

IAASB  
529 5th Avenue  
New York, New York 10017  
USA  
Filled via website

Prague 24<sup>th</sup> April 2023

**Subject: Exposure draft – ISA 500 (Revised): Audit Evidence**

Dears

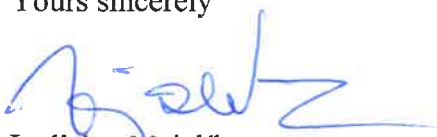
We are pleased to respond to the International Auditing and Assurance Standards Board (IAASB) proposed International Standard on Auditing 500 (revised), Audit evidence (ED - ISA 500).

Chamber of Auditors of the Czech Republic (CA CR) welcomes the ED as it aims to increase applying professional scepticism when making judgements about information to be used as audit evidence. However, we believe that the current ED – ISA 500 does not fully meet one of the project objectives in respect of using automated tools and techniques by auditor and client. Furthermore, we believe that there is a lack of clarity regarding the required extent of documentation related to assessing the reliability and relevance of information in the audit file.

Below you can find our answers on the Board's questions with our arguments, where relevant. We, as a member of the Accountancy Europe, agree with majority of the points/comments provided by Accountancy Europe in its response to this ED. However, because we consider this ED as very important, we have decided to stress the key points with our arguments in this separate response.

CA CR is relevant local authority in the Czech Republic which adopt ISA for usage in audit practice.

Yours sincerely



Ladislav Mejzlík  
President of the CA CR

## 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?*

Response:

- a) Yes, the purpose and the scope of the ED-ISA 500 is clear, and it provides an appropriate principles-based framework for auditor when making judgements. We believe that the changed definition of audit evidence and enhanced application part of the standard stress the importance of applying professional scepticism when evaluating reliability and relevance of information. However, we are afraid that the lack of clear documentation requirements (only information included in A40 which is too general) can lead to overdocumentation in the audit file (see also response to Question 2 below).
- b) The relationships or linkages to other ISAs are clear but they seem to be too repetitive and extensive. We believe that such detailed explanations should be part of explanatory materials rather than the standard itself. Examples of repetition of requirements of other ISA with no additional value are A7 or A25 and A26.

As an example of potential duplication, we believe that paragraph 13 regarding the stand back requirement is not needed in ISA 500 as it duplicates the stand back requirement of paragraph 26 of ISA 330 (see also response to Question 10 below).

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?*

Response:

As noted in our response above we believe that the enhanced definition of audit evidence and more detailed guidance on evaluation relevance and reliability of information provide more robust base to apply professional scepticism and avoid bias.

One challenge for the auditor will be how to prove and document the evaluation of each piece of audit evidence/information. We believe that current wording could lead to overdocumentation in practice. It needs to be ensured that the auditor's effort and documentation is concentrated on areas where it is really needed. Paragraph A40 notes that the auditor is not expected to document consideration for every attribute of relevance and reliability, however there is no example of scalability. Furthermore, we believe that there could be situations where the audit procedure itself proves the reliability of the information and therefore no additional documentation is needed. This should be clearly stated in ED-ISA 500, for example in the form of examples in the application part.

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

Response:

We believe that the application material is too extensive and includes too many cross-referencing (paragraph A46 refers to and duplicates paragraph A12, A65 refers back to A37, and A67 refers back to A48). Many examples are very simple and just reflect a common sense (A24, A41, A47, A70 etc.) On the other hand, we are missing specific examples on scalability and application of the requirements when using automated tools and techniques.

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?*

Response:

The issues related to use technology are addressed only in the application part. The principles described in the requirement part are valid and relevant whether technology is used or not.

However, as one of the key objectives for the revision of the standard was to reflect usage of technology (data analytics, visualization, AI, data mining etc.), we expect that the application part will provide more useful example of impact of using of such technology. For example, the appendix where types of audit procedures are listed lists only non-sophisticated procedures (mainly related to risk assessment) such as visualization or data analytics are listed. The standard does not elaborate on use of more advanced technology for substantive procedures.

We also believe that usage of AI in audit will increase and there is no guidance in application part how to work with the output provided by AI.

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

Response:

Yes.

### **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?*

Response:

Yes.

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

Response:

Yes.

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?*

Response:

Yes, overall, we believe that ED-ISA 500 will support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence. However, as stated in our response to Question 2, there is a lack of clarity in respect of documentation requirements.

Further, we are afraid that using the same names for audit assertions and attributes of reliability and relevance can be confusing. It can be demonstrated on example in A64 when talking about accuracy and completeness of information for journal entries testing. We believe that accuracy in this example refer to information in data file obtained by auditor (e.g. whether every single information included in data file equal to original information in the accounting system) and not to accuracy of the recorded transaction in respect of financial statements assertions.

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?*

Response:

Yes.

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?*

Response:

NO.

We believe that the stand back requirements in ISA 330 and ISA 700 are sufficient and we can not imagine situation where there will be different outcomes from performing stand back according to ISA 330 and ED-ISA 500. Therefore, this stand back requirement in ED-ISA 500 is redundant. We believe that amending ISA 330 (paragraph 26), if considered by IAASB as necessary, would be a more appropriate option. Should this stand back requirement remain part of the ISA 500, we recommend the application material includes an example of the scenario in which the auditor concludes that the audit evidence meets the intended purpose (ISA 500 stand back) but it is not sufficient and appropriate (ISA 330 stand back) or vice versa.

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.*

Response:

No other comments.

## General comments

12. *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.*

Response:

We do not see any issue in translating the standard, however as noted in response to Question 8 we believe that using the same names for attributes and financial statements assertions could be confusing.

13. *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.*

Response:

The provided period is sufficient.