September 12, 2019

To: Sherry Hazel: Sherry.Hazel@aicpa-cima.com

Re: Proposed Statement on Auditing Standards — Audit Evidence

The Accounting and Auditing Standards Task Force of the Maryland Association of Certified Public Accountants appreciates the opportunity to comment on this Exposure Draft (ED). The following issues (questions) raised in the ED and the Task Forces responses in bold follow:

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.
   - We question if it is truly the intent to omit references to AU-C sections 520 and 570 that currently exist in the extant standard?

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.
   - Our general consensus is that the new requirements would assist the auditor in effectively evaluating whether sufficient appropriate audit evidence has been obtained.

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.
   - Yes. As a foundational standard, the proposed categories of attributes and factors would expand types and sources of information considered by the auditor as audit evidence.

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.
   - We agree that the listed categories of attributes and factors are proper. We do question whether there should be further guidance on how an auditor
considers potential tradeoffs in the two characteristics of relevance and reliability, and how the auditor will evaluate those considerations. Also, we question if we should follow the recent amendments to the SFACs where "reliability" has been replaced with "faithful representation" (see Chapter 3 of SFAC 8). Likewise, you may want to substitute some of the individual elements (e.g., accuracy and completeness) with the "enhancing qualitative characteristics" noted in SFAC 8 (i.e., comparability, verifiability, timeliness and understandability).

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?
   ● Yes.

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.
   ● Yes, the examples are helpful. We find these specific examples particularly useful: text recognition programs to examine documents to identify items to test further in items such as contracts, using drone mounted cameras for inventory observation, the use of AI for data analytics, recalculation 100% of a population, and automatically selecting items that should be considered for testing in the GL.

7. Do you agree with the approach taken by the ASB in addressing the topic of professional skepticism? If not, please explain why.
   ● We agree that the concept of professional skepticism should be interwoven as proposed; however a separate stand-alone paragraph in the body of the standard (as opposed to being included in the application material) would promote better understanding and compliance with the concept.

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.
   ● See response to question 7.

9. Are the changes to the definitions in extant AU-C section 500 appropriate? If not, please explain why.
   ● Our group did not reach a unanimous consensus on the change to the definition pertaining to sufficiency. In particular, some concern was raised that the concept
of "persuasive" should be a consideration of both attributes - quantity and quality and not just quantity.

10. Are there any other definitions that should be included in the proposed SAS? If so, describe them.
   ● No

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.
   ● More concrete examples around implementing new technologies, both acceptable and not acceptable, would be helpful.

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?
   ● There was no compelling reason given for no longer requiring written external confirmations, and, as such, some concern was expressed regarding the prudence of eliminating the requirement to have external confirmations in written form. There is belief by some that more discipline is afforded the written record over the spoken word so this would seem to be an area prone to misunderstanding and manipulation should the proposal be adopted.

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.
   ● Yes, relocation if fine.

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?
   ● Yes, we agree relocation to AU-C section 501 is appropriate.

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?
   ● The inclusion of new attributes and factors may lead to the perception that with
evaluation comes a need to document a conclusion of the audit evidence against each of the characteristics.

Other comments:

- In reviewing paragraph A-10, we think there should be additional wording surrounding conclusion that is related back to the risk assessment process. The more significant of a conclusion being reached could be clarified to reference significant audit areas.
- The discussion of bias, particularly auditor bias, is an important subject that may deserve more attention (possibly in the separate paragraph referenced in our comments to question 7).

We appreciate the effort by the Auditing Standards Board and the opportunity to provide these comments. We are available to discuss at your convenience.

Sincerely,

Maryland Association of CPAs
Accounting & Auditing Standards Task Force

The following MACPA members reviewed and commented on the proposed Statement on Auditing Standards - Audit Evidence:

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