



## Stellungnahme zum Vorschlag eines ISA 500 *Audit Evidence*

Die WPK hat mit Schreiben vom 4. April 2023 gegenüber dem International Auditing and Assurance Standards Board (IAASB) zu dessen Vorschlag eines ISA 500 (Revised) *Audit Evidence* wie nachfolgend wiedergegeben Stellung genommen:

The Wirtschaftsprüferkammer (WPK) is pleased to take this opportunity to comment on the above-mentioned Exposure Draft (ED). We would like to highlight some general issues first and provide you with our specific responses to selected questions of the ED subsequently.

### General Comments

We very much support all efforts to clarify the purpose and scope of ISA 500 and modernize ISA 500 to the current business and audit environment. As well we support the IAASB by emphasizing the role of professional skepticism when making judgments about information to be used as audit evidence and evaluating audit evidence obtained. We are of the opinion that the IAASB has presented a coherent draft that addresses the mentioned objectives appropriately and makes the standard fit for the future. We expect that the revised standard will not result in significant additional **work effort** for the auditor in obtaining and assessing audit evidence.

However, we see a risk that the **documentation effort** with regard to audit evidence (as opposed to the effort in obtaining and assessing audit) may increase in a disproportionate degree (e.g. by fulfilling the new “stand back” requirement). This should be avoided, especially when auditing small and medium-sized entities.

To avoid eventual difficulties in applying paragraphs 9 and 10 in practice regarding the **evaluation of information** to be used as audit evidence, we suggest further clarifications in the application material to paragraph 9 and 10 including practice examples.

We do not support the revised **definition** of audit evidence and the input-output model. We believe, that the new definition is too narrow and would rather prevent the auditor to use

information as audit evidence. Therefore, we would prefer to reinstate the extant definition of audit evidence.

### **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?*

We agree to and support the IAASB on the development of this draft standard.

The draft demonstrates that the revision of an ISA is possible without dragging out the standard disproportionately. Furthermore, the standard is relatively easy to read and understand.

Overall, we welcome the fact that the material requirements of the extant ISA 500 have essentially been retained.

*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 welcome the increased clarity provided by paragraph 9 and 10 for the auditor's thought process when evaluating information to be used as audit evidence.

However, we would like to point out the following difficulties that will arise when applying paragraphs 9 and 10 in practice:

When assessing the relevance and reliability of information (paragraph 9), it is required to consider whether attributes of relevance and reliability are applicable. If this is the case (and we believe this will be often the case), paragraph 10 requires the auditor to obtain additional audit evidence about the accuracy and completeness of the information.

In other words, to enable the auditor to use information as audit evidence, for this purpose, further information must be obtained, which, however, would then again be considered as audit evidence and would therefore also have to be assessed again for relevance and reliability. This iteration makes obtaining audit evidence unnecessarily complicated and may result in a "vicious circle" of obtaining information, evaluating information, obtain additional information for the purpose of evaluating audit evidence etc.

To avoid such an unnecessarily complicated approach in practice we suggest to clarify in the standard that additional information obtained for purposes of evaluating the relevance and reliability of information to be used as audit evidence is not subject to the same complex evaluation process as the information obtained in the first place.

At least we would expect that this topic is described in the application material to paragraph 9 and 10 including practice examples how this could be resolved in practice.

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

Yes, we agree that the ED has an appropriate balance. In particular we welcome that the number of the requirement paragraphs will not significantly increase. However, some application material seems to be self-evident, for example A66, A69 and could be reconsidered in the interest of keeping the overall length of the standard at an appropriate level.

*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?*

We agree.

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

We agree.

### **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?*

We do not support the input-output model.

Extant ISA 500 defines audit evidence as: “Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based...”.

ED-500 defines audit evidence as: “Information, to which audit procedures have been applied, that the auditor uses to draw conclusions that form the basis for the auditor’s opinion and report“.

We believe that there are good practical examples for information that can be used as audit evidence without applying additional audit procedures. E.g. to address the risk that a tangible asset (e.g. an office building) shown in the balance sheet does not exist, an auditor may decide to inspect the building personally. The fact that the auditor is able to see the building and feel the building by touching it with his hands represents information that can be used as sufficient and appropriate audit evidence for the existence of that asset.

As an additional example we would like to emphasise that during the risk assessment phase of an audit, in particular when understanding the entity, its business model and its environment, the auditor will obtain a large variety of information (e.g. by performing interviews with several employees of the entity, inspecting the location where the business is performed and simply reading publicly available information about the entity) that can and will be used in practice as audit evidence in the context of the risk assessment without applying additional procedures on the relevance and reliability of the information obtained when understanding the entity.

For these reasons we believe the new definition to be too narrow and would even prevent the auditor to use the information described above to be used as audit evidence.

We would prefer to reinstate the extant definition for audit evidence.

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

Yes, the application material appropriately describes the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence.

*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?*

Yes, the requirements and application material in ED-500 supports an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.

However, we believe that the practical difficulties when applying paragraph 9 and 10 described in our respond to question 2 above need to be addressed.

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

Please see our answer to Question 2.

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?

We agree in principle. However, we see a risk that the documentation effort will disproportionately increase by fulfilling the new “stand back” requirement. This should be avoided, especially when auditing small and medium-sized entities.

In addition, we believe that the auditor has already evaluates audit evidence in the past, even without an explicit “stand back” requirement. Against this background, we do not expect any additional benefit from this.

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 Comments.

### **Request for General Comments**

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

In addition to the request for specific comments above, the IESBA 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.*

No Comments.

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We hope that our comments are helpful. If you have any questions relating to our comments in this letter, we should be pleased to discuss matters further with you.

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