August 28, 2019

Sherry Hazel  
Audit and Attest Standards  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the Tennessee Department of Audit, Division of State Audit, we thank the Auditing Standards Board for the opportunity to comment on the Exposure Draft (ED), Audit Evidence. We generally agree with the board’s proposed changes within the context of our answers to the issue questions below.

Issues for Consideration and suggested improvements for the board’s consideration:

Issue 1 (scope):
1. We agree that the scope section clearly explains the relationship between this SAS and other AU-C sections.

Issue 2 (expanded guidance on evaluating whether sufficient appropriate audit evidence has been obtained):
2. We agree the new requirements and application material assist the auditor in more effectively evaluating whether sufficient appropriate audit evidence has been obtained. The use of examples informs the practitioner of the intent of the requirements and the practical implementation.
3. The application material is very useful, but we are not sure the substantive nature of obtaining audit evidence and planning audit procedures to be performed will change much at all. However, we agree with focusing on the attributes and factors of audit evidence and with lessening the emphasis on how audit evidence is obtained. We believe the use of data analytics in the audit process is well-established and will continue to be expanded with the new tools and techniques. Requiring the auditor to evaluate all audit evidence conveys the intent but might be an unrealistic goal because it will be impossible and unlimited what information the auditor would have to evaluate. The real parameter is the level of audit evidence that allows the auditor to reach an opinion or conclusion with a high level of assurance.
4. We believe the attributes and factors presented are sufficient and appropriate.
5. We agree the diagram in the proposed SAS appropriately depicts the attributes and factors the auditor should consider in evaluating whether sufficient appropriate audit evidence has been obtained.
Issue 3 (automated tools and techniques):
6. The existing examples are useful; however, we believe a governmental example of how these automated tools are being used would enhance the guidance (e.g., the federal agencies and the Georgia State Auditor's and Controller's offices are using some of these automated tools).

Issue 4 (professional skepticism):
7. We agree the board’s approach in addressing the topic of professional skepticism is a good start; however, we believe more guidance from the report of the Standards Working Group of the Global Public Policy Committee, *Enhancing Auditor Professional Skepticism* (by Professors Steven M. Glover and Douglas F. Prawitt, Brigham Young University) could have been incorporated in this proposal or incorporated and referenced to that guidance in AU-C 200.
8. We agree professional skepticism would be enhanced but not materially; thus, we suggest incorporating more guidance from the professional skepticism report above (e.g., professional skepticism continuum; threats and mitigating factors to apply professional skepticism; etc.).

Issue 5 (definitions):
9. We agree the changes to the definitions in extant AU-C 500 are appropriate.
10. Are there any other definitions that should be included in the proposed SAS? We believe the definitions in this section and other related AU-C sections are sufficient.

Issue 6 (audit procedures):
11. The additional guidance and illustrations are definitely beneficial. However, we suggest adding a reference to the AICPA Audit and Accounting Guide, *Audit Data Analytics*, the first time “audit data analytics” is used in the text, unless the Rules of Procedure prohibit referencing to a nonauthoritative guide within the application material.
12. We agree with the additional guidance; however, we believe that if external confirmation is the primary source of sufficient appropriate audit evidence, we question how prevalent a scenario with an insignificant confirmation would be in providing a high level of assurance for a conclusion or opinion. Thus, if it is rare that a confirmation would be insignificant (e.g., a secondary piece of audit evidence), how practical is an oral confirmation?
13. We agree the content relocation dealing with management’s specialist from AU-C 500 to AU-C 501 is appropriate.
14. We agree with including the management’s specialist content in AU-C 501, unless there is enough guidance from all other AU-C sections to establish a new AU section.

Issue 15 (audit documentation):
15. We agree this proposed SAS should not result in new documentation requirements; however, the application material should explicitly state this intent.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz (615) 747-5262 (Gerry.Boaz@cot.tn.gov) or me at (615) 747-5251.

Sincerely,
Deborah V. Loveless, CPA
Director, Division of State Audit