



# Audit Evidence Presentation

June 2018

## Project's Objectives

Address whether revision of an audit evidence standard is appropriate due to the evolving nature of audit services and relate to standard setting activities by the ASB and the IAASB.

### Issues include:

- Framework for judging sufficiency and appropriateness of audit evidence
  - Accuracy
  - Completeness
  - Reliability
  - Etc.
- Use of emerging technologies by both the entity and the auditor
- Application of Professional Skepticism

## Overall Objective of AU-C 500, *Audit Evidence*

*“The objective of the auditor is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence...”*

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Re-examining whether an objective based on the design and performance of audit procedures still a viable model.

Considering whether the objective should also be based on criteria where the auditor obtains audit evidence based on a framework for judging the quality of audit evidence.

# Definitions

## Accounting Records

- Definition appears outdated and needs to reflect modern electronic audit evidence, e.g., blockchain

## Sufficiency/Appropriateness

- Appear to be a good definitions but the task force is exploring the qualitative criteria underlying these terms

## Management's specialist

- Considering the PCAOB's proposal on management's specialists

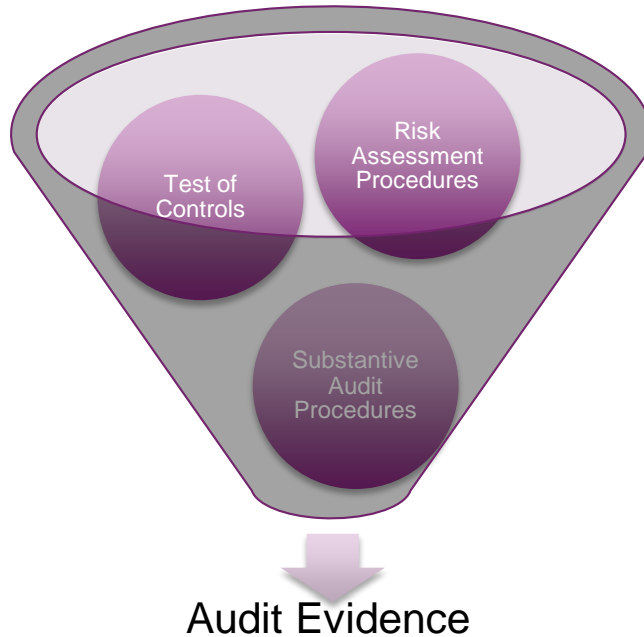
## Data Analytics

- Considering whether a definition of DA is appropriate.

## External Information Sources

- Tracking the proposed conforming amendments arising from the ISA 540 ED.
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# Audit Procedures – Today



Exploring the effect of Data Analytics and how the discrete classifications are overly prescriptive.

Current structure is not promoting the use of technology-enabled procedures.

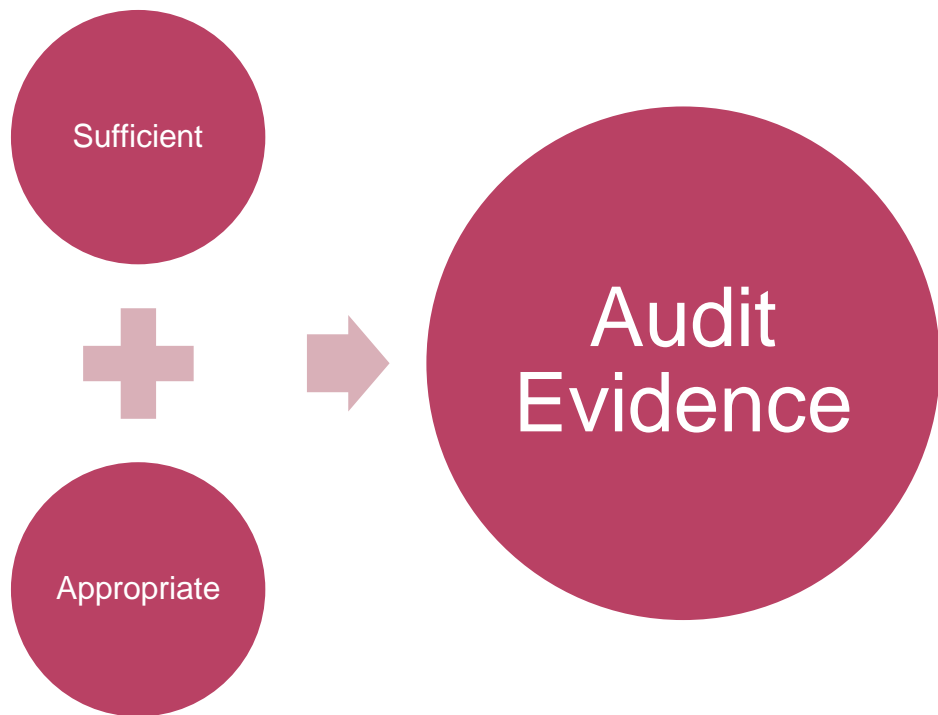
Exploring the nature of Data Analytics. Is it a Risk Assessment Procedure? Is it a Substantive Procedure? What is the difference?

Relooking at the nature of Substantive Procedures.

- What makes it a substantive?
- Do we need discrete classifications, test of details, or substantive analytical review procedures?
- Considering the effect of emerging technologies on retention requirements

Considering retaining the extant classifications but focusing on criteria indicating quality evidence other than the nature of procedure used to obtain the audit evidence.

## Considering Key Concepts

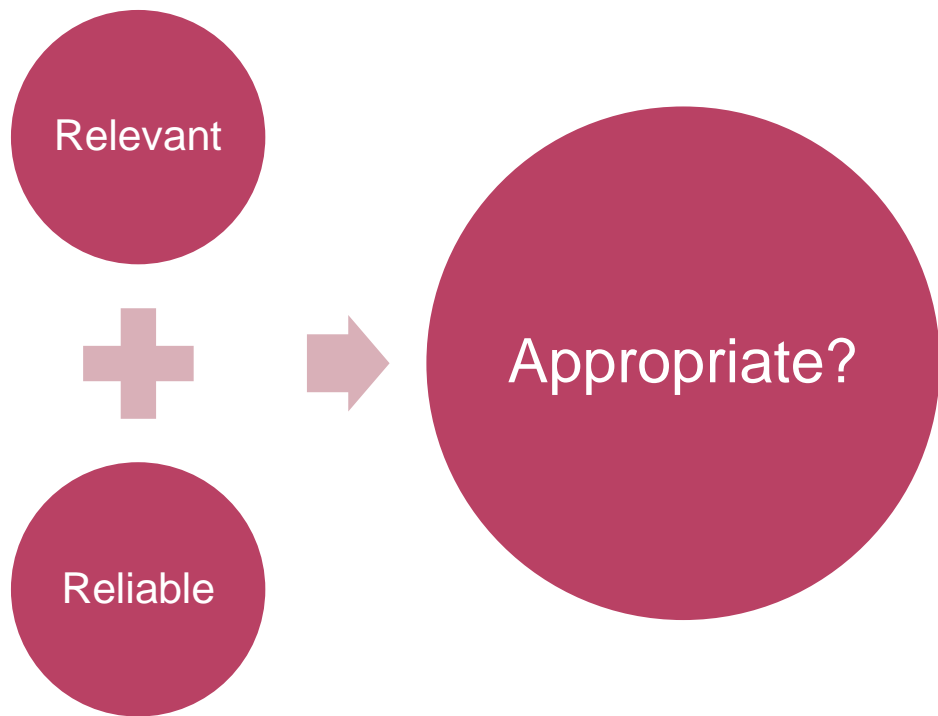


Considering whether the term “quantity” still appropriate as it relates to sufficiency. Maybe change the definition of “sufficiency” to focus on “persuasiveness.”

Believe that Professional Skepticism would be helpful in applying these concepts. Considering referencing Professional Skepticism in the requirement and adding application material to explain how this is accomplished.

The concepts should encompass evolving sources of audit evidence, e.g. external or electronic

## Considering Key Concepts



Extant application material seems to indicate that the sources of audit evidence are primarily internal.

Exploring how contradictory evidence affects relevance and reliability.

Considering the effect of Data Analytics.

Should articulate the benefits of analyzing 100% of the population.

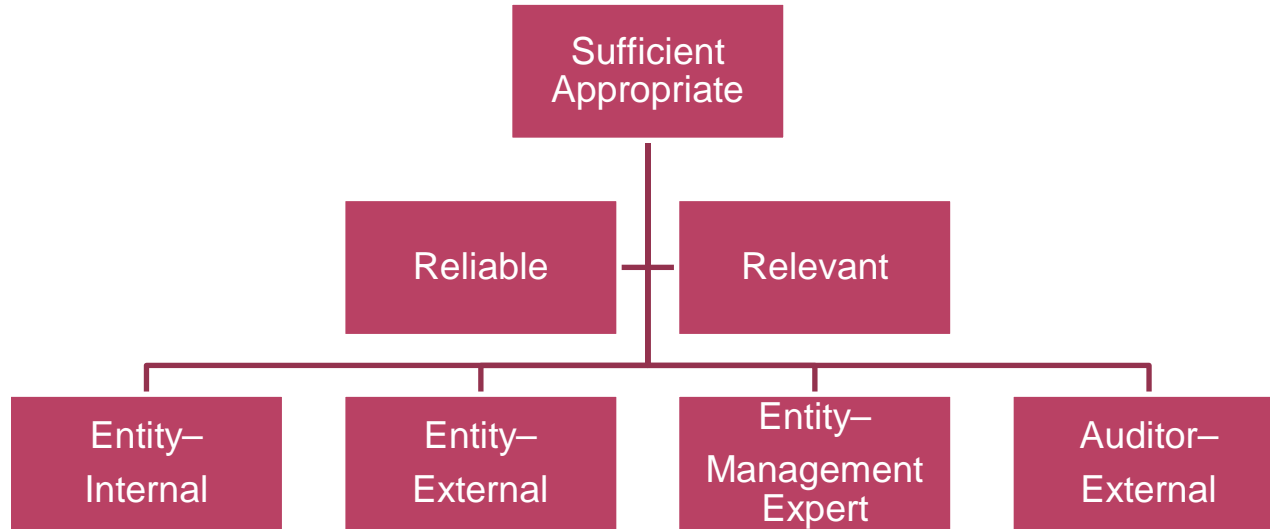
Generalizations about audit evidence need to be modernized.

Considering PCAOB's Use of Management's Specialists proposal

What is the effect of using Robotic Process Automation (RPA)?

What is the effect of use of Artificial Intelligence (AI) or machine learning?

# Audit Evidence – Sources





## Audit Evidence – Change in Focus

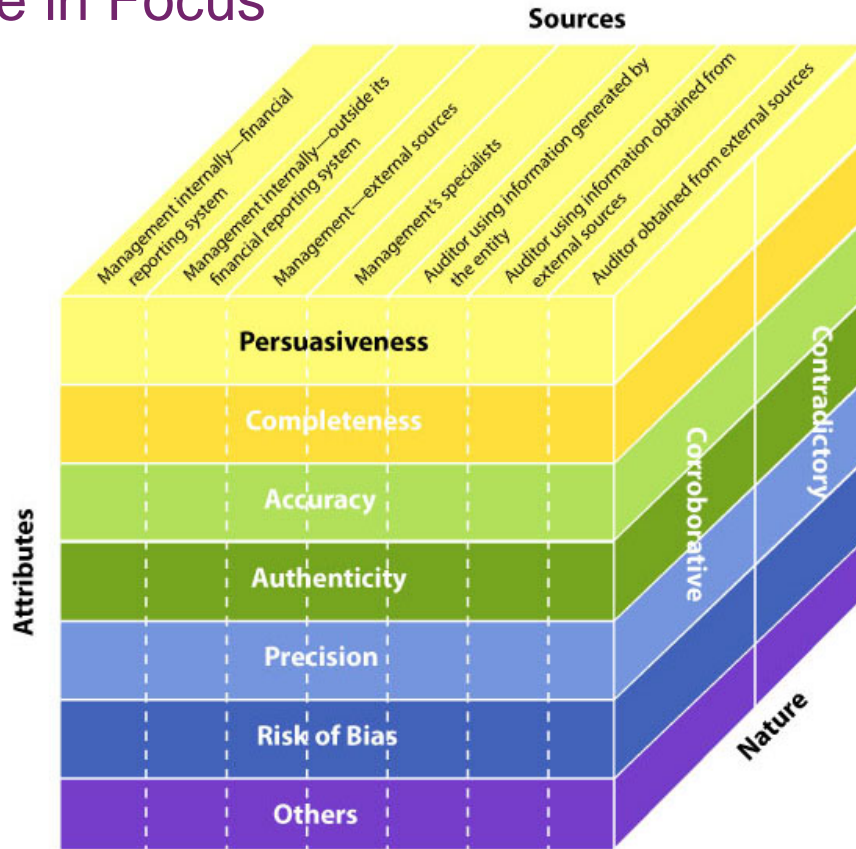
Authenticity  
Integrity  
Appropriate  
Completeness

Reliability  
Persuasiveness  
Consistent  
Risk of Bias

Relevance  
Accuracy  
Detailed/Precise

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# Change in Focus



# Possible Conforming Amendments



AU-C 230

AU-C 315

AU-C 330

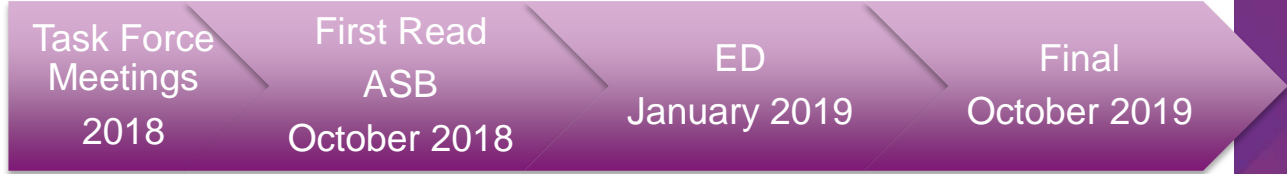
AU-C 520

AU-C 530

AU-C 620

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# Next Steps



Questions?



Thank you