(R). Our specific concerns are highlighted in the responses to the questions below (see Specific Feedback).

Overarchingly, we have two primary concerns as follows:

*Elements in the Explanatory Memorandum are not sufficiently incorporated into ED-500*

The requirements, application material, and appendices when read in combination with the Explanatory Memorandum provide a fulsome picture of the Board’s intent for the final ISA 500(R). It would be beneficial to include certain elements of the Explanatory Memorandum in the final requirements and application material to support the consistent interpretation and adoption of the final ISA 500(R). We highlight these opportunities in our responses to Q4, Q6, Q7, and Q8 below. In summary:

- As stated in paragraph 42 of the Explanatory Memorandum, “[t]he IAASB’s intention was to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).” The requirements and application material within the final ISA 500(R) should be updated to clarify how the requirements are scalable.
- The IAASB’s “view that it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances ... rather than the type of audit procedure (i.e., in which “category” the audit procedure falls),” stated in Paragraph 36 of the Explanatory Memorandum should be more explicitly addressed in the text of the final ISA 500(R).
- To avoid creating an unnecessary burden on auditors in evaluating and documenting the relevance and reliability of information, as well as to avoid fostering a “checklist mentality” in such evaluation, the text of the final ISA 500(R) should incorporate the views included in paragraphs 47 and 48 of the Explanatory Memorandum – specifically, the views that not all of the attributes of relevance and reliability may be applicable in the circumstances, that the attributes in ED-500 are not intended to be used as a checklist, and that the auditor is not required to document the consideration of every attribute of relevance and reliability of information.

*ED-500 could go further to accommodate the use of technology*

The impact of technology is a key strategic driver in the IAASB’s current Proposed Strategy and Work Plan for 2024-2027. To fully realize the potential benefits that technology can have on enhancing audit quality,



we believe the final ISA 500(R) could go further to accommodate the use of technology in the audit, as expanded upon in our response to Q4 below. While it is important to maintain a balanced standard that does not require the use of technology, the ED-500 does more to suggest factors an auditor considers which may dissuade them from using technology (e.g., automation bias considerations) than it does to facilitate the use of technology.

See below for responses to specific questions outlined in the Exposure Draft and our recommendations.

### **Specific Feedback**

*Q1. Is the purpose and scope of ED-500 clear?*

Yes, we believe the purpose and scope of ED-500 are clear.

*Q1(a). Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?*

We support the Board’s project objective to “[d]evelop a principles-based approach to considering and making judgments about information to be used as audit evidence.”<sup>1</sup> We believe that certain changes should be made in the final ISA 500(R) to ensure clear and consistent application and interpretation of the principles-based framework for auditors when making judgments about audit evidence. For example, in responses to Q6, Q7, and Q8 below, we refer to certain concepts in the paragraphs of the Explanatory Memorandum that we believe will aid auditors in applying and interpreting the final ISA 500(R) consistently and in line with the Board’s views and objectives.

*Q1(b). Are the relationships to, or linkages with, other ISAs clear and appropriate?*

It is useful to include relationships to, or linkages with, other ISAs to promote holistic consideration of the standards; however, we have identified a few areas of concern where the duplication of other ISAs’ requirements may not be necessary and could lead to misinterpretation or misapplication of the final ISA 500(R).

#### ISA 240, The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements

The concept of “authenticity” is introduced as a new attribute affecting the reliability of IIUAE, included in paragraphs A56 to A58 and A80 of ED-500. This concept is addressed in [ISA 240, The Auditor’s Responsibility to Consider Fraud in an Audit of Financial Statements](#) (ISA 240). We believe the inclusion of this attribute in ED-500 may lead to the perception that evaluating the authenticity of IIUAE is equally as common or necessary as evaluating other attributes in the table in paragraph A56 of ED-500, such as

---

<sup>1</sup> Explanatory Memorandum, paragraph 4.



completeness and accuracy. Paragraph 14 of ISA 240 states, “Unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine. If conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further.” Additionally, paragraph A10 of ISA 240 states, in part, “An audit performed in accordance with ISAs rarely involves the authentication of documents, nor is the auditor trained as or expected to be an expert in such authentication.” Authenticity may be an important attribute to consider regarding certain IIUAE when an auditor has reason to believe it is not genuine.<sup>2</sup> However, given the language in paragraphs 14 and A10 of ISA 240, we recommend the Board consider striking the reference to “authenticity” in the final ISA 500(R). Should the Board retain the reference to “authenticity” in the final ISA 500(R), we suggest that paragraph A57 within the application material be updated to more specifically reference paragraphs 14 and A10 of ISA 240. We believe this would make it more clear that evaluating the authenticity of IIUAE may not be equally as common or necessary as evaluating other attributes in the table in paragraph A56 of ED-500.

#### ISA 330, The Auditor’s Responses to Assessed Risks

As discussed in our response to Q10, we believe the new “stand back” requirement included in paragraph 13(a) of ED-500 and the related language in paragraph 60 of the Explanatory Memorandum introduce confusion between the purpose of ED-500 and the requirement described in paragraph 26 of [ISA 330, The Auditor’s Responses to Assessed Risks](#) (ISA 330). As a result, we do not believe paragraph 13(a) of ED-500 will be consistently understood and applied in practice. If the intention is that the requirements described in ED-500 and ISA 330 are not expected to be performed at the same level, we believe that the final ISA 500(R) should be clarified to better distinguish the level at which these requirements are intended to be performed. Alternatively, if the intention is that the requirements are expected to be performed at the same level, we believe the inclusion of paragraphs 13 and 14 in ED-500 is redundant and recommend that this requirement be excluded from the final ISA 500(R). We do not object to a new requirement in a final ISA 500(R) to “evaluate whether the audit evidence obtained meets the intended purpose of the audit

---

<sup>2</sup> Paragraph A23 of ISA 200, [Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing](#), which states:

A23. Professional judgment is essential to the proper conduct of an audit. This is because interpretation of relevant ethical requirements and the ISAs and the informed decisions required throughout the audit cannot be made without the application of relevant knowledge and experience to the facts and circumstances. Professional judgment is necessary in particular regarding decisions about:

- Materiality and audit risk.
- The nature, timing and extent of audit procedures used to meet the requirements of the ISAs and gather audit evidence.
- Evaluating whether sufficient appropriate audit evidence has been obtained, and whether more needs to be done to achieve the objectives of the ISAs and thereby, the overall objectives of the auditor.
- The evaluation of management’s judgments in applying the entity’s applicable financial reporting framework.
- The drawing of conclusions based on the audit evidence obtained, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements.



procedures and consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements” as described in paragraph 13(a) and (b). However, it seems that the “level” at which to evaluate the audit evidence of the audit procedure is at a lower level than compared with ISA 330.

Additionally, as discussed in our response to Q4, to align with the views expressed in paragraph 36 of the Explanatory Memorandum<sup>3</sup> and paragraph A29 of the ED-500, we believe conforming amendments are required to paragraph 21 of ISA 330.<sup>4</sup> It is our belief that the auditor’s response to an assessed risk of material misstatement should be agnostic to which category the audit procedure falls. Rigorous, properly designed audit procedures, including substantive analytical procedures and those that incorporate audit data analytics or automated tools and techniques, may be applied to an entire population of items to effectively respond to an assessed risk of material misstatement in certain situations, including in response to significant risks. While this recommendation does not relate directly to ED-500, we note that the Board may have the opportunity to address it as part of the planned project to revise ISA 330, as discussed in the strategy and work plan for 2024-2027.

*Q2. 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?*

We believe that the changes proposed in ED-500 to address the identified key public interest issues included in the table in Section 2-A of the Explanatory Memorandum appear to meet these objectives – particularly to the extent that auditors are not already appropriately considering those key public interest areas. However, we believe that the way some of these changes are proposed in ED-500 may lead to diversity in interpretation and application of the final ISA 500(R), along with increased work effort and unnecessary audit documentation, without significantly changing auditor behavior or providing a commensurate benefit to audit quality. See our response to Q8 below.

*Q3. What are your views about whether ED-500 has an appropriate balance of requirements and application material (see paragraph 11 above)?*

---

<sup>3</sup> “The IAASB is of the view that it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances (i.e., whether the audit procedures are appropriately designed to achieve their intended purpose, and have been effectively applied by the auditor) rather than the type of audit procedure (i.e., in which “category” the audit procedure falls).”

<sup>4</sup> ISA 330, paragraph 21 states, “If the auditor has determined that an assessed risk of material misstatement at the assertion level is a significant risk, the auditor shall perform substantive procedures that are specifically responsive to that risk. When the approach to a significant risk consists only of substantive procedures, those procedures shall include tests of details. (Ref: Para. A55).”



We believe that certain of the requirements, in seeking to address the objectives of ED-500 and the identified key public interest issues, are not sufficiently clear without consideration of the application material. For example, the paragraphs in ED-500 relevant to adaptability and scalability (see the table in Section 2-A of the Explanatory Memorandum) all refer to the application material. We understand that the application material is designed to provide “further explanation of the underlying concepts and guidance for implementing the requirements, including, as necessary, explaining what the requirements mean or intend to cover.”<sup>5</sup> However, each requirement must also be able to stand alone to meet the objectives of the final ISA 500(R). The application material is quite extensive, such that auditors may not apply the requirements and application material consistently in a way that meets the Board’s stated objectives. See our responses to Q6, Q7, Q8, and Q9 below.

*Q4. 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?*

To meet the Board’s stated objective of modernizing ISA 500 to be adaptable to the current business and audit environment, and to better reflect the digital era, we believe a more holistic focus on how technology affects the audit, including how audit procedures are designed and performed using automated tools and techniques, is needed to fully modernize ISA 500. We believe that certain concepts included in the Explanatory Memorandum could be included in the requirements to better accommodate the use of technology by the entity and the auditor. Additionally, as discussed in our response to Q1(b) above, we believe that the objective cannot be effectively met through the amendment of ISA 500 in isolation without also amending ISA 330. Refer to our response to Q1(b), above.

For example, with the use of new automated tools and techniques, audit procedures may no longer neatly fit into the categories of risk assessment procedures, substantive analytical procedures, or tests of details. As paragraph 36 of the Explanatory Memorandum states, “Furthermore, input from the IAASB’s outreach activities indicated that the classification of audit procedures by nature and type was creating challenges in practice as the use of new audit tools and techniques may involve a blend of types of procedures, or the types of procedures described in the ISAs may not fully describe the procedure being performed. The IAASB is of the view that it is more important for auditors to focus on the appropriateness of the audit procedures in the circumstances (i.e., whether the audit procedures are appropriately designed to achieve their intended purpose, and have been effectively applied by the auditor) rather than the type of audit procedure (i.e., in which “category” the audit procedure falls).”

Therefore, the requirements and application material of the final ISA 500(R) should more explicitly address this concept. A suitable place to emphasize the views expressed in paragraph 36 of the Explanatory Memorandum may be in a new paragraph after paragraph A18, with a cross-reference to paragraph A25. To fully modernize ISA 500 with regard to technology in the audit, we also recommend that the final ISA

---

<sup>5</sup> Explanatory Memorandum, paragraph 11.



500(R) include more examples. As a point of reference, SAS 142, *Audit Evidence*, includes an example at A69 Exhibit A — *Using ADAs to Simultaneously Accomplish Multiple Audit Procedures*, which illustrates the use of an audit data analytic (ADA) that simultaneously accomplishes the objectives of both risk assessment and substantive audit procedures.

Additionally, we understand that it is important to acknowledge the risks associated with “automation bias;” however, we believe that, as currently written, ED-500 may dissuade auditors from using technology or automated tools and techniques in the audit in favor of traditional auditing techniques – even when more advanced auditing techniques may provide more persuasive audit evidence. For example, of the various types of bias included in paragraph A19 (i.e., confirmation bias, anchoring bias, availability bias, automation bias), automation bias is the only type of bias addressed in more detail in a separate section/paragraph. Further, paragraphs A22 and A23 do more to suggest factors an auditor considers which may dissuade them from using technology, than to facilitate the use of technology. We believe that the description of automation bias currently included in paragraph A19 is sufficient to acknowledge and allow an auditor to understand the risks associated with such bias. To further balance this, paragraphs A3 and A4 of the final ISA 500(R) could more affirmatively state that there are circumstances in which the use of technology or automated tools and techniques in the audit may lead to deeper risk assessment and more tailored audit procedures that provide persuasive evidence to respond to the assessed risks of material misstatement.

To the extent paragraphs A22 and A23 are included in the final ISA 500(R), it is not clear what is intended by the last bullet in paragraph A23.<sup>6</sup> While auditors often use automated tools and techniques that have been developed and approved at the firm level, for other tools or techniques, the review is at the

---

<sup>6</sup> ED-500, paragraph A23 states:

Paragraphs A3-A4 explain that the use of automated tools and techniques may be more effective or provide more persuasive audit evidence than performing audit procedures manually. However, the use of automated tools and techniques may also give rise to a risk of unconscious biases, including automation bias. Possible actions that the auditor may take to mitigate the risk of automation bias when using automated tools and techniques include:

- Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater.
- Emphasizing the importance of the involvement of more experienced members of the engagement team, or engagement team members with specialized skills and knowledge, when necessary, to:
  - Understand the data inputs and processing steps, including calculations and modifications to data, used in the automated tool or technique;
  - Design and perform audit procedures using the automated tool or technique; or
  - Interpret the results from applying the automated tool or technique.
- Determining whether the auditor’s firm permits the use of the automated tool and technique and whether the firm has determined that the automated tool and technique is appropriate for use.<sup>23</sup>

FN 23 states, “International Standard on Quality Management (ISQM) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, paragraphs 32(f) and A100 – A101”



engagement-level. Many firms encourage innovation and have developed protocols to help guide teams in making sure they apply the appropriate engagement-level supervision and review procedures over such audit procedures. As written, the last bullet within paragraph A23 could stifle innovation by dissuading auditors from using such methods, by requiring levels of review incremental to engagement team-level review, leading them to perform more traditional audit procedures which could provide lower quality audit evidence than what may otherwise be obtained through an engagement team-developed automated tool or technique. As such, we recommend that the Board remove the last bullet within paragraph A23 in the final ISA 500(R).

*Q5. Do the requirements and application material in ED-500 appropriately reinforce the exercise of professional skepticism in obtaining and evaluating audit evidence?*

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

*Q6. 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?*

Yes, we generally support the concept of the “input-output model” introduced in ED-500; however, we have concerns with the revised definition of audit evidence.

Consistent with paragraphs A6 and A7 of SAS 142, we believe that “[t]he nature of the audit procedures that the auditor performs to use information as audit evidence may depend on the source of the information and range from simple to extensive audit procedures” and that “[i]n some cases, the absence of information is used by the auditor and, therefore, also constitutes audit evidence.” We believe this is also consistent with the Board’s view, based on paragraph 42 of the Explanatory Memorandum, which states, “The IAASB’s intention was to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable).”

Paragraph 7 of ED-500 defines audit evidence as “[i]nformation, to which audit procedures have been applied...” Additionally, the Appendix of ED-500 includes a section entitled “Types of Audit Procedures,” listing inspection, observation, confirmation, recalculation, reperformance, analytical procedures, and inquiry. While we agree that all IIUAE should be evaluated in order for it to become audit evidence, we believe there may be procedures an auditor could perform to effectively evaluate IIUAE that may not fit neatly into the types of audit procedures listed in the Appendix to ED-500.

Clarification of these concepts in ED-500 by incorporating language similar to that from paragraphs A6 and A7 of SAS 142 will enhance the scalability of the final ISA 500(R) without an unnecessary increase in audit effort and documentation.





*Q7. Does the application material appropriately describe the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence?*

Yes, we generally believe that the application material appropriately describes the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence. Specifically, we support the Board's introduction of the concept of "persuasiveness" in ED-500 when concluding whether sufficient appropriate audit evidence has been obtained. For example, it is our understanding that when using audit data analytics, auditors spend significant time considering the classification and categorization of audit procedures and we believe that it is more important to determine whether sufficient appropriate audit evidence has been obtained. We believe that shifting the focus to the "persuasiveness" of the audit evidence, and away from the classification or categorization of such audit evidence, could improve audit quality (consistent with discussion in paragraph 36 of the Explanatory Memorandum). However, we believe that additional clarity should be provided in the final ISA 500(R).

The use of the phrase "to meet the intended purpose of the (those) audit procedure(s)" in certain requirements and throughout the application material may lead to inconsistent interpretation and application of the final ISA 500(R) and lead to increased audit effort and documentation without a commensurate benefit to audit quality. As discussed above and in our response to Q4, an audit procedure may meet multiple intended purposes. Further, risk assessment and evidence gathering are iterative processes. As such, an audit procedure may initially meet one intended purpose, and upon further consideration an auditor may conclude that the audit procedure meets one or more other intended purposes, not considered at the initial outset of said audit procedure. The final ISA 500(R) should clarify that the phrase "to meet the intended purpose of the (those) audit procedure(s)" may contemplate multiple purposes that either are known or possible at the outset of the procedure to avoid the need for duplicative documentation if the auditor determines such audit procedures serve multiple purposes. We believe such clarity could be achieved by removing the word "intended" from the aforementioned phrase throughout the final ISA 500(R).

Paragraphs A6 through A9 of ED-500 discuss the interrelationship of the sufficiency, appropriateness, and persuasiveness of audit evidence; however, the application material does not discuss how this interrelationship is considered until paragraphs A13 and A14 of ED-500. We suggest the Board consider moving the content in paragraphs A6 through A9 of ED-500 to a new paragraph after paragraphs A13 and A14 in the final ISA 500(R) to keep the explanation of appropriateness and sufficiency (and their interrelationship) in one place. This will promote enhanced clarity of the final ISA 500(R).

Paragraph A14 of ED-500 discusses the sufficiency of audit evidence, stating, with respect to the *quantity* of audit evidence needed, "the higher the quality, the less [audit evidence] may be required." The appropriateness of audit evidence is a measure of *quality* which is addressed in paragraph A13 of ED-500, providing factors to consider and links those quality factors to the concept of persuasiveness. It may be clearer for paragraphs A13 and A14 to separately discuss the factors impacting the appropriateness (i.e., quality) and sufficiency (i.e., quantity) of audit evidence, respectively, and then add a new paragraph providing guidance on the interrelationship between quality and quantity in contributing to persuasiveness (see above relating to relocating paragraphs A6 through A9). Including a graphic depiction



of these concepts in the application material may also enhance auditors' understanding that "increasing the quantity of audit evidence by performing the same type of audit procedures may not provide more persuasive audit evidence in all circumstances" and "obtaining more audit evidence, however, may not compensate for its poor quality."<sup>7</sup>

*Q8. 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?*

Paragraph 42 of the Explanatory Memorandum states, "The IAASB is of the view that the requirement in paragraph 9 of ED-500 will provide for a robust evaluation of the relevance and reliability of information intended to be used as audit evidence. However, the IAASB cautioned against creating an unnecessary burden on auditors in making this evaluation. The IAASB's intention was to develop a principles-based requirement that is capable of demonstrating the varying degree of work effort needed in the particular circumstances (i.e., is scalable). The reference to "given the intended purpose of the audit procedures" in paragraph 9(b) of ED-500 addresses this scalability by indicating that the auditor's professional judgment about the attributes that are applicable in the circumstances takes into account how that information will be used in designing and performing the audit procedures."

We support this notion and believe that this could be more clearly codified in the requirements and application material of the final ISA 500(R). This may be achieved by adding language to paragraph 4 of the final ISA 500(R) to emphasize that the level of work effort may vary in certain circumstances. Specifically, we recommend the Board consider making the following revision to paragraph 4 to clarify the Board's intention for the auditor to exercise professional judgment when evaluating IUAE (additions are marked as underlined):

4. As explained in ISA 200, the ISAs require that the auditor exercise professional judgment and maintain professional skepticism throughout the planning and performance of the audit. This ISA further emphasizes exercising professional judgment and maintaining professional skepticism in planning and performing the audit, and in critically assessing audit evidence, by, for example:
  - Designing and performing audit procedures in a manner that is not biased.
  - Evaluating the relevance and reliability of information intended to be used as audit evidence, including taking into account how the information will be used in designing and performing the audit procedures.
  - Considering all audit evidence obtained, whether consistent or inconsistent with other audit evidence and regardless of whether it appears to corroborate or contradict the assertions in the financial statements, as a basis for concluding whether sufficient appropriate audit evidence has been obtained.

---

<sup>7</sup> ED-500, paragraphs A13 and A14.



Paragraphs 47 and 48 of the Explanatory Memorandum also caution against creating an unnecessary burden on auditors in evaluating the relevance and reliability of information and clarify that auditors are not required to consider every attribute of relevance and reliability of IIUAE. As expanded upon in our response to Q9 below, we agree with this view. Not all of the attributes of relevance and reliability of IIUAE are pertinent to all IIUAE. However, we believe that the requirement included in paragraph 9 of ED-500 that an auditor consider if relevance and reliability of IIUAE are applicable in the circumstances, given the intended purpose of the audit procedures is too subjective and may lead to inconsistent interpretation and application. To foster consistent interpretation and application, and avoid fostering a “checklist mentality,” paragraphs A35 or A36 in ED-500 could be revised in the final ISA 500(R) to specify the views included in paragraphs 47 and 48 of the Explanatory Memorandum that not all of the attributes of relevance and reliability may be applicable in the circumstances and that the attributes in ED-500 are not intended to be used as a checklist.

Further, the extent of documentation, if any at all, that is expected or required is not clear for information that is ultimately not used as audit evidence. For example, an auditor may obtain several items that they may *intend* to use as audit evidence to address a risk of material misstatement. After assessing the relevance and reliability of these pieces of information, the auditor may ascertain that only a few pieces can be used as either corroborating or contradictory audit evidence related to the risk of material misstatement (e.g., because those other pieces of information have been determined to be unreliable or less reliable). As the auditor determined the information (which may qualify as IIUAE) provided no corroborating or contradictory audit evidence pursuant to the risk of material misstatement, it would follow that it is not necessary to document the evaluation of such information. This is consistent with the view expressed in paragraph 42 of the Explanatory Memorandum which states, “the IAASB cautioned against creating an unnecessary burden on auditors in making [the evaluation of the relevance and reliability of IIUAE].” As such, we believe it is the Board’s intention that auditors do not need to document the evaluation of IIUAE that is not ultimately used as audit evidence as it would create an unnecessary burden. Paragraph A35 of the final ISA 500(R) could be revised to reflect this notion.

*Q9. 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?*

We believe the phrase “applicable in the circumstances” as used to describe the attributes of relevance and reliability in paragraph 9(b) of ED-500 may lead to inconsistent interpretation and application by auditors. This language may be interpreted as binary, which we do not believe to be the Board’s intention, given their objective of developing a principles-based framework. Paragraph 9 of ED-500 requires that an auditor consider the attributes of relevance and reliability of IIUAE that are applicable in the circumstances, given the intended purpose of the audit procedures. Following paragraph 10 of ED-500, an auditor may conclude that the completeness and accuracy are applicable in accordance with paragraph 9(b) of ED-500; however, directly evaluating the completeness and accuracy of such IIUAE may be outside the auditor’s control. While completeness and accuracy may be applicable attributes of the reliability of



certain IIUAE, we believe there exists IIUAE which may still provide reliable audit evidence even when completeness or accuracy cannot be directly evaluated, such as when other attributes (e.g., credibility, bias) have been evaluated and/or when the IIUAE has been obtained in combination with other pieces of audit evidence. For use in audit procedures, auditors may obtain information from many sources, including securities prices, macroeconomic data, census figures, weather information, regulated data, or social media data feeds. Further, some data providers may be aggregators of data that originate such data from other sources and may process data using proprietary techniques. Thus, while the data may be otherwise relevant and reliable, it may not be possible for auditors to perform procedures to directly test a dataset's completeness and accuracy. However, they could evaluate other attributes (e.g., credibility, bias) in order to evaluate the reliability of such data.

To foster more consistent interpretation and application of paragraphs 9 and 10 of ED-500, we recommend that the Board consider eliminating reference to “applicable in the circumstances” and, instead, use language which states, “The auditor should evaluate information to be used as audit evidence by taking into account (a) the relevance and reliability of the information, including its source, and (b) whether such information corroborates or contradicts assertions in the financial statements.”<sup>8</sup>

*Q10. 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?*

We believe the new proposed “stand back” requirement included in paragraph 13(a) of ED-500 and the related language in paragraph 60 of the Explanatory Memorandum introduce confusion between the purpose of ED-500 and the requirement described in paragraph 26 of ISA 330. As a result, we do not believe paragraph 13(a) of ED-500 will be consistently understood and applied in practice. The requirement in paragraph 13(a) of ED-500 specifies the auditor must, “[e]valuate whether the audit evidence obtained *meets the intended purpose* of the audit procedures,” (*emphasis added*). However, paragraph 60 of the Explanatory Memorandum indicates, “this evaluation [in paragraph 13 of ED-500] is intended to be performed at the same level as the auditor’s conclusion on whether sufficient appropriate audit evidence has been obtained in accordance with paragraph 26 of ISA 330.” Paragraph 26 of ISA 330 refers to the conclusion of obtaining sufficient appropriate audit evidence in the context of forming an audit opinion. As paragraph 13 of ED-500 centers on evaluating audit evidence to meet the objective(s) of an audit procedure(s), we believe this creates confusion and will result in paragraph 13(a) being inconsistently understood and applied in practice. As discussed in our response to Q1(b), if the intention is that the requirements are not expected to be performed at the same level, we believe that the final ISA 500(R) should be clarified to better distinguish the level at which these requirements are intended to be performed. Alternatively, if the intention is that the requirements are expected to be performed at the same level, we believe the inclusion of paragraphs 13 and 14 in ED-500 is redundant and recommend that this requirement be excluded from the final ISA 500(R). We do not object to a new requirement in a final

---

<sup>8</sup> SAS 142, paragraph 7.



ISA 500(R) to “evaluate whether the audit evidence obtained meets the intended purpose of the audit procedures and consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements” as described in paragraph 13(a) and (b). However, it seems that the “level” at which to evaluate the audit evidence of the audit procedure is at a lower level than compared with ISA 330.

*Q11. 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.*

In paragraph A36 of ED-500, the two bullets parenthetically reference paragraphs A47 – A51 and A52 – A61 of ED-500, respectively. We believe these bullets should reference paragraphs A48 – A52 and A53 – A62 of ED-500, respectively (and consistent with paragraphs 9(a) and (b) of ED-500). We encourage the IAASB to review and consider if any revision is appropriate.

*Q12(b). 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.*

If the final ISA 500(R) is relatively consistent with what is currently reflected in ED-500, audit firms will require more than 18 months after approval to implement the final ISA 500(R). Firm methodologies, related tools, and guidance will need to be updated prior to the beginning of the audit year in which the final ISA 500(R) becomes effective. Considering the feedback we have provided above, if the IAASB approves the final standard during 2024, we strongly recommend that the final standard be effective no earlier than for audits with fiscal years beginning on or after December 15, 2026.

\*\*\*\*\*

The CAQ appreciates the opportunity to comment on ED-500, and we look forward to future engagement. As the Board gathers feedback from other interested parties, we would be pleased to discuss our comments or answer questions from the Board regarding the views expressed in this letter. Please address questions to Vanessa Teitelbaum ([vteitelbaum@thecaq.org](mailto:vteitelbaum@thecaq.org)), Emily Lucas ([elucas@thecaq.org](mailto:elucas@thecaq.org)), or Dennis McGowan ([dmcgowan@thecaq.org](mailto:dmcgowan@thecaq.org)).

# CAQ

Sincerely,



Vanessa Teitelbaum, CPA  
Senior Director, Professional Practice  
Center for Audit Quality

cc:

**IAASB**

Tom Seidenstein, Chairman

**PCAOB**

Erica Y. Williams, Chair  
Duane M. DesParte, Board member  
Christina Ho, Board member  
Kara M. Stein, Board member  
Anthony C. Thompson, Board member  
Barbara Vanich, Chief Auditor

**SEC**

Paul Munter, Chief Accountant  
Diana Stoltzfus, Deputy Chief Accountant