



September 18, 2019

Ms. Sherry Hazel  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA's proposed Statement on Auditing Standards entitled *Audit Evidence*.

Our responses to the specific questions posed in the exposure draft 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 believe that 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.

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.*

Yes. We believe the proposed standard presents a proper set of evaluation criteria to assist auditors in determining 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.*

We agree that 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.

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 believe that all relevant attributes and factors that should be considered by the auditor when evaluating the appropriateness of audit evidence are included in the proposed SAS.

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 diagram appears to depict only attributes and factors related to the appropriateness of audit evidence (that is, the relevance and reliability) and not the sufficiency, or persuasiveness, of audit evidence. The proposed SAS's requirements and diagram do not explicitly address or depict how



the auditor should evaluate the sufficiency of audit evidence. Although we believe that the diagram adequately depicts the attributes and factors related to the appropriateness of audit evidence, additional requirements and application guidance should be added to assist the auditor with evaluating the sufficiency of audit evidence. Adding more application guidance may assist the auditor in situations where information obtained is contradictory to other audit evidence.

Specifically, proposed paragraph 9 reminds the auditor of the requirement in AU-C 330 to conclude whether sufficient appropriate audit evidence has been obtained, as provided in proposed AU-C 330.28 and 330.A76. Paragraph 9 also references paragraphs 10-12 in this section; however, proposed paragraphs 10-12 appear to address only the attributes and factors for the information's relevance and reliability, which relate to the information's appropriateness. Further, although the proposed SAS clearly defines the measure of the sufficiency of audit evidence at 8, A5, and A10-A11, paragraphs A10-A11 are application guidance to 9, which refers the auditor to AU-C 330 rather than providing clear guidance to the auditor for how to evaluate the persuasiveness of audit evidence. In addition, proposed AU-C 330.A76 added that the proposed SAS explains the considerations involved in evaluating whether information is appropriate audit evidence but removed the factor for evaluating the persuasiveness of audit evidence that was previously included in extant AU-C 330.A75. As such, proposed AU-C 330.A76 addresses only appropriateness. Therefore, the proposed SAS is unclear on the auditor's responsibility for the consideration and evaluation of the sufficiency of audit evidence.

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.*

We believe the examples in the proposed SAS are useful to auditors, especially those added to incorporate the use of automated tools and techniques.

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 with the Board's decision to interweave the concept of professional skepticism throughout the requirements. However, we are concerned that the proposed statement does not also address professional skepticism directly. We believe the board should consider revising paragraph 9 as follows:

*As a basis for concluding whether sufficient appropriate audit evidence has been obtained as required by AU-C section 330, the auditor should evaluate the information to be used as audit evidence in accordance with paragraphs 10–12 of this proposed SAS. **The auditor should exercise professional skepticism as part of that evaluation.** (Ref: par. A9–A11)*

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.*

If the guidance in the proposed SAS is implemented, we believe the application of professional skepticism will be enhanced and more clearly understood in evaluating whether sufficient appropriate audit evidence has been obtained. However, we believe the Board should consider adding examples to the application material, including examples for the various types of auditor's biases, as described in proposed A33, to further enhance the auditor's understanding and evaluation of this attribute.



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

We believe the changes to the definitions in extant AU-C 500 are appropriate.

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

We suggest adding definitions for authenticity, risk of bias, corroborative and contradictory. These terms are used in the 'attributes and factors' cube but are only generally defined in the Application and Other Explanatory Material. Adding definitions of these terms may aid in a better understanding for auditors.

We also believe the term automated tools and techniques should be defined. For example:

**Automated tools and techniques.** The emerging technologies used to perform audit procedures that have been traditionally performed manually.

Additionally, we suggest that the Board either define each of the various types of automated tools and techniques (that is, audit data analytics; artificial intelligence (AI), such as AI used in continuous assurance and compliance auditing; robotic process automation; and blockchain), as provided in existing nonauthoritative AICPA guidance, or include these as examples in application guidance to the definition of automated tools and techniques. In doing so, the definition of audit data analytics contained in proposed A38 could be moved to 8 and the "such as" wording used throughout the application guidance could be removed where automated tools and techniques are referred to generally. For example, the wording "such as audit data analytics" in proposed A38, A52, and A56 could be eliminated. Although automated tools and technologies may be ever changing, it may be beneficial to define automated tools and techniques, at least generally, in the proposed SAS.

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. 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.
- b. The proposed SAS is enhanced by using the illustrations of automated tools and techniques, keeping the SAS relevant to audits conducted in today's environment.

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 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. However, we recommend the ASB consider including some illustrative examples of the audit documentation that would be expected for oral confirmations, as well as the considerations associated with whether written confirmations are necessary.



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 it is appropriate to relocate the content dealing with management's specialists.

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 standard?*

We believe the content dealing with management's specialists should be moved to AU-C section 501, rather than to a new standard.

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.*

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.

In addition to our feedback on the specific questions in the exposure draft, we have additional comments we believe the Board should consider as it finalizes this document.

- Paragraph A3 – We suggest revising this paragraph for clarity and to point the auditor to the definitions of professional skepticism and professional judgment, as follows: “AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards*, defines professional skepticism and professional judgment and provides application material about exercising professional skepticism and professional judgment.” The reference to the definition paragraphs in AU-C 200 should be added to the footnote.
- Proposed A23 – The word ‘transaction’ at the end of the paragraph should be plural (that is, it should be ‘transactions’)
- Paragraph A73 – The wording of this paragraph is awkward. It seems to imply that something obtained from a different source is not reliable. However, information from a different source can be corroborating. We suggest the ASB consider removing “or” so the paragraph reads, “Information obtained from different sources that differs in nature...”

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (617) 727-2075.

Sincerely,

Suzanne M. Bump  
President, NSAA  
State Auditor, Massachusetts