



23 April 2023

The International Auditing and Standard Board
Via its website www.iaasb.org

Honourable Chairman and Board Members:

Page | 1

Re: ED 500 Audit Evidence – Comments.

We add our voice appreciating your leadership and tremendous efforts of your team members and other stakeholders, in bringing out this Exposure Draft on a difficult matter, addressing the very foundation of the audits conducted worldwide.

We will be pleased to see these collective efforts resulting in better understanding of what auditors do. Thank you! Good job! We are grateful for your efforts!

Summary of Comments:

1. The use of words ‘information’ in the definition of audit evidence conveys an incomplete concept without ‘data’. Information is a relative concept. What is information for you may not be so for us.
2. ‘Data and information’ is more realistic. ‘Data is the relevant facts and figures, financial and non-financial’.
3. Information may be relevant or irrelevant in a situation. The foremost characteristic of information is its relevance to the user (auditor).
4. We are not satisfied with purging of the word ‘relevant’ from the ISAs. Considering all the audit evidence is fine. However, classify audit evidence as relevant or irrelevant.
5. Characteristics of data and information, such as its relevance, timeliness, completeness, accuracy may be mentioned.
6. The ‘input-output’ miss out the term ‘process’ in the middle. The ‘input-process-output’ model aids understanding.
7. There are many logical relationships in the material that can be shown by a flow-charts for better user understanding. Why such a widely available tool is not used?
8. A well-worth effort is required to simplify the language of the proposed ED and its application material. The ED once an ISA will be eventually translated into many other languages.
9. The effective date of the ISA should be automatic for the National Standard Setter, The Institute of Chartered Accountant of Pakistan. An effort should be made to translate the Standards in the national language.



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?

Page | 2

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

Response 1(a)

1.1 Yes.

1.2 Yes.

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?

2.1 Yes.

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

3.1 Yes.

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?

4.1 Yes.

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

5.1 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?

Page | 3

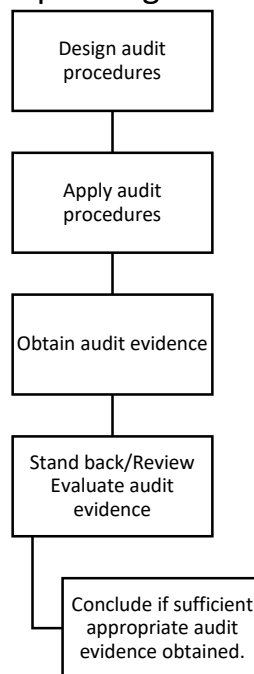
Response 6

6.1 No. We find that the term information is incomplete without mention of the term ‘data’. Both should be a part of this definition.

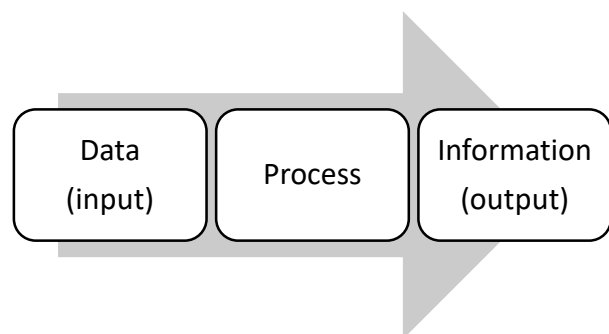
6.1 Data and Information are related to a point in time. The same may be different at some other point of time. It may be adjusted.

6.2 The term ‘input-output’ is not a part of the proposed ISA or application material.

6.3 We do not agree that there is no concept of irrelevant evidence¹. An audit evidence may be acceptable depending on what is its purpose.



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



¹ Para 68 of Explanatory Memo



Response 7

7.1 Yes.

7.2 'Sufficiency and appropriateness together affects the persuasiveness of audit evidence.'²

7.3 Persuasiveness of the audit evidence is a factor of what constitutes a sufficient appropriate audit evidence.³

7.4 The above statements are about two different ways of looking at the concept rather than conflicting. However, we recommend more clarity here.

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 8

8.1 Our metric to respond is in following terms-

Clarity = Concepts and requirements containing in the ED500 are robust. Satisfactory.

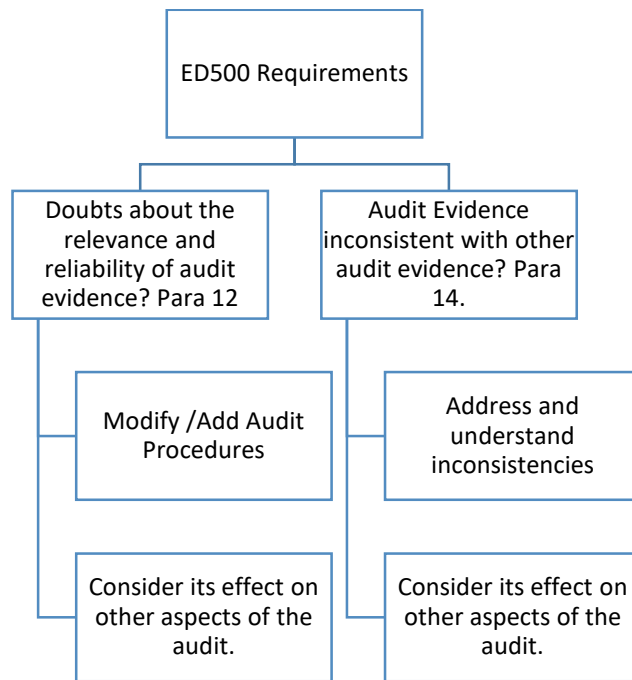
Understanding = Poor.

Practicality = Neutral. Not tested yet. Sounds sensible.

8.2 Our understanding of this matter is as follows

² A6

³ A5



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 9

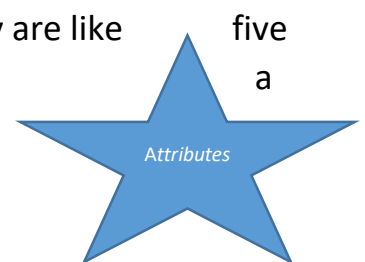
9.1 No.

9.2 Attributes that may be considered by the auditor in considering the degree to which information intended to be used as audit evidence is reliable are stated in para A56 of the Application Material provides the attributes of information.

9.3 The attributes of information are stated in the Application material A56.

9.4 These attributes as a whole forms reliable audit evidence. They are like corners of a star for us. There may be some justification in giving priority to accuracy and completeness for some, and none for us. When all information, whether relevant or not, corroborative or contradictory is to be considered, why not the attributes be considered?

Figure 1



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 10-

10.1 “Stand back” may be new term used. However the requirement for the auditor to evaluate audit evidence to conclude if sufficient appropriate audit evidence has been obtained is not new. A sensible auditor cannot proceed to conclude without considering the work performed. The work performed includes the design of the audit procedures and its application through the audit procedures. Page | 6

10.2 The term ‘stand back’ is used only 4 times in the whole document and that too in the Explanatory Memorandum only. Not mentioned once in the ISA or application material.

10.3 We fully support the Board on a formal requirement that the auditor needs to ‘review’ and evaluate the audit evidence collected in the process of audit to conclude if sufficient appropriate audit evidence has been collected.

10.4 The stand back requirement allows auditors to reflect on work performed , the appropriateness of risk assessment and whether they have obtained unbiased sufficient appropriate audit evidence in total. See Guide to ISA 540 (Revised) Auditing Accounting Estimates and Related Disclosures (effective for financial statements starting on or after 15 Dec 2019).

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.

11.1 Use short sentences.

11.2 Appendix: Split in two distinct topics rather than one. The appendix describing audit techniques is the most relevant.

11.3 Add Appendix-3 comprising of flow charts of logical relationships.

11.4 Cross-references. A50. ‘...the auditor may need to obtain audit evidence about the accuracy and completeness of the information’. Is the reference here to A62 valid?

11.5 ED500 proposes to delete some very important statements from ISA505 para 2. These are generalization applicable to audit evidence like “Audit evidence is more



reliable when it is obtained from independent sources outside the entity.
(ISA 500 para 45).

This brings us to an important aspect missing in the ED500 relating to the description of internal and external sources of audit evidence and its ranking as to reliability.

11.6 Syntax error? A62: 'The evidence and reliability of the information may help to inform the auditor's evaluation....'.

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.

RESPONSE Q12(a): Translations>>

12.1 Urdu is our national language. Our official language is English. Efforts are underway by the Federal Government and institutions like Supreme Court of Pakistan to translate its Orders in national language. I would like to see a day when we will have ISAs in our national language as well for better understanding. Action requested by our national Standard Setter, The Institute of Chartered Accountants of Pakistan.

12.2 The quality of translations is invariably reflected by the way ISAs are written. Many tools are available online to check a text. Let the Board be aware and scrupulous to make its publications reader-friendly and understandable.

RESPONSE Q12(b): Effective date >>

12.3 We agree with the time window proposed to be provided by the Board.

12.4 There is no urgency in putting this ISA on the Block. However I would have appreciated some kind of target for the final ISA. I think we are atleast two years away from this date.

12.5 I would surely work to see our national due process (laid by ICAP) to be in harmony with the effective date set by the Board. The cost of the audit has definitely



increased and its utility not decreased. I would like to see our audit reports as: “We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan.”

Ends.

Page | 8

In the end I would like to thank the Project Committee of Ms. Nida Khan, Daniya Malik and Messers Shahryar Khan and Asif Ali, Audit Associates at Faruq Ali, Chartered Accountants. Your assistance in formulating my views was invaluable.

Sincerely

Altaf Noor Ali

Chartered Accountants