September 13, 2019

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Re: Proposed Statement on Auditing Standards – Audit Evidence

Dear Ms. Hazel:

We appreciate the opportunity to comment on the Proposed Statement of Auditing Standards: Audit Evidence of the American Institute of Certified Public Accountants (AIPCA). The views expressed in this letter are those from a group of graduate students who have been assigned the task of generating a letter of comment for a graded assignment. Our views follow:

**General Comments**

We believe there is room for expanding upon the topic discussed in paragraph A33, Auditor’s Bias. We believe this is a topic many auditors would rather avoid because it can occasionally feel a bit accusatory, but we feel that the Statements on Auditing Standards (SAS) should emphasize the importance of doing everything one can to avoid auditor bias. It could be very easy for a long tenured auditor to become complacent with their own expertise, and it is important that they are reminded to always approach each audit with the same care as their first one.

**Issues for Consideration**

Our responses to the specific questions posed in the exposure draft follow:

1. We agree overall with the Accounting Standard Board’s (ASB) approach to enact more objective measurements with the revised scope section of the proposed SAS and other AU-C sections. The expanded guidelines will allow for auditors to have a selection of attributes that will enhance the overall scope and quality of audit evidence obtained.

2. We concur with the ASB’s philosophy that the stricter requirements will assist the auditor in obtaining higher quality audit evidence. Thus, we recommend no changes at this moment.

3. The approach suggested to place emphasis on types of audit evidence obtained rather than how they were obtained will assist auditors in effectively evaluating whether sufficient appropriate audit evidence was obtained.

4. We believe the ASB’s choice surrounding relevant attributes and factors are appropriate for the audit evidence required. Although, we do recommend annually evaluating whether technology significantly changes these relevant factors in the upcoming years.
5. We suggest adding words describing whether evidence obtained was from secure data servers due to the rise of breaches globally. We propose adding words such as "secure" or "unsecured" in the diagram under, "Auditor – obtained from sources external to the entity". This minuscule change will enhance audit evidence quality.

6. We do believe that the examples of automated tools and techniques would be useful to auditors. Examples such as testing information that has been "transformed" from its original medium and the use of text recognition programs provide a good idea of the types of automated tools and techniques an auditor should consider using. However, the presentation of these examples in the SAS is detrimental to their usefulness. If presenting examples of automated tools and techniques to auditors is a major goal of this SAS, then having the examples spread out throughout the Statement without distinguishing them at all may lead to them being missed. If examples of automated tools and techniques were clearly marked as such, the readers would be more likely to notice them and retain them.

7. We agree that the definition of professional skepticism provided in AU-C Section 200, paragraph 14 is an acceptable definition for the concept, and we also agree with the approach of emphasizing the importance of professional skepticism. However, we feel that the emphasis can be increased in some areas, in particular in the case of inquiries as a type of audit evidence. Given that inquiries are a verbal type of evidence often received from executive members of the audit client, we feel this type of evidence should always be considered with heavy skepticism, and the SAS should reflect this increased level of skepticism.

8. As graduate students, we do not feel that we currently have a strong enough understanding of what is considered the appropriate amount of professional skepticism to answer this question. However, as students of the profession, we feel the guidelines proposed in paragraph 4 of the SAS are a sufficient explanation of the requirements.

9. We support the ASB in their proposal to amend the definition of sufficiency to focus on the measurement of persuasiveness in extant AU-C section 500. The unenlightened definition of sufficiency of audit evidence as just the measure of the quantity of audit evidence needs to evolve to appropriately reflect the significance of material audit evidence. However, a problem one may encounter, is determining how much material audit evidence is necessary when measuring persuasiveness. Sufficiency should include both a measure of persuasiveness and quantity of persuasive audit evidence.

10. We do not suggest any other definitions that should be included in the proposed SAS.

11. We support the guidance added by the ASB regarding the audit data analytics (ADA) technique auditors are using in meeting multiple objectives. With the use of ADA becoming more commonplace and technology constantly changing, an explanation of the implications and role of automated tools and techniques may be beneficial for current experienced auditors who lack the knowledge of ADA techniques.
12. We believe permission of oral confirmations for external confirmations represents a significant and unnecessary relaxing of standards. The current treatment of oral confirmation as the near-equivalent of nonresponse (per AU-C 505 paragraph .12 and A11) is appropriate, given that audit evidence received from third-parties with whom auditors may have little or no direct contact must be put to the higher threshold of standard. We enjoy unprecedented global literacy rates in our information age, and believe it is not an undue burden for any auditor or business entity to engage in business correspondence.

13. It is our opinion paragraph .08 should remain in AU-C 500. A prudent audit professional ought to employ reasonable skepticism appropriate to each class of evidence obtained from management regardless of preparer or channel obtained. We believe the list of items enumerated within paragraph .01 of AU-C 501: “Audit Evidence—Specific Considerations for Selected Items”, wherein auditors are directed to apply additional judgment, is not a wholly encompassing list of all evidence where auditors may be obliged to rely upon management specialists, particularly when dealing with specialist- or technical-industries. Therefore, we strongly recommend this paragraph remain in place to prevent an impression where any auditors may believe themselves exempt from applying the necessary evaluations stated in paragraph .08.

14. Please see above.

15. We elect not to provide an opinion on audit documentation requirements given our collective inexperience and given potential financial consequences that may be incurred by auditors as a result of interactions between this SAS and other AU-C sections.

We appreciate the opportunity to review and offer our comments on the proposed documentation. We appreciate the Board’s consideration of our comments and observations.

Respectfully submitted,
Chris Bond, Philip Caslan, William Gonzales-Calixto, Peter Hwang
4000 Central Florida Blvd.
Orlando, FL. 32816.