September 18, 2019

Ms. Sherry Hazel  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Re: ASB June 20, 2019 Proposed Statement on Auditing Standards, Audit Evidence

Dear Ms. Hazel:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to speak on behalf of local and regional firms and represent those firms’ interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective.

TIC appreciates the effort of the Auditing Standards Board (ASB) to assess whether revisions of AU-C section 500 are necessary to address the evolving nature of business and audit services and issues that have arisen during their standard-setting activities.

Question 1: Please provide your views on whether the revised scope section of the proposed SAS clearly explains the relationship between the proposed SAS and other AU-C sections, including AU-C sections 315, 330, and 700. If the scope section does not clearly explain the relationship, please indicate why.

TIC believes that the revised scope section of the ED clearly explains the relationship between the proposed SAS and other sections of the auditing standards.

Question 2: If implemented, would the new requirements and application material assist the auditor in more effectively evaluating whether sufficient appropriate audit evidence has been obtained? If not, please explain why.

TIC believes that the new requirements simplify the categories of information available, and the considerations to apply against the information received to determine if there is sufficient appropriate audit evidence. Therefore, TIC believes that the new requirements and application material will assist the auditor in more effectively evaluating whether sufficient appropriate audit evidence has been obtained.
**Question 3:** Would the proposed attributes and factors expand the types and sources of information considered by the auditor as audit evidence by lessening the emphasis on how audit evidence is obtained (that is, “audit procedures performed”)? If not, please explain why.

TIC believes that the proposed attributes and factors allow for more information to be assessed as potential audit evidence and are more in line with practice and expectations of the future of auditing. The standard does not directly define the audit procedures to be performed, but key characteristics to consider related to the information to qualify it as evidence. TIC believes this makes the standard more “evergreen.”

**Question 4:** Are there relevant attributes and factors of audit evidence missing from the proposed SAS that should be considered by the auditor when evaluating the appropriateness of audit evidence? If so, please describe them.

TIC believes that the relevant attributes and factors of audit evidence are appropriate and cannot think of any additional attributes and factors.

**Question 5:** Does the diagram in the proposed SAS appropriately depict the attributes and factors that the auditor considers in evaluating whether sufficient appropriate audit evidence has been obtained?

While TIC appreciates including the graphic within the application material, we do not think the graphic sufficiently depicts the consideration of the attributes and factors in evaluating whether sufficient appropriate evidence has been obtained. While the cube includes all the attributes and factors, it does not depict whether certain attributes have higher weight or consideration, or the order in which the evidence is assessed and would need to be considered.

**Question 6:** Please provide your views on whether the examples in the proposed SAS are useful to auditors. If the examples are not useful, please explain why.

TIC believes that the examples are useful and will assist auditors in applying this new guidance in practice.

**Question 7:** Do you agree with the approach taken by the ASB in addressing the topic of professional skepticism? If not, please explain why.

TIC believes that the incorporation of the definition in AU-C section 200, as well as the use in examples of instances where professional skepticism comes into play, appears to adequately address the considerations of professional skepticism in the ED.

**Question 8:** If the guidance in the proposed SAS is implemented, would the application of professional skepticism be enhanced and more clearly understood in evaluating whether sufficient appropriate audit evidence has been obtained? If not, please explain why.
TIC believes that the application of professional skepticism would be enhanced by the ED, and how it plays in the assessment of information as audit evidence.

**Question 9:** Are the changes to the definitions in extant AU-C section 500 appropriate? If not, please explain why.

TIC believes that the exclusion of accounting records along with examples are acceptable. The consideration of the change in sufficiency is a key change that releases the consideration of performing procedures until a large quantity of items have been tested. The removal of this concept may lead to more quality procedures, and less procedures from rote, and a possible shift in focus of seasoned practitioners from high amounts of detailed testing to a more focused approach when it comes to obtaining audit evidence.

**Question 10:** Are there any other definitions that should be included in the proposed SAS? If so, describe them.

TIC has no additional definitions that should be included in the ED.

**Question 11:** Please provide your views on whether (a) the guidance added to the application material of the proposed SAS to explain the implications and role of automated tools and techniques in the current audit environment is beneficial and (b) the proposed SAS is enhanced by using illustrations of automated tools and techniques; that is, whether the proposed SAS is more relevant to audits conducted in today’s environment.

TIC believes that the guidance is a bit limited in expressing how automated tools and techniques can relieve and enhance the procedures through less testing, but perhaps this was done to keep the proposal more evergreen in nature as new technologies and tools emerge.

**Question 12:** Do you agree that AU-C section 330 combined with the attributes and factors in the proposed SAS would assist the auditor in concluding whether an oral confirmation should be supplemented by a written confirmation of the information?

TIC believes that concluding whether an oral confirmation is adequate audit evidence, and the ED description of evaluating audit evidence is appropriate and will be helpful as this is a question that arises often in practice.

**Question 13:** Is relocation of the content dealing with management’s specialist from AU-C section 500 to AU-C section 501 or to a separate new standard appropriate? If not, please explain why.

TIC believes that the relocation of management’s specialist from AU-C section 500 is appropriate, as the procedures around qualifying and testing do differ from the procedures of audit evidence, though the results of the information provided are considered audit evidence. TIC believes a new standard is appropriate (perhaps in the AU-C 600 series of standards); however, TIC does not believe the content should reside in AU-C section 501.
**Question 14:** If you agree that relocation is appropriate, what are your views about whether the management’s specialist content should be addressed in AU-C section 501 or in a separate new standard?

Based on the scope of material in AU-C section 501, the consideration and documentation and procedures do not appear in line with the type of items included in AU-C section 501. TIC would recommend a separate AU-C section be created to include management’s specialists, preferably in the AU-C 600 series adjacent to related standards.

**Question 15:** Do you believe that the application of this proposed SAS would result in audit documentation requirements beyond those in AU-C section 230 and other AU-C sections? If so, describe how the proposed SAS is perceived to expand the audit documentation requirements existing in AU-C section 230 and other AU-C sections.

TIC believes that the consideration of “risk of bias,” the consideration of “contradictory” as it relates to information, and the reliability of such information may end up increasing the amount of audit documentation that may be required.

TIC believes the consideration of evidence as being corroborative or contradictory should be clarified to indicate that, if the information is contradictory, it cannot be discarded without further assessment if it meets the additional criteria of being relevant and reliable.

TIC also believes that the introduction of the risk of bias concept in this ED may cause the auditor to give items additional consideration or add additional documentation to the work papers which could be an unintended consequence. TIC believes that in some cases, third party evidence would need to be documented related to how there is no “risk of bias” identified or potential for risk of bias in the response, otherwise additional procedures pertaining to the reduction of that risk would be required.

TIC appreciates the opportunity to present these comments on behalf of PCPS Member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee