

International Auditing  
and Assurance  
Standards Board

Unser Zeichen JK  
Sachbearbeiter Mag. Kometer

**Submitted via Website**

Datum 21<sup>st</sup> April 2023

**Subject: Proposed International Standard on Auditing 500 (Revised): Audit Evidence**

Dear Sir or Madam,

the Austrian Chamber of Tax Advisors and Public Accountants (KSW) is pleased to provide you with its comments on proposed International Standard on Auditing 500 (ED-500).

**General Comments**

We very much support all efforts to modernize ISA 500 to the current audit and technology environment. We also support that IAASB emphasizes the role of professional judgement when using information as audit evidence. We hope that the new standard will not result in significant additional work efforts for the auditor in obtaining and assessing evidence.

However, we have concerns about the length and the level of detail of application material and although the application material has 93 paragraphs technology is not appropriately addressed, e.g., the use of automated tools and techniques in general or data analytics as substantive procedures.

We do not see a substantive difference to extant ISA 500 and what is going to change compared to extant ISA 500.

We also do not see the need for another stand-back requirement.

We thank you for the opportunity to comment. For further information on this letter, please contact our Technical Advisor: Mag. Gerhard Prachner ([gerhard@prachner.at](mailto:gerhard@prachner.at)).

Sincerely,

Dr. Aslan Milla  
(Chairman of the Professional Expert  
Committee for Auditing & Assurance Services)

Dr. Gerald Klement  
(Secretary General)

digitally signed

#### **Austrian Chamber of Tax Advisors and Public Accountants**

The Austrian Chamber of Tax Advisors and Public Accountants, KSW is the statutory and regulatory authority of tax advisors and public accountants in Austria. KSW represents more than 10,000 members, making tax advisors and public accountants the second-largest group within the liberal professions. For 70 years now, KSW has been a reliable partner for its members and an important point of contact for the business sector and politics in Austria in all matters relating to tax advising and auditing. KSW works with the Austrian legislative bodies on bills of law and provides expert advice to its members.

The Austrian Chamber of Tax Advisors and Public Accountants is in the EU Transparency Register (No 533887237765-96).

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## Overall Questions

1. Is the purpose and scope of ED-500 clear? In this regard:
  1. Does ED-500 provide an appropriate principles-based reference framework for auditors when making judgments about audit evidence throughout the audit?
  2. Are the relationships to, or linkages with, other ISAs clear and appropriate?
    - (1) The requirements are short and relevant. We also support the principle-based approach. However, ED-500 includes a lot of revisions, and we wonder how many of those are intended to and will actually lead to changing behaviour. Our biggest concern although relates to the overwhelming documentation requirements.
    - (2) We believe there are too many links and references to other ISA and the level of detail in the implementation material is too high. The links to other ISA would be more appropriate for example in the basis for conclusion and similar documents.
    - (3) While we understand that ED-500 is an umbrella standard with a specific objective of linking to other ISA, we believe it is important to avoid overlaps and duplication with other standards.
    - (4) As an example of potential duplication, we believe that paragraph 13 regarding the stand-back requirement is not needed in ED-500 as this is redundant to ISA 330.26. Where would be the difference in audit procedures to the stand back requirement in ED-500.13?
    - (5) We also want to refer to the stand-back requirement in ISA 700.11a, which requires the auditor to conclude, in accordance with ISA 330, whether sufficient appropriate audit evidence has been obtained. These stand-back requirements convey the same objective; therefore, adding a new requirement in ED-500 is not necessary and we believe that amending ISA 330.26 would be a more appropriate option.
    - (6) We believe that stand-back requirements in ISA 330 and ISA 700 (Revised) are sufficient.
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?
  - (7) The clarification that information must first be evaluated for relevance and reliability before being subject to audit procedures and only then constituting audit evidence is helpful. One challenge is how to prove and document the evaluation of each piece/ type of audit evidence. Some evidence is very clear in terms of relevance and reliability, other more complicated to evaluate. This is not clearly addressed in the proposed standard.
  - (8) We also have a concern as to the application of ED-500 paras 9 and 10 in practice. The requirements of paras 9 and 10 include a kind of iteration which makes obtaining audit evidence unnecessarily complicated of obtaining information, evaluating information, obtain additional information for the purpose of evaluating audit evidence and so on. We would have expected that this topic is described in the application material to paras 9 and 10 including practical examples how this works in practice.

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

- (9) The application and other explanatory materials are too extensive, in some cases repetitive, and too much like a textbook.
- (10) Overall, we think many of the examples in the application material are too basic and just reflect common sense (e.g., in A24). We would have expected to see more useful and practice-relevant examples, e.g., when it comes to HOW to use technology as part of audit evidence.
- (11) There is also application material that either just duplicates the content in other ISA, e.g. A26, or duplicates what is in a requirement or in other application material paragraphs (i.e., A 36 compared to para 9 a-b, A46 refers to and duplicates what's in A12, A65 refers back to A37 and A67 refers back to A48).

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?

- (12) No. The question is whether this was the aim of this project? Application materials could arguably be improved to address the use of technology by the auditor and how to deal with digital information provided by the entity Just para A3-A4 refer to automated Tools and Techniques.
- (13) Especially since the IAASB has identified the constant evolution of technology as one of the main factors justifying the need to improve ISA 500. Developments in technology have affected how audits are performed, for example, use of automated tools and techniques, such as data analytics, robotics, machine learning and artificial intelligence (AI).
- (14) The IAASB will ultimately need to go further in providing guidance on the robustness and value of audit evidence obtained through AI:
  - When is it sufficient?
  - When is it appropriate?
  - etc...
- (15) We also believe that in some audit procedures using technology is now more difficult to clearly categorize as a “substantive analytical procedure” or a “test of details”. This can create challenges for engagement teams using extant ISA 500. We would therefore encourage the IAASB, in collaboration with the IAASB Technology working group, to further explore how to provide more guidance in this area.

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

- (16) Yes, in the application material. Although the application material is to some extent too extensive and the examples too basic (i.e., the use of different types of actuaries as experts, A70).
- (17) It should however be made clearer that it is the persuasiveness of audit evidence that the auditor needs to critically assess or evaluate. The definition of professional scepticism in ISA 200 refers to a critical assessment without explaining exactly what about the audit evidence is to be critically assessed. We therefore suggest adding this within this definition as a conforming amendment.

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### 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?

- (18) The definition of audit evidence is very theoretical, and we do not support the input-output model.
- (19) We believe that there are examples for information that can be used as audit evidence without applying additional audit procedure (e.g., for the investigation of differences from the substantive analytical procedures over payroll expense the auditor is obtaining employment contracts to corroborate the explanation of management. We believe that we do not need additional audit procedures over the employment contracts).
- (20) The new definition is too narrow and could prevent the auditor to use certain information as audit evidence. The definition if extant ISA 500 is more appropriate and understandable.

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

- (21) We believe the application material in A6 appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence. However, it should be made clear that if information is not appropriate as audit evidence it makes no sense to consider its sufficiency.

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?

- (22) Yes

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?

(23) Yes, but documentation requirements are unclear in this aspect.

(24) We believe that the link between paras 9 (b) and 10 is unclear as explained in our answer to question 2. Again, we want to stress that paras 9 and 10 together lead potentially to an infinite regress scenario whereby audit evidence has to be obtained about the audit evidence obtained about the accuracy and completeness ad infinitum. A solution could be to require the auditor to collect information about the accuracy and completeness.

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?

(25) No. This requirement should be built into the continuous audit work, review and supervision rather than to include this in separate revised standards. We would like to refer to our answer to question 1.

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.

(26) The very useful information about types of audit procedures is now in an appendix, which in our opinion therefore loses its credibility and can be overlooked. Therefore, the description of audit procedures should remain in the application material as it is in extant ISA 500. The appendix should only provide examples of the types of audit procedures.

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## Request for General Comments

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

3. 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.

(27) The application material is not written in clear, simple and concise language as outlined in the drafting principles and guidelines of CUSP. This will lead to translation issues.

4. 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.

(28) No comments.

