Dear Ms. Hazel,

As a group of Master of Science in Accounting graduate students at the University of Central Florida, we have been assigned the task of reviewing the American Institute of Certified Public Accountants (AICPA) Auditing Standards Board’s Proposed Statement on Auditing Standards – Audit Evidence, and submit our comments to be graded by our professor. We appreciate the opportunity to review the proposed standards and to share our comments with the board.

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.

Our view on the scope section of the proposed Statement on Auditing Standards (SAS) is that it does clearly explain how it relates to the AU-C sections referenced above. These include 315; Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement, 330; Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, and 700; Forming an Opinion and Reporting on Financial Statements. Each of these AU-C sections addresses guidance on the auditor’s responsibility to assess the risks of material misstatement, how to respond to risks of material misstatement through obtaining audit evidence and performing procedures to detect material misstatements, and lastly issuing an opinion on the financial statements. We believe that it is clear where each of these AU-C sections is referenced in the scope of the proposed SAS, especially in paragraph 3, where each of these main topics are referenced.

2. If implemented, would the new requirements and application material assist the auditor in more effectively evaluate whether sufficient appropriate audit evidence has been obtained? If not, please explain why.
We believe that if implemented, the new requirements would in fact assist the auditor in more effectively evaluating whether sufficient appropriate audit evidence has been obtained. Relevance and reliability are more commonly emphasized by our superiors as attributes of sufficient and appropriate evidence throughout our internship experiences in public accounting as well as by professors. However, the source of the information and whether or not the information corroborates the financial statements is what we believe adds more value to these requirements of the audit process.

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.

We believe the emphasis on attributes and factors of the information would allow auditors to expand the information that they gather as audit evidence. By focusing on the reliability, relevancy, source, and function of the information considered, the auditor can prepare more effective audit procedures. It is our opinion that with a more expansive view on the sources of information that should be considered for audit evidence, the design and performance of audit procedures would only be done with the intent that the results would conclude on the sufficiency and appropriateness of evidence obtained.

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.

With sufficiency being changed from the measure of the quantity of audit evidence to persuasiveness, there is substantially more subjectivity behind what is considered to be sufficient. To be persuaded, one would need to possess quality information which is where the term appropriateness comes into play. This modifies the requirement of quantity and quality data to only quality. The flaw in this change is that quantity itself is a relevant factor that shows consistencies and possible trends that an auditor can use to conduct a detailed analysis. In A10 it states that the more significant the conclusion being reached, the more persuasive the audit evidence required to support the conclusion may need to be. To support a significant conclusion one should have an ample amount of evidence to support the claim.

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?

The proposed diagram is a valid representation of whether sufficient appropriate audit evidence has been obtained, however in our opinion an auditor should not limit the source of their evidence on only the sources shown. The reason for this is to check for consistency or lack of over a wider range without discrediting a source due to it not existing on the diagram.

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.

The examples shown are comprehensive and we believe that they are sufficient enough to prove as a reliable resource for auditors. They cover a wide range of possibilities that are
sufficient enough to handle a variety of issues an auditor may need to address. We also believe that these examples are sufficient to be relevant to audits conducted in today’s environment. However, as the techniques and technologies behind artificial intelligence, machine learning, and big data analytics continue to improve, extensive research will need to be conducted to remain relevance to auditors.

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

The approach the Auditing Standards Board (ASB) is pursuing to further integrate the concept of professional skepticism into the auditor’s process of evidence evaluation is a necessary assimilation. The key elements of professional skepticism are a questioning mind and a critical assessment of the appropriateness and sufficiency of audit evidence. As our understanding of evidence sufficiency evolves from a measure of quantity to a level of persuasiveness, additional guidance is necessary to assist the auditor in the determination on whether sufficient evidence has been obtained. Thus, the issue of Professional Skepticism has been appropriately brought back into focus.

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.

We believe that the guidance in the proposed SAS will enhance the auditor’s understanding in identifying whether sufficient appropriate audit evidence has been obtained. The increased application of the issue of professional skepticism is a necessity to ensure audit quality is maintained despite the recent growth in reliance on automated tools and techniques in audit procedures. The judgement on whether persuasive evidence has been obtained remains the responsibility of the auditor, and this requires enhanced professional skepticism.

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

The modifications made to the definition of sufficiency in extant AU-C Section 500 are decidedly appropriate. As the auditor’s process for obtaining evidence continues to evolve with the introduction of automated tools and techniques, the resulting evidence obtained has evolved simultaneously. Evidence obtained through data analytics can be considered sufficient regardless of the quantity of evidence if it meets the required measures of quality. As audit processes have developed, it is only appropriate for the formal definitions to reflect this dynamic change. This concept is discussed in relation to professional skepticism in comment 7.

In regard to the changes made to the definition of external information sources, our team has no opinion. Given that a majority of the modifications made to the definition involved application materials with which our team has very limited field experience, we have determined not to comment.
10. Are there any other definitions that should be included in the proposed SAS? If so, describe them

We found that four terms mentioned in the proposed SAS should be elaborated upon. Professional skepticism is involved in the collection of audit evidence in the form of gathering and objectively analyzing such evidence, and therefore seems critical in the understanding of what may constitute sufficient appropriate audit evidence. We believe that by elaborating upon the terms “Relevance” and “Reliability”, the proposed SAS will better define what factors may affect an auditor’s evaluation of audit evidence as being appropriate. We also believe that “persuasiveness” should be included in the definitions section of the proposed SAS. As the ASB has elected to focus on the persuasive element of sufficiency rather than the quantity element, we believe it is beneficial to include this definition in the proposed SAS. Upon our viewing of AU-C Section 500, it was discovered that “persuasiveness” was not clearly defined within the document.

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

A. We believe that the guidance would be considered beneficial. By using automated tools and techniques, auditors can better assess whether audit evidence is appropriate and sufficient. This is a result of being able to analyze larger amounts of information than previously possible in a real-time environment. Through utilization of these new automation tools and techniques, auditors can spend less time analyzing data manually and instead focus their efforts on utilizing professional judgement and professional skepticism to analyze the aggregation of this data and reports generated through these automated tools.

B. We also believe that by utilizing illustrations of automated tools and techniques, the proposed SAS is more relevant to audits conducted in today’s environment. As time progresses, automated tools and procedures will find increased presence in audits and should be considered as integral in the audit evidence collection and inspection process to determine appropriateness and sufficiency.

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

We believe that by using AU-C Section 330 in conjunction with this proposed SAS, an auditor will be able to utilize their professional judgement to determine whether or not an oral confirmation should be supplemented by a written confirmation of the information. The auditor should assess whether or not they have collected sufficient appropriate audit evidence through oral means in response to risks of material misstatement in the financial statements. The auditor should consider both the risk of material misstatement by using AU-C 330 as well attributes and factors of sufficient appropriate audit evidence by using this proposed SAS.
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.

We believe the creation of a new, separate standard of the content dealing with management’s specialist is appropriate. Formulating a new separate standard in order to sufficiently and completely cover all the new information would create value for auditors by providing clear instructions on how to use and apply management’s specialist content in the most effective way possible in future audits.

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.

The management’s specialist content should not be addressed in AU-C section 501. The AU-C 501 covers topics such as inventory valuations, financial derivatives, and litigation estimates, and as a whole covers other accounting estimates. AU-C in its present form is a very long standard, and any new information added would get buried in the information already present in the standard. The management specialist content would not fit with the tone of the AU-C 501, and the new management’s specialist content significant enough to warrant an entire standard dedicated to the topic.

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 proposed standard does not change the current requirements for audit evidence. AU-C 230 is sufficient in explaining all the requirements necessary for adequate audit documentation.

Respectfully,

Fiona McKenna
Payton Williams
Hannah Marlowe
Michelle Roby
Alex Nguyen