



SWEDISH NATIONAL
AUDIT OFFICE

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International Audit and Assurance Standard Board

Swedish National Audit Office response on the revised ISA 500

Swedish National Audit Office would like to congratulate IAASB for great work done reviewing the standard. In general, we agree with the suggestions presented. Below you will find our more detailed comments on the questions you have raised.

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?

Yes.

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

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?

We believe that the ED-500 in general will lead to enhanced judgements when obtaining and evaluating audit evidence. Though we would like to raise our concern about a few issues which we have commented below.

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

We find the requirement level to be decent and principle based, explaining what the auditor shall do but not going into too many details about the how. Though the application material could be a bit overwhelming. But in general, understandable.

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?

Yes.

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

Requirement 8 and application material I A.19-33.

We think that they appropriately reinforce the exercise of professional skepticism. Though we would like to emphasize that how it is structured right now may drive the auditor to gather evidence just to ensure that the listed biases are avoided. Our suggestion would be to put emphasize on when this in particular is important. That is stated in A.21 as the last part. Could be described upfront.

Reading A.24, it could be interpreted that an inquiry may give you as pervasive audit evidence as an external confirmation. Which somehow could be read as contradictive to the suggested revision of paragraph 2 in ISA 501 – External confirmations, which reads: *Depending on the circumstances of the audit, 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.* Suggestion to use another example or clarify the statement in A 24.

The last example in the box says that more extensive audit procedures could be more pervasive. We agree but would suggest adding the quality perspective as well.

Specific Questions

6. Do you support the revised definition of audit evidence? In particular, do you agree with the “inputoutput model” that information can become audit evidence only after audit procedures are applied to it?

Yes.

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

Application material

A8. We would suggest deleting A8 as it seems a bit redundant and does not contribute to explain the interrelationship between these three terms. You have already stated that higher risk needs more pervasive audit evidence in the previous paragraph.

A9 states a number of examples which could affect the sufficiency and appropriateness of the audit evidence such as

- the information intended to be used as audit evidence, including the auditor’s consideration of the attributes of relevance and reliability of the information as explained in paragraphs A48–A49
- whether the information is from a single source or may be needed from multiple sources
- whether there is inconsistency between the audit evidence.

We are not quite sure how this paragraph should be interpreted. Is the purpose of the paragraph to give examples of situations where the evidence may be doubtful or?

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?

Paragraph 9 and 10 and application material A34 – 65

Paragraph 9 b). Our suggestion would be to delete the word attributes as it is a bit confusing and not consistently used throughout the standard.

Paragraph 10

Our suggestion would be to include this evaluation as part of 9b, and explicitly point out accuracy and completeness as mandatory evaluation when necessary.

Application material

A.36 states that *Evaluating the relevance and reliability of information intended to be used as audit evidence involves performing audit procedures*. We find this sentence to be a bit confusing. The auditor will perform audit procedures to address an identified risk. By performing all those procedures, the auditor will get a lot of information which the auditor needs to evaluate whether it is relevant and reliable. So what you mean here is that the evaluation per se now will be defined as an audit procedure on its own? This could be clarified.

A38 states audit evidence from *performing other audit procedures in accordance with the ISAs also may assist* the auditor in evaluating the relevance and reliability of information intended to be used as audit evidence. This is then followed by a few examples. We find this paragraph to be a bit confusing and unclear. Wouldn't you as auditor need to perform these procedures to gather information considered to be audit evidence?

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?

See our comment, question 8.

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?

Paragraph 13

Yes.

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.

No.

Request for General Comments

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.

No comments

(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

Agree.

Alexandra Popovic
Department of Financial Audit