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International Auditing and Assurance Standards
Board
529 Fifth Avenue, 6th floor
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Paris, April 12, 2023

Ref: 20230081

Subject: IAASB ED Proposed ISA 500 (Revised) Audit Evidence and Proposed Conforming and Consequential Amendments to Other ISAs

Dear Sir,

The Compagnie Nationale des Commissaires aux Comptes (CNCC) and the Conseil National de l'Ordre des Experts-Comptables (CNOEC) are pleased to provide you with their comments on the Proposed ISA 500 (Revised) "Audit Evidence" and Proposed Conforming and Consequential Amendments to Other ISAs.

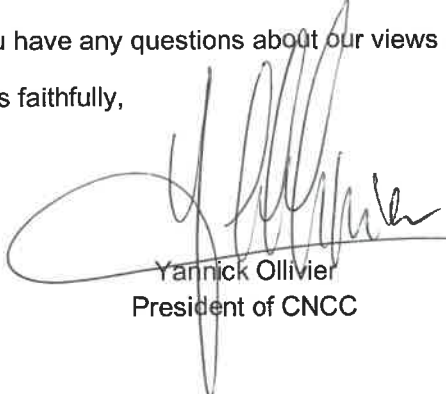
Overall, we support the revision to the ISA 500 and the amendments to the other ISAs made necessary by this revision. We consider the ED to be appropriately principles based and well balanced between requirements and application material.

However, we find the ED a bit disappointing on the issue of technology. The world has evolved with rapid changes in technology and in the types of information sources used by auditors since ISA 500 was last revised 12 years ago. We would have expected more guidance on how developments in technology have affected the way audits are performed, for example, use of automated tools and techniques, such as data analytics, robotics, machine learning and artificial intelligence and how the outputs of the use of such new tools can be considered and used as audit evidence.

Responses to specific questions raised in the Exposure Draft are set out below.

If you have any questions about our views on these matters, please do not hesitate to contact us.

Yours faithfully,



Yannick Ollivier
President of CNCC



Cécile de Saint Michel
President of CNOEC

Envoyer obligatoirement toute correspondance aux deux adresses ci-dessous :

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?

Regarding the purpose and the scope of ED-500 Audit evidence, we believe that the revised standard provides an appropriate principles-based reference framework capable to deal with the rapidly changing environment.

We also consider that overall, the requirements are clear, and the application material is useful.

Our detailed comments are expressed below.

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

We believe the relationships and linkages with other ISAs are clear.

While we understand that ISA 500 is an umbrella standard with a specific objective of linking to other ISAs, we believe it is important to avoid overlap and duplication with other standards.

As an example of potential duplication, we believe that paragraph 13 regarding the stand back requirement is not needed in ISA 500. Indeed, we believe that the stand back of paragraph 13 of ED-500, is redundant with the stand back of paragraph 26 of ISA 330 (see below question 10).

Indeed, it may be difficult for the auditor to differentiate the fact of standing back on the audit evidence obtained as required by ISA 500 and the fact of standing back on whether he/she has obtained sufficient appropriate audit evidence as required by ISA 330.

And this without speaking of the stand back of ISA 700, which requires to stand back on whether the financial statements give a true and fair view in light of the auditor's knowledge of the entity acquired during the audit.

Ideally there should be a maximum of two stand backs; one on whether the auditor has obtained sufficient appropriate audit evidence and one on whether the financial statements give a true and fair view of the financial position and operations of the entity.

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 will lead to enhanced auditor judgements when obtaining and evaluating audit evidence.

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

The balance of requirements and application material is appropriate.

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 appreciate the IAASB's efforts in this regard, but we believe that this may not be enough.



Especially since the IAASB has identified the constant evolution of technology as one of the main factors justifying the need to improve ISA 500. Developments in technology have affected how audits are performed, for example, use of automated tools and techniques, such as data analytics, robotics, machine learning and artificial intelligence.

The ED could have gone further in providing guidance on the robustness and value of audit evidence obtained through AI. When is it sufficient? When is it appropriate? Etc.

We encourage IAASB to incorporate the content from recently published Non-Authoritative Guidances (NAG) on the technology topic ¹

We believe that the following audit techniques could be added in the section Types of Audit procedures of the appendix "The Relationship of Proposed ISA 500 (Revised) to the Other ISAs and Examples of Types of Audit Procedures":

- Data Visualization,
- Process mining.

They are helpful in particular to enhance the understanding and refine the risk assessment.

We also believe that some audit procedures using technology are now more difficult to clearly categorize as a "substantive analytical procedure" or a "test of details". This can create challenges for engagement teams using current ISA 500; we would therefore encourage the IAASB to explore further how to provide more guidance in this area, in connection with the IAASB Technology working group.

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

Regarding the objective to emphasize in the IAASB International Standards, and particularly in ISA 540 on Auditing Accounting Estimates, the application of professional scepticism, we consider that the revised content of ISA 500 Audit evidence will help in reinforcing the exercise of professional skepticism, but we suggest adding clearer linkages with ISA 540 revised.

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 support the revised definition of audit evidence.

However, we note that there is no definition of "information" in the definition of audit evidence, even though this term is widely used in the requirements and application material in ED-500.

¹ As of today, there are 6 NAG:

Audit documentation when using ATT

Use of ATT in performing audit procedures

Use of ATT in identifying / assessing Risks of Material Misstatement

FAQ - Overreliance on ATT

Effect of use of ATT on Planning Activities

FAQ on Investigating Exceptions and Performance Materiality when using ATT

<https://www.iaasb.org/focus-areas/technology>



Furthermore, there is a less clear distinction between the extant concept of “information produced by the entity” and the other types of information.

In practice, very often, it is the audit procedure applied to the information that allows the auditor to evaluate the relevance and the reliability of the information. The evaluation of relevance and reliability is therefore not a separate exercise from the audit procedures applied to the information itself.

Moreover, we believe that in certain cases the evaluation of relevance and reliability does not need to be documented because it is not questionable. The standard does not clearly delineate where this documentation is not needed.

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

We believe 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?

We believe that overall, the requirements and application material in ED-500 support an appropriate evaluation of the relevance and reliability of information.

We appreciate the IAASB’s efforts to provide in the ED numerous examples of information (nature, source...) but examples of procedures to apply to evaluate the relevance and the reliability of information intended to be used as audit evidence may sometimes be missing. For example, to support the paragraph 9 (a) (“the auditor shall consider the source...”), we would expect more application guidance on “how” to perform the requirement, what type of documentation is expected.

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?

We support the conditional requirement, but we believe that the link between paragraphs 9 (b) and 10 is unclear. Paragraph 9 only speaks about relevance and reliability when paragraph 10 speaks about accuracy and completeness while referring to paragraph 9. Is accuracy and completeness included in relevance and reliability?

We have suggestions regarding the supporting application material (paragraph A64):

- we think the examples in para A64 do not illustrate the idea of the paragraph,
- we suggest clarifying the 3rd bullet point in para A64 about the appropriateness of journal entries. We understand clearly the need to test the completeness of journal entries, but the accuracy of journal entries is tested by performing the audit procedures.



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 with the concept that the auditor shall take a step back in evaluating all audit evidence obtained before concluding.

However, as mentioned above, we believe that there are already other stand back requirements in other ISAs that convey the same objective; therefore, adding a new requirements in ED-500 may not be necessary and we believe that amending ISA 330 (paragraph 26) would be a more appropriate option.

It is also likely to be misunderstood by auditors and regulators because, as drafted, it seems to imply that a list of all audit evidence collected should be compiled.

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.

There is no clear linkage between inherent risk factors in ISA 315 revised (complexity; subjectivity, uncertainty) and the attributes mentioned in ED-500.

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.

We do not see any potential translation issues in the standard; however we note that the word “completeness” is used in the ISAs both as an audit assertion (for example in ISA 315 revised) and as an attribute of information to be used as audit evidence (in this ED). We encourage the IAASB to think about two different words to avoid any confusion from auditors and regulators.

- (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.

We support the proposal that the amendments to ISA 500 (Revised) become effective for financial reporting periods beginning approximately 18 months after approval of the final ISA.

