



31 March 2023

Mr Bill Edge
Chair
Australian Auditing and Assurance Standards Board
PO Box 204, Collins Street West
VICTORIA 8007

Dear Mr Edge,

Consultation Paper – Exposure of the IAASB’s Proposed ISA 500 (Revised), Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs

Thank you for the opportunity to comment on the AUASB’s Consultation Paper.

The Institute of Public Accountants (IPA) is generally supportive of the changes proposed in the Consultation Paper. Our responses to the specific questions in the Consultation Paper are in Attachment 1.

Yours faithfully

Vicki Sylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

About the IPA

The IPA is one of the professional accounting bodies in Australia with over 49,000 members and students across 100 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. In 2023, the IPA celebrates its centenary year and looks forward to contributing to the future prosperity of our members and the profession.

ATTACHMENT 1 – IPA’s response to specific questions in Consultation Paper

OVERALL QUESTIONS

Question 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?**

Question 2

What are your views about whether the proposed revisions in ED-500, when considered collectively as explained in paragraph 10 (see IAASB EM below), will lead to enhanced auditor judgments when obtaining and evaluating audit evidence?

Question 3

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

IPA response to Questions 1 to 3

IPA considers the purpose and scope of the proposed revised ISA 500 to be clearly articulated. We are generally supportive of the principles-based reference framework adopted by the IAASB when making judgments about audit evidence throughout an audit. We note that this approach will impact the redevelopment of related standards in the future. Therefore, the AUASB may consider reflecting this approach in its framework documents that support the development and maintenance of auditing and assurance pronouncements.

IPA also considers the balance of requirements and application material to be reasonable.

Question 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?

IPA is of the view that there is significant scope for further enhancements to be made by the IAASB and AUASB to provide more details and practical guidance on the use of technology in the audit evidence gathering process. Whilst we are generally supportive of the principles-based approach, ISA 500 should provide further application guidance with practical examples identifying the types, benefits and potential limitations of the use of technology in gathering audit evidence. It may also be relevant for ISA 500 to cross-reference to the expected guidance of the IESBA/APESB on this topic.

Question 5

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

Whilst IPA is supportive of the requirements and application guidance relating to the exercise of professional scepticism, we are unsure as to whether the proposed requirements will have an impact in practice. IPA is of the view that the exercise of professional scepticism is an attitude that is learnt through application over time and is exercised irrespective of whether there is an explicit requirement to do so. Nevertheless, to assess the effectiveness of these requirements, the IAASB/AUASB might consider undertaking research in this area as part of a post-implementation review of ISA 500.

SPECIFIC QUESTIONS

Question 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?

IPA is generally supportive of the revised definition of audit evidence reflecting the input-output model.

Question 7

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

Question 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?

IPA response to Questions 7 & 8

IPA is of the view that, in general, references to sources of audit evidence should be included in both the requirements and application material. IPA notes that the persuasiveness of audit evidence is referenced in the application material (paragraphs A5-A9, A24 and A28) and not in the requirements section of the standard and only for the sufficiency and appropriateness of audit evidence.

Additionally, ‘persuasiveness’ is dealt with in ISA 330 *The Auditor’s Responses to Assessed Risks* (paragraphs A1 and A64). IPA, therefore, questions the usefulness of including this area in the revised ISA 500.

Question 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?

IPA is supportive of this requirement.

Question 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?

Refer to IPA’s response to Question 5.

Question 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.

IPA has no additional matters to raise.

REQUEST FOR GENERAL COMMENTS

Question 12

The AUASB is also seeking comments on the matters set out below:

- (a) **Effective Date**—Recognising 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 AUASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ASA?

IPA supports the proposed effective date.

AUSTRALIAN SPECIFIC QUESTIONS (ASQ)

Question 1

Further to question 7 above and with reference to paragraph 9 of the IAASB ED, do Australian stakeholders think that anything further could be considered to address the issue of sufficiency of audit evidence and its interrelationship with the appropriateness and persuasiveness of audit evidence?

Refer to response to Questions 7 and 8 above.

Question 2

Have applicable laws and regulations been appropriately addressed in the proposed standard and are there any references to relevant laws or regulations that have been omitted?

Question 3

Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions.

Question 4

Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions.

IPA response to ASQ2 to ASQ4

IPA is not aware of any laws or regulations, principles and practices that may, or do, prevent or impede or that may conflict with the application of the proposed standard.

Question 5

What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standard? If significant costs are expected, the AUASB would like to understand:

- (a) Where those costs are likely to occur;
(b) The estimated extent of costs, in percentage terms (relative to audit fee); and
(c) Whether expected costs outweigh the benefits to the users of audit services?

Although it can be expected that there will be some initial implementation costs as practitioners adjust their audit methodologies to adopt the new requirements, IPA is of the view that ongoing operational costs for the application of the new requirements would be substantially different to existing requirements.

Question 6

What, if any, implementation guidance auditors, preparers and other stakeholders would like the AUASB to issue in conjunction with the release of ASA 500 (specific questions/examples would be helpful)?

Refer to responses to Question 4 and Question 5.

Question 7

Are there any other significant public interest matters that stakeholders wish to raise?

There are no significant public interest matters that IPA wishes to raise.