September 18, 2019

Sherry Hazel  
American Institute of Certified Public Accountants  
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Dear Ms. Hazel:

We appreciate the opportunity to respond to the ASB’s proposed Statement on Auditing Standards *Audit Evidence*. Members of our staff reviewed the exposure draft and have provided responses to the request for comments, as outlined below.

**Request for Comment 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.

Yes, we believe the revised scope section of the proposed SAS does clearly explain the relationship between the proposed SAS and other AU-C sections.

**Request for Comment 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.

No, not necessarily. While overall, we do believe it more clearly outlines the expectations of the conclusion over the sufficiency of audit evidence, we feel the expectations have been there all along, and this proposed SAS could require more time-consuming evaluations and documentation that would result in the same conclusion.

**Request for Comment 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, by encouraging evaluations of substance over form, we believe the proposed attributes and factors would expand the types and sources of information considered by the auditor as audit evidence.

**Request for Comment 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 did not identify any relevant attributes or factors of audit evidence missing from the proposed SAS that should be considered by the auditor when evaluating the appropriateness of audit evidence.

**Request for Comment 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, we believe the diagram appropriately depicts the attributes and factors that the auditor must consider in evaluating whether sufficient appropriate audit evidence has been obtained.

**Request for Comment 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, we believe the examples are useful.

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

Yes, we agree with the approach the ASB has taken in addressing the topic of professional skepticism. We found the description of auditor bias, paragraph A33, to be especially helpful in that it may make an auditor more aware of when they could be limiting their investigations due to a bias.

**Request for Comment 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.

Yes, we believe the guidance in the proposed SAS is useful and would enhance the application of professional skepticism and would help auditors determine if sufficient appropriate audit evidence had been obtained.

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

Yes, we believe the changes to the definitions in extant AU-C section 500 are appropriate.

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

No, we did not identify any other definitions that should be included in the proposed SAS.

**Request for Comment 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.
Yes, because the use of automated tools and techniques, as well as external information sources, have increased greatly in recent years, we believe the added guidance is beneficial to audits conducted in today’s environment.

Request for Comment 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?

Yes, we agree the proposed SAS would assist the auditor in concluding whether an oral confirmation should be supplemented by a written confirmation of the information.

Request for Comment 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, we believe the relocation of the content is appropriate.

Request for Comment 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?

We believe guidance concerning the use of information produced by management’s specialist is more appropriately included in AU-C 501 Audit Evidence – Special Considerations for Selected Items than as an example of reliability in its current location in AU-C §500.08 and §500.A35-A49. Each specialist differs in its risk, but many clients do not have material balances requiring specialists. Since it is a good fit in AU-C 501, we do not believe creating a separate section for addressing evidence related to management’s specialist is necessary.

Request for Comment 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.

No, we do not necessarily believe the proposed SAS would result in audit documentation requirements beyond those in AU-C section 230 or other AU-C sections, but it is possible the nature of the documentation may have to change.

If you would like additional information concerning our response, please contact me at (406) 444-3122 or by email at dosmanson@mt.gov.

Sincerely,

/s/ Delsi Osmanson

Delsi Osmanson, Senior Auditor
Financial-Compliance Audits

By e-mail.