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September 18, 2019

Auditing Standards Board
American Institute of Certified Public Accountants
1345 Avenue of the Americas, 27th Floor
New York, NY 10105

Via Email to Sherry.Hazel@aicpa-cima.com

Re: Proposed Statement on Auditing Standards, *Audit Evidence*

Dear Board members and staff:

Grant Thornton LLP appreciates the opportunity to comment on the Auditing Standards Board's Proposed Statement on Auditing Standards (SAS), *Audit Evidence*. Overall, Grant Thornton is supportive of the project to enhance and modernize the audit evidence standard. Although we believe the proposed standard will not create significant changes in practice for today's audits, we see considerable value in the proposed changes, particularly with regard to the application of emerging technologies and using the results of such application as audit evidence. The direction of the proposed standard is responsive to the challenges that auditors face today from emerging audit techniques and the need for a robust evaluation of information, whether internal or external, that management uses to prepare the financial statements and related information. We believe the proposed standard provides an enhanced framework for evaluating information to be used as audit evidence in addressing those challenges.

We respectfully submit for the Board's consideration our comments, which include two accompanying appendices that contain responses to the questions posed in the exposure draft and certain paragraph-level comments, respectively. The body of our letter focuses on the areas that we feel are most significant to the proposed SAS, and the appendices then go into further detail.

Objective and definitions

We acknowledge that the Board is proposing to shift the current auditor focus away from the notions that the type of audit procedures performed determines the nature of the evidence and that the quantity of evidence obtained drives sufficiency, and

instead focus the auditor's consideration on the attributes of information to be used as audit evidence. We support this approach and the resulting need to change the proposed SAS's overall objective. We generally support the proposed wording of the revised objective but believe a closer link to AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, would strengthen and better align it with the proposed requirements. Therefore, we recommend paragraph .07 be revised to read as follows:

The objective of the auditor is to evaluate information to be used as audit evidence to enable the auditor to draw reasonable conclusions on which to base the auditor's opinion.

Further, we fully support the Board's decision to redefine the terms "sufficiency" and "appropriateness" (of audit evidence). However, while we agree that sufficiency is not solely a measure of quantity, we question whether there may be unintended consequences throughout auditing standards generally accepted in the United States (GAAS) in using the term "persuasiveness" when defining the "sufficiency (of audit evidence)." We believe there are instances where the term "persuasive" is used in GAAS to address both sufficiency and appropriateness. For example, AU-C section 330.07 indicates the following:

In designing further audit procedures to be performed, the auditor should ... obtain more persuasive audit evidence the higher the auditor's assessment of risk.

In this circumstance, we do not believe this requirement is focused solely on sufficiency but rather on both sufficiency and appropriateness. This position is supported by the application guidance that is currently included in paragraph .A20 of AU-C section 330, which states:

When obtaining more persuasive audit evidence because of a higher assessment of risk, the auditor **may increase the quantity of the evidence or obtain evidence that is more relevant or reliable** [emphasis added].

AU-C section 505, *External Confirmations*, reiterates this notion in paragraph .03 and indicates that obtaining more persuasive audit evidence entails seeking out more sufficient or more appropriate audit evidence, or both. While we recognize that the Board proposes deleting this language from AU-C section 505, we ask the Board to consider more broadly whether the use of the term "persuasive" throughout GAAS could be inappropriately limited to the notion of sufficiency if the Board were to adopt the definition of "sufficiency (of audit evidence)" as proposed.

Attributes of information to be used as audit evidence

We commend the Board on developing a pictorial representation of the attributes used to evaluate information to be used as audit evidence. We believe this depiction could be helpful to auditors in enhancing their understanding of the interrelationships of the attributes. However, we are concerned that, as illustrated, some may believe that accuracy, completeness, authenticity, and risk of bias are all equivalent, and we do not believe that is an appropriate inference for an auditor to make, particularly with regard to authenticity and risk of bias. We recommend that the Board consider adding

application guidance to explain that, while these attributes are on the same plane, their “weight” in evaluating information to be used as audit evidence may often differ.

Skepticism and bias

We support the Board’s undertaking to enhance the requirements and guidance related to professional skepticism in the proposed SAS. We believe that such enhancements are important to improving overall audit quality and that auditors would benefit from an increased focus as to where and how skepticism is applied. However, we have concerns with certain aspects of the proposed changes, specifically, characterizing the concept of bias as “risk of bias” and the related application paragraphs, as described below.

We agree that appropriate exercise of professional skepticism is essential in auditing financial statement accounts and disclosures where the auditor considers how and to what extent information obtained from management is susceptible to bias due to judgments or complexities. However, we believe the use of the term “risk of bias” in the proposed SAS links this consideration to the auditor’s responsibilities for risk assessment as opposed to being a component of evaluating the relevance and reliability of information to be used as audit evidence. Therefore, we believe a more appropriate characterization for what the Board is trying to convey is “susceptibility to bias” and, therefore, recommend that the Board replace the notion of “risk of bias” with “susceptibility to bias” throughout the proposed SAS.

We also note that proposed paragraph .A28 appears rather circular in nature and may be confusing. Therefore, we recommend rewording .A28 to more clearly convey how susceptibility to bias could impact the auditor’s use of information.

We also recommend that Board consider revising the remaining application guidance regarding risk of bias to eliminate the proposed differentiation between management and auditor bias. We believe including the notion of “auditor bias” in the auditing standards could be problematic. While we agree that the examples of different types of biases could impact an auditor’s application of professional skepticism, the application guidance is drafted in a manner that implies only the auditor is susceptible to these biases. Additionally, including this section in the final standard would create documentation implications relative to this concept, and we do not believe it is the Board’s intention to steer auditors to documenting the presence or absence of “auditor bias” in the audit workpapers. As such, we recommend that the Board revise paragraph .A29 and eliminate proposed paragraph .A33 and, with these deletions, the notion of “auditor bias.” We believe the discussion on the different types of cognitive biases contained in this paragraph would be more appropriately placed outside the auditing standards in implementation guidance or academic research, including *Journal of Accountancy* articles, such as the article “Eliminating Biases that Jeopardize Audit Quality” published in August 2019. This approach would enable a more robust discussion on how cognitive biases impact the auditor’s professional judgment and application of professional skepticism, but would not integrate that discussion or evaluation into the standards.

External confirmations

We support the expansion of the definition of “external confirmations” to include oral responses. We believe this is an appropriate modernization to the requirements in AU-C section 505 and that oral confirmations could be considered sufficient appropriate audit evidence in certain circumstances. However, this notion is not clear in the introduction to the standard; given that it is such a fundamental change in the approach to confirmations, we believe that this concept should be introduced more directly in the introduction to the standard. We also believe that auditors would benefit from additional application guidance relative to oral responses (that is, what circumstances the Board is considering in proposing this change). The proposed amendments to AU-C section 505 could go further in providing a clearer link between the auditor’s assessed risk of material misstatement and the acceptability of the different types of external confirmation responses. We encourage the Board to add application guidance that would help the auditor in considering, for example, when a written confirmation over an oral confirmation is preferred and when oral confirmations may still need to be supplemented by other procedures, including a written confirmation. Refer to Appendix B to this letter for detailed paragraph-level comments on AU-C section 505.

We would be pleased to discuss our comments with you. If you have any questions, please contact Bert Fox, National Managing Partner of Professional Standards, at (312) 602-9080 or Bert.Fox@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP

Appendix A

Responses to issues for consideration

Following please find our specific responses to the questions posed in the Issues for Consideration section of the exposure draft.

Question 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 the scope of the proposed SAS is generally clear. As currently drafted, it is apparent to us that the proposed SAS is intended to set a framework for evaluating information to be used as audit evidence as opposed to creating a performance standard. We suggest clarifying edits to certain paragraphs as outlined in Appendix B to this letter.

Additionally, we believe the content of paragraph .04, and its related application guidance, would be more appropriately presented in AU-C section 330 as opposed to the proposed SAS in order to minimize potential confusion about under which auditing standard the auditor concludes on sufficient appropriate audit evidence. We believe the suggested revisions provided to paragraph .04 in Appendix B to this letter are relevant, regardless of the Board's final decision on the geography of this paragraph.

Question 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.

We believe the proposed standard will increase the effectiveness of evaluating information to be used as audit evidence. As noted in the opening comments of our letter, we believe that firms would benefit from assessing how their current approaches to obtaining sufficient appropriate evidence may be enhanced, specifically related to how and to what extent firms would develop guidance in their methodologies with regard to (i) professional skepticism and susceptibility to bias, and (ii) the use of external information as audit evidence.

We also believe it could be helpful for the AICPA to issue additional implementation materials to highlight how the framework in the proposed SAS allows auditors to think differently about evidence obtained from emerging tools and techniques.

In addition, we recommend the Board develop guidance to address the auditor's considerations and related evaluation of information to be used as audit evidence in environments that are virtually paperless. Our experience in discussing this among auditors within and outside our firm is that this area would greatly benefit from guidance in the standard, perhaps through an appendix, and is actually one of the reasons many support the need to advance the existing evidence standard. We believe this is an important current practice issue that would benefit from specific guidance in the proposed SAS.

Question 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 with the proposed approach as auditors would no longer feel "bound" by defining audit evidence based on the type of procedures performed. This is an important change that we believe is necessary to address the modern technology in current business environments. As noted in our opening comments to our letter, we believe this shift would be most relevant in the use of emerging technological tools and techniques, such as audit data analytics, as opposed to having a significant impact on more traditional evidence gathering. Similar to our comment in Question 2, enhancing the guidance around the source of evidence (not just internal or external but also consideration of paperless environments) would be helpful.

We also believe that another important consideration is how an auditor would access the source of information to be used as audit evidence (for example, an auditor may access a blockchain through an independent account or may use a third-party solution). We encourage the Board to add application guidance in the "Sources" section of the proposed standard to acknowledge that the auditor may also consider how the source is accessed and whether that would affect the reliability of information to be used as audit evidence. We believe this would be particularly helpful as auditors continue to gain direct access to outside sources, such as logging in to bank or broker accounts.

Question 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 additional relevant attributes of audit evidence that are missing from the proposed SAS.

Question 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?

We are generally supportive of the diagram, as noted in the body of our letter. With regard to the relevance and reliability plane in the diagram, the phrase "sufficiently precise and detailed" appears to be missing, and the proposed SAS seems to put that attribute on the same level as the attributes already included on this plane. We ask

the Board to consider either adding this to the diagram or revising the way this attribute is presented in the proposed SAS.

Question 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.

In general, we found the examples helpful and relatively “timeless” given the nature of the areas addressed by the examples. We note, however, that there are a large number of examples, so, we challenge the Board to consider whether some examples would be better suited in implementation guidance or in separate guides. We believe this other forum also gives the Board the opportunity to further expand on the examples, when appropriate.

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

Please refer to the comments provided in the body of our letter regarding the section on bias in conjunction with our response. We recognize that incorporating guidance on professional skepticism can be difficult and requires care. This is particularly true in light of the audit documentation requirements. It can be extremely difficult for an auditor to document the application of professional skepticism in various judgments and audit responses throughout the audit. Please refer to our response to Question 15 below for further recommendations.

Additionally, we believe an important aspect of concluding on sufficient appropriate audit evidence and applying professional skepticism lies in the supervision and review of the engagement. We recommend that the Board consider enhancing the guidance provided in AU-C section 220, *Quality Control for an Engagement Conducted in Accordance with Generally Accepted Auditing Standards*, particularly the applicable bullet in paragraph .A16, in order to better link supervision and review to the proposed concepts in the exposure draft.

Question 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.

Please refer to the comments conveyed in the body of our letter and in responses to other questions regarding our views and recommendations on further enhancing the guidance around professional skepticism.

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

We have provided comments on the definition of “sufficiency (of audit evidence)” in the body of our letter. In addition, we considered the proposed definition of “external information source” and compared it to the definition used in International Standards on Auditing. It is unclear to us whether the Board is trying to drive a different view of what an external information source is by using the word “develops” instead of “provides.” If so, we believe this change in view is quite nuanced. We believe the use

of the word “develops” also narrows the definition, which we do not support. We believe it would be more appropriate to retain the broader definition of “external information source” by using the word “provides,” which would allow auditors to apply the requirements of the proposed SAS in determining sufficiency and appropriateness.

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

We did not identify any additional terms that merit defining in the proposed SAS.

Question 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.

We recognize this is a difficult balance to achieve given the pace of change with technology, but we generally believe there is sufficient and helpful guidance in the proposed SAS to appropriately assist auditors. Guides could also be developed in the future to provide more detailed guidance, when deemed appropriate.

Question 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?

Please refer to the comments on this topic included in the body of our letter. We also provide several paragraph-level comments in Appendix B to our letter. We believe the guidance with respect to oral confirmations needs to be enhanced and suggest clarifying the scope of and providing additional guidance in AU-C section 505.

Question 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.

Given the nature of the changes to the proposed standard, we support relocation of the content related to the use of management’s specialists out of AU-C section 500.

Question 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 support moving the relevant content to a separate new standard in the 500 series. The current focus of AU-C section 501 relates to selected accounting concepts and assertions. Therefore, we believe other revisions to AU-C section 501, such as the scope and objective of the standard, would be required in order for the management’s specialists content to fit appropriately. Given the reasons for the proposed relocation, we believe a separate new standard would be most efficient and would better position the nature of the content.

Question 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 the application of the proposed SAS would result in audit documentation requirements beyond those that already exist in the standards. Particularly, we believe use of the word “consider” in paragraphs .10 through .13 of the proposal is understood to mean that there are no incremental audit documentation requirements.

Nevertheless, we believe auditors could benefit from additional guidance on how AU-C section 230.08, and the related guidance in paragraph .A12, could be applied within the context of the auditor’s consideration of the attributes of the information to be used as audit evidence. We recommend adding application guidance to paragraph .09 of the proposed standard. This could be in the form of an example that indicates that the auditor’s evaluation includes consideration of certain attributes of information to be used as audit evidence and what could rise to the level of a significant judgment in those considerations that would result in documentation versus a judgment that may not be deemed significant and, therefore, would not require documentation under AU-C section 230.

Appendix B

Paragraph-level comments

Following please find certain paragraph-level comments for the Board's consideration. Suggested edits are shown as ***bolded italics*** for additions and ~~strikethrough~~ for deletions.

Paragraph	Comment
.04	<p>We recommend the following edits to this paragraph to (i) minimize confusion regarding the connection of the auditor's overall conclusion in the audit (that is, whether sufficient appropriate audit evidence has been obtained) to something that occurs during the audit (the exercise of professional skepticism) and (ii) better align this guidance with AU-C section 315.</p> <p>The <i>auditor's</i> overall conclusion about whether sufficient appropriate audit evidence has been obtained is a matter of professional judgment, and <i>to form such conclusion, the auditor exercises</i> involves exercising professional skepticism in obtaining and evaluating audit evidence. The auditor's evaluation of whether sufficient appropriate audit evidence has been obtained includes evaluating the following:</p> <p>a. Whether the assessment of the risks of material misstatement at the <i>financial statement and</i> relevant assertion levels remains appropriate...</p>
.05	<p>We believe the use of "factors" in this paragraph is redundant when used with "attributes" and could be confusing when considering the notion of "risk factors" found elsewhere in the standards. Therefore, we recommend deleting the term as follows:</p> <p>This proposed SAS sets out attributes and factors of information.... The attributes and factors used to evaluate information....</p> <p>We recommend similar edits to paragraphs .A4 and .A42.</p>
.08	<p>We recommend organizing the defined terms in alphabetical order to align with the presentation of definitions throughout the other AU-C sections. Also, please refer to our comments in the body of our letter as well as our response to question 9 in Appendix A to this letter for additional views regarding the definitions.</p>

Paragraph	Comment
.10	<p>We believe the flexibility provided by this proposed requirement is positive and conveys, appropriately, that these attributes lie on a spectrum, that audit evidence is collective in nature, and that one does not consider each piece of information in a vacuum. However, we found the language of this paragraph to be cumbersome given the proposed construct. We believe this paragraph is a combination of the existing guidance in paragraphs .07 and .09 of AU-C section 500. We believe separating this paragraph into two paragraphs would be helpful. As such, we propose the following:</p> <p>.10 In evaluating information to be used as audit evidence in accordance with paragraph 9, the auditor should consider the relevance and reliability of the information.</p> <p>.10A When using information produced by the entity, the auditor should consider whether the information is sufficiently reliable for the auditor's purposes, including, as necessary, in the following circumstances:</p> <ol style="list-style-type: none"> Obtaining audit evidence about the accuracy and completeness of the information Evaluating whether the information is sufficiently precise and detailed for the auditor's purposes
.14	<p>We observe that this paragraph was restructured from the existing extant requirement; however, we feel the proposed construct makes the requirement convoluted and confusing. We recommend replacing the proposed requirement with the following:</p> <p>If the auditor identifies circumstances where either</p> <ol style="list-style-type: none"> audit evidence obtained from one source is inconsistent with that obtained from another or the auditor has doubts about the reliability of information to be used as audit evidence, <p>the auditor should determine what modifications or additions to audit procedures are necessary to resolve the matter and should consider the effect of the matter, if any, on other aspects of the audit.</p>
.A1	<p>We do not find this application paragraph particularly helpful within the context of paragraph .02. Since we are unsure what the Board is trying to convey, we recommend deleting this application paragraph.</p>
.A2	<p>Please refer to our comments in the body of the letter regarding the context and use of the term "persuasive" in AU-C section 330 relative to the proposed definition of "sufficiency" of audit evidence.</p>
.A5	<p>Similar to our comment on paragraph .05 above, we believe the use of "factor" in this paragraph could be confusing. Therefore, we recommend the following revisions:</p> <p>When considering the persuasiveness of audit evidence, the amount of audit evidence obtained may be a factor for the auditor to may consider the amount of audit evidence when considering the persuasiveness of audit evidence. However, obtaining more audit evidence may not compensate for its lack of appropriateness.</p>

Paragraph	Comment
.A6	We found the first sentence of this paragraph confusing because it is a definition of “audit evidence” that does not agree with the new definition of audit evidence proposed in paragraph .14 of AU-C section 200 on page 37 of the exposure draft. Therefore, we recommend that the Board delete the first sentence of this paragraph so as to avoid confusion regarding the proposed definition of audit evidence.
.A8	We note that this paragraph refers to Appendix A, and we suggest that the requirement paragraph refer directly to the appendix as opposed to having the intermediary application paragraph. Further, we believe the content of Appendix A in the proposal seems to discuss more than just the definition of “external information source.” We recommend the Board consider whether other paragraphs, such as paragraph .11, should also refer to Appendix A.
.A28	Per our comments in the body of our letter, we recommend rewording this paragraph.
.A29	Based on our comments in the body of our letter, we recommend this paragraph be replaced with the following: Information may be susceptible to bias either in its development or due to interpretation of the information by the entity.
.A30	Likewise, we recommend replacing this paragraph with the following: Information may be more susceptible to management bias if it is generated from internal sources.
.A31	In addition, we recommend replacing the lead-in to the bullets of this paragraph to the following: Judgment may be required in determining how susceptibility to bias affects the auditor’s evaluation of the reliability of information to be used as audit evidence....
.A32	This paragraph appears misplaced and could be more helpful if placed within the application guidance related to sources, which begins at paragraph .A34. We further note that this paragraph discusses the “suitability” of external information even though the definition of external information source focuses on “availability.” We believe consistency would make this guidance more clear; refer to the comments regarding the definitions in the body of our letter.
.A33	As discussed in the comments in the body of our letter, we recommend deleting this paragraph.
.A42	We believe auditors would benefit from the Board taking this application guidance a bit further to add what the implications could be on the auditor’s use of external information when the auditor is faced with the practical considerations referred to in the paragraph.
.A44	We are concerned that the blockchain example in this paragraph could be viewed as contradictory to the blockchain discussion in paragraph .A15. We do not believe that the reliability of the information on a blockchain would be viewed differently if the entity subject to audit is, for example, a miner of digital currency as opposed to a holder of currency. We ask the Board to consider

Paragraph	Comment
	these two paragraphs together and to further explain in .A44 the reliability of information in a blockchain.
.A47	We recommend deleting the last sentence of this paragraph. It appears to address a different concept than what is discussed in the first sentence, and we disagree with the premise that information provides assurance. We believe that information does not provide assurance.
.A68	We found the guidance provided in this paragraph to be helpful and believe it can be further enhanced with additional clarification. At the latter part of the paragraph, we believe the Board is conveying that, even though an audit data analytic is not a test of details or a substantive analytical procedure, an auditor could depart from the relevant requirement and use audit data analytics as an alternative procedure that meets the objective. We ask the Board to consider more clearly bridging the “transition” from risk assessment audit data analytics to substantive procedures.
Appendix A	<p>We found this appendix informative and useful; therefore, we encourage the Board to retain it in the final standard after considering potential revisions based on the following observations:</p> <ul style="list-style-type: none"> • Paragraph 4 appears repetitive of paragraph 8 of the proposed SAS. We question whether the paragraph is needed in both places. • The phrase “regardless of whether that information has been used by the entity in preparing the financial statements” in paragraph 6 is unclear. Is this phrase implying that there is other information that may be disclosed or presented with the financial statements? • We suggest that the lead-in to paragraph 8 be simplified as we found it difficult to follow. We also believe the phrase “can likely be considered” in the first bullet can be simplified by using “may,” unless the Board intends for something stronger.
505.08	We note that the heading above paragraph .08 in extant AU-C section 505 is “Management’s Refusal to Allow the Auditor to Perform External Confirmation Procedures.” We assume that the proposed heading in the exposure draft, which reads “When a Written Response to a Positive Confirmation Request Is Necessary to Obtain Audit Evidence”, is a typo as opposed to an amendment being proposed by the Board. We believe the existing heading is more appropriate.
505.12 (not presented in the exposure draft)	<p>Extant AU-C section 505, paragraph 12, which precedes this paragraph and is not presented in the exposure draft, bears the heading “Nonresponses and Oral Responses.” As proposed, the concept of “oral responses” could meet the definition of an external confirmation, so it appears inappropriate to characterize oral responses as an alternative procedure to external confirmation procedures.</p> <p>We further observe that the Board proposes the deletion of the phrase “relevant and reliable” in a variety of places, but extant paragraph 12 also contains this phrase, and there is no corresponding proposed amendment in the exposure draft. We recommend the Board re-analyze the instances where the phrase “relevant and reliable” appears in US GAAS in order to achieve consistency throughout the AU-C sections.</p>

Paragraph	Comment
505.13	The proposed amendments related to this paragraph and its application paragraphs appear inconsistent. We believe the Board intends to retain the notion that, if the auditor determines that a written external confirmation is necessary, alternative procedures would not provide enough audit evidence. However, the Board has proposed deleting “written” from the heading above paragraphs .13 and from paragraph .A27. We recommend the original headings be reinstated if the Board intends to limit this requirement to written responses.
505.A12	We are unsure how the bullets presented in this application paragraph would apply to oral confirmation responses. We recommend the Board revise this paragraph to make it more cohesive and inclusive of the various types of responses that the auditor may obtain.
505.A27 (proposed to be deleted in the exposure draft)	<p>We believe there are certain aspects of paragraph .A27 that would still be useful to auditors. We ask the Board to consider reinstating the following, as revised, to support, as application guidance, paragraph .10 of AU-C section 505:</p> <p>The auditor may perform additional procedures to address the reliability of the evidence provided by the oral response, such as initiating a call to the respondent using a telephone number that the auditor has independently verified as being associated with the entity. For example, the auditor might call the main telephone number obtained from a reliable source and ask to be directed to the named respondent instead of calling a direct extension provided by the client or included in the statement or other correspondence received by the entity. The auditor may determine that the additional evidence provided by contacting the respondent directly, together with the evidence upon which the original confirmation request is based (for example, a statement or other correspondence received by the entity), is sufficient appropriate audit evidence. In appropriately documenting the oral response, the auditor may include specific details, such as the identity of the person from whom the response was received, his or her position, and the date and time of the conversation.</p>
540.A70	Consistent with our comments in the body of our letter, we recommend revising the proposed references to “risk of bias” to “susceptibility to bias.”