September 18, 2019

VIA ELECTRONIC MAIL

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

Re: Exposure Draft: Proposed Statement on Auditing Standards: Audit Evidence

Dear Auditing Standards Board:

We are pleased to comment on the American Institute of Certified Public Accountants (“AICPA”) Exposure Draft, Proposed Statement on Auditing Standards: Audit Evidence. We are students in The Master of Science in Accounting program at the University of Central Florida and are committed to due process in the accounting and attestation standard setting process. We are submitting this letter in response to a graded assignment.

General comment

We support and share the AICPA’s overall goal to create new standards that address the uses of emerging technologies and techniques by both preparers and auditors, such as audit data analytics (ADA), artificial intelligence and blockchain.

Item 1: Scope of the Proposed SAS

Item 1: These paragraphs clearly represent the relationship between the proposed SAS and other AU-C sections. It clearly draws attention to the fact that the proposed SAS should be read in conjunction with AU-C Section 315: Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement, AU-C Section 330: Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained, and AU-C Section 700: Forming an Opinion and Reporting on Financial Statements.

Items 2-5: Expanded Guidance on Evaluating Whether Sufficient Appropriate Audit Evidence Has Been Obtained

Item 2: The new requirements and application material assist the auditor in more effectively evaluating whether sufficient appropriate audit evidence has been obtained. This is completed by stating they need to obtain sufficiently reliable, accurate, and complete information. They need to evaluate where the information is precise and detailed for the auditor’s purposes. The proposed
standard also states that the auditor should consider the source of the information. Auditors need to consider whether the information corroborates or contradicts the assertions in the financial statements. We believe these paragraphs are clear and concise, and clearly articulate their goal.

Item 3: The proposed attributes and factors expand the types and sources of information considered by the auditor by including multiple items. The auditor needs to achieve the objectives of multiple standards at once with automated tools while specifying the tools used. Not all information is always kept available in electronic forms; giving the auditor rights to request that it is kept is important. By mentioning automated tools used in inspection, analytical procedures, and observation procedures, a greater understanding can be achieved. However, there is no description of the automated/electronic tools available for performance, inquiries or confirmations, in their respective paragraphs (A62/A65/A71-72).

Item 4: We do not feel there are any relevant attributes or factors of audit evidence missing from the proposed SAS that should be considered. Nothing else needs to be done in this aspect to support appropriateness.

Item 5: The diagram in the proposed SAS appropriately depicts accuracy, completeness, authenticity and risk of bias as items to consider in audit evidence. The diagram also illustrates to the auditor the need for understanding whether the information was contradictory or corroborative to the financial statements.

**Item 6: Automated Tools and Techniques**

Item 6: We believe the examples in the proposed SAS are useful. They expand upon real-world application and make the standard clearer. We would recommend strengthening the examples proposed by incorporating some additional electronic information examples. We believe the additional examples could be implemented more in the following paragraphs: A16 (some companies have radio-frequency identification (RFID) inventory methods, so maybe something around that); A17 (on confirmations from third party electronic sources).

**Items 7-8: Professional Skepticism**

Item 7: The approach the ASB takes in addressing professional skepticism is well-thought out and thorough. The common areas of bias (availability, confirmation, overconfidence, and anchoring) are discussed; and it ties it back to digital applications, as well as what to do when obtaining and assessing audit evidence.

Item 8: We believe the guidance in the proposed SAS will enhance and make professional skepticism more clearly understood.

**Items 9-10: Definitions**

Item 9: We think the changes to AU-C section 500 are appropriate. We agree that the persuasiveness of the audit evidence should be the key consideration in evaluating whether audit evidence is sufficient.

Item 10: We do not see anything else additional that should be added beyond that.

**Item 11: Audit Procedures**
Item 11: It is beneficial to have added guidance on the implications and roles of automated tools and techniques. In addition, we believe the proposed SAS is enhanced through the illustrations of the tools and techniques. However, the proposed SAS should make it clear that these tools and techniques are not required to be used.

**Item 12: External Confirmations**

Item 12: AU-C Section 330 combined with items in the proposed SAS should assist an auditor to determine whether an oral confirmation should be supplemented by a written confirmation. However, reliance on the auditor’s professional judgment in making this determination would increase significantly.

**Items 13-14: Management’s Specialists**

Items 13-14: We agree with the proposed 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 is appropriate. In deciding between whether relocating the management’s specialist content should be addressed in AU-C section 501 or in a separate new standard, we believe the creation of a separate new standard would be most appropriate given the uniqueness and amount of content this topic covers.

**Item 15: Audit Documentation**

Item 15: We do not 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. As an additional point, the proposed SAS uses the wording “to be read” in Paragraph 3, however in the Application and Other Explanatory Material the wording “should be read” is used. This should be clarified if it is a requirement.

In closing, we feel the majority of this document is well thought-out and descriptive, with the few suggestions for elaboration.

We appreciate the opportunity to comment on these proposed standards.

Sincerely,

Sierra Bonner
Connor Anderson
Esperanza Cid
Brooke Lineberger
Erika Quinonez