

## Audit Evidence – Deeper Analysis of Relevant Feedback from ED-500<sup>1</sup> and the Strategy and Work Plan Consultation<sup>2</sup>

This Agenda Item outlines the scope and objectives from the deep-dive analysis performed on the relevant feedback from the public consultations for ED-500 and the Strategy and Work Plan. Appendices 1 and 2 include the comments provided by respondents from these public consultations, grouped by key insights relevant to the analysis performed. Also refer to **Part A** of **Agenda Item 8** for the key observations from the analysis.

### Scope and Objective of the Deep-Dive Analysis

1. The Audit Evidence Task Force (AETF) performed a deeper analysis of:
  - Responses to question 4 of ED-500 that sought feedback from respondents if they agreed that ED-500 is appropriately balanced with respect to technology by reinforcing a principles-based approach that is not prescriptive but accommodates the use of technology by the entity and the auditor, including for the use of automated tools and techniques (ATT) (see **Appendix 1**).
  - Responses to question 4 of the Strategy and Work Plan Consultation that sought views from respondents if they supported the identified possible new standard-setting projects, focusing on possible projects to revise ISA 330<sup>3</sup> and various ISAs of the 500-series<sup>4</sup> or undertaking a technology targeted or omnibus project(s)<sup>5</sup> (see **Appendix 2**).
2. The objectives of the analysis included to:
  - A. Identify stakeholder perceptions of what would be an effective approach to address technology related matters (e.g., providing authoritative or non-authoritative material).
  - B. Obtain a deeper understanding of the specific issues raised by respondents relevant to the project objective for technology-focused modernization of ED-500 to help inform the AETF further actions how those issues could be addressed.
  - C. Identify areas of overlap and interdependencies from the feedback to ED-500 and the Strategy and Work Plan Consultation for technology-focused modernization and other aspects where there may be interdependencies (e.g., matters that relate specifically to proposed ISA 500 (Revised), to other ISAs, or to both). This would help further inform the AETF consideration where and how certain topics from the feedback may be addressed (within and outside of ED-500).

<sup>1</sup> Exposure Draft (ED-500): [Proposed International Standard on Auditing \(ISA\) 500 \(Revised\), Audit Evidence, and Proposed Conforming and Consequential Amendments to Other ISAs](#).

<sup>2</sup> See the [Consultation Paper](#) on the IAASB Strategy and Work Plan 2024–2027.

<sup>3</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>4</sup> ISA 501, *Audit Evidence—Specific Considerations for Selected Items*; ISA 505, *External Confirmations*; ISA 520, *Analytical Procedures*; and ISA 530, *Audit Sampling*

<sup>5</sup> The Strategy and Work Plan Consultation indicated that the technology targeted, or omnibus project(s) may include undertaking a targeted or a broad-spectrum update of the ISAs for the impact of technology, which may primarily relate, or could be scoped to specifically address the audit evidence standards in the ISA 500 series and selected other ISAs.

## Appendix 1

### Deep-Dive Analysis of the Technology Related Feedback for Question 4 of ED-500

No.	Key Insights	Views from the Written Responses to ED-500
<b>Stakeholder Expectations for the Approach How to Modernize ED-500 for Technology</b>		
1.	<i>Support for principle-based approach, given the role and nature of ED-500 as an overarching standard. However, providing more specificity for technology is not necessarily inconsistent with the principle-based approach</i>	<ul style="list-style-type: none"> <li>Broad recognition that it is important for the approved standard to remain flexible, future-proof and fit-for-purpose to support its continued application, even as forms and sources of audit evidence and ways to perform audit procedures evolve based on developed and emerging technology.</li> <li>Broad support for the principles-based approach of ED-500 as an overarching audit evidence standard. However, inclusion of more examples on the auditor's use of ATT will assist the auditor to put into practice the principles.</li> <li>While it is important that ED-500 accommodates the use of technology, rather than mandating the use of ATT, there is an expectation that more can be done to acknowledge the changing landscape, and the significant role that data and technology play, as the auditor considers audit evidence. For example, the procedures applied to the data to obtain audit evidence using ATT need to be positioned as an integral part of the standard.</li> <li>Other standard-setters have already gone further (e.g., AICPA Statement on Auditing Standards (SAS) 142, <i>Audit Evidence</i><sup>6</sup> takes a more progressive tone in terms of the use of ATT and includes a comprehensive example how the use of an audit data analytic can simultaneously accomplish the objectives of both risk assessment and substantive audit procedures).</li> <li>We consider that a number of the changes to ED-500 are helpful in paving the way for auditors to make better use of technology in performing an audit. However, there is no reference to ATT within the main body of the standard itself with all references included in the application material and there are very few examples given.</li> <li>Some practitioners remain reluctant to shift away from traditional audit processes which do not make significant use of newer technologies. The IAASB should consider whether this reluctance could be partially attributable to the limited extent of promotion of technologies within the ISAs and there is a need to highlighting the use of and 'acceptability' of these technologies within ED-500.</li> </ul>

<sup>6</sup> The American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards [SAS 142, Audit Evidence](#).

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2.	<i>Expectation and demand for more authoritative material on the auditor's use of ATT when obtaining and evaluating audit evidence</i>	<ul style="list-style-type: none"> <li>• The IAASB has separately published non-authoritative guidance (NAG) on the use of technology in the audit. The fact that ED-500, as an authoritative standard does not address the questions raised by the NAG as part of the application material may be a disappointment to some stakeholders.</li> <li>• As the use of technology evolves, auditors are seeking increased direction from regulators and standard setters regarding the role of technology in obtaining audit evidence through international authoritative standards. By avoiding the issue, standard setters make auditors responsible for developing their own approaches and methodologies, or following conflicting local guidance, which leads to increased inconsistency across international networks.</li> <li>• The IAASB's NAG is not as strong as including specific guidance and examples in ISA 500 (Revised) on this issue.</li> <li>• ED-500 is technology neutral. By adopting this neutral approach, the requirements are not explicitly clear on what is expected when auditors use ATT to perform procedures.</li> <li>• It is also important that standards do not inadvertently inhibit innovations in how technology is used in an audit that enhance audit quality.</li> <li>• There is no reference to ATT within the main body of the standard itself with all references included in the application material and there are very few examples given.</li> <li>• Developments in technology have affected how audits are performed, for example, by increased use of ATT, audit data analytics, robotic process automations, machine learning and artificial intelligence (AI). The IAASB will ultimately need to go further in clarifying what auditors are required to do for the evaluation of audit evidence obtained through these technologies. This can be accomplished by principles-based requirements and relevant application material leveraging on the recent NAG published by the IAASB.</li> </ul>
3.	<i>Perceived effectiveness of technology NAG versus authoritative material</i>	<ul style="list-style-type: none"> <li>• Whilst the IAASB has published some excellent NAG on the use of technology in audit, these publications are not widely publicized, and the information therein is not reaching front line auditors. Being classed as guidance also results in divergent local practice and regulatory views.</li> <li>• Whilst we understand that it is difficult to incorporate technology guidance into the ISAs due to the fast-paced nature of technological development, a greater degree of authority for such guidance is nevertheless desirable. The IAASB might consider creating a separate section of application guidance that is annotated to say it will be</li> </ul>

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		<p>updated at a faster pace than is normally the case with ISAs, but which has the requisite authority needed to promote global consistency of interpretation and practice.</p> <ul style="list-style-type: none"> <li>While we acknowledge the work performed by the IAASB's Technology Consultation Group (TCG), however the NAG published by this group does not appear to have gained much traction, resulting in questions persisting in practice.</li> <li>We acknowledge the Board's work plan proposal to undertake a technology omnibus project, and we acknowledge the content within current staff guidance documents, but these are not visible enough. Therefore, we support work to constructively find a way to make this material more visible.</li> <li>While we acknowledge the work performed by the IAASB's TCG, the NAG it has published has not alleviated the questions that are being faced in practice and we believe a greater focus on technology within the standards is necessary.</li> <li>We see significant value in the NAG, Investigating Exceptions and Relevance of Performance Materiality When Using Automated Tools and Techniques, that was issued recently by the IAASB.</li> </ul>
4.	<p><i>Support for timely issuance of technology related NAG for:</i></p> <ul style="list-style-type: none"> <li>- <i>Targeted, specific topics and emerging challenges.</i></li> <li>- <i>To support effective implementation of ED-500</i></li> </ul>	<ul style="list-style-type: none"> <li>The Board is encouraged to remain flexible by issuing practical guidance upon the identification of key emerging issues related to technology in a timely manner.</li> <li>Given that the challenges with use of ATT will evolve over time, many of the specific challenges may be best addressed through NAG issued by the IAASB's disruptive technologies initiative. Providing timely NAG that is also updated on an ongoing basis will assist auditors in dealing with the effects on the audit from the entity's use of emerging technologies and advancements in those technologies.</li> <li>The IAASB should also develop NAG relating to the use of ATT under the audit evidence project, similar to the technology Frequently Asked Questions (FAQs) on the use of ATT in a risk assessment under ISA 315 (Revised 2019).<sup>7</sup></li> <li>Effective implementation of ED-500 requires timely non-authoritative guidance to accompany the final standard.</li> <li>Providing some form of NAG which can be updated more regularly to provide the most current uses or types of technology that could be applied in audit procedures may be most useful for auditors.</li> </ul>

<sup>7</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risk of Material Misstatement*

No.	Key Insights	Views from the Written Responses to ED-500
		<ul style="list-style-type: none"> <li>• The AETF committed to develop technology guidance when ED-500 was approved. The IAASB is best positioned to develop NAG that will support auditors around the globe in consistently interpreting the standard when using technology to gather and evaluate information to be used as audit evidence. As the pace of change related to technology is fast, we recommend the IAASB dedicate additional resources and time to develop this material and plan for regular updates to ensure it remains current and relevant.</li> <li>• The NAG can also present more detailed examples and case studies to help practitioners understand how the principles in ED-500 would be operationalized.</li> </ul>
5.	<i>What matters should the NAG on technology cover?</i>	<ul style="list-style-type: none"> <li>• Providing examples of what is sufficient and appropriate audit evidence when using technology, published outside of the standard and not included in application material of ED-500.</li> <li>• Guidance that addresses changes in the environment (e.g., advancements in different technologies being used both by auditors and the entities they are auditing) and concrete examples around how both the entity and the auditor can use technology. Such examples should however mainly be dealt with outside of the standard.</li> <li>• Specific topics such as: <ul style="list-style-type: none"> <li>○ Evaluating relevance and reliability when entities or auditors use technology such as machine learning, blockchain, cloud computing, or reliance on service providers.</li> <li>○ What audit procedures may be appropriate if a System and Organization Controls (SOC) Report is not available or if the service organization has outsourced the relevant processes to another service organization.</li> <li>○ What audit procedures may be appropriate if the auditor is using audit software, such as MindBridge.</li> <li>○ Examples of specific tools or technologies used by entities.</li> <li>○ Examples of specific tools or technologies that could be used by auditors at various phases of the audit to gather and evaluate audit evidence, especially for practitioners in small to medium-sized practices.</li> <li>○ Examples of how the auditor may deal with testing exceptions.</li> <li>○ Examples that would be relevant to IT auditors, and in particular general IT controls and information processing controls since they are an integral part of the financial statement audit.</li> </ul> </li> </ul>

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		<ul style="list-style-type: none"> <li>Implementation guidance that provides considerations or examples of procedures by categorizing the use of technology in broad perspective, for example, it could be categorized as (1) use of technology by auditor (e.g., AI assisted audit procedures) and (2) use of technology by entity (e.g., trust services such as electronic seal) being subject to audit procedures.</li> <li>There is a lack of practical guidance to illustrate how different ATT can be used to perform audit procedures that are commonly applicable to entities, depending on the size of the entity. If such guidance cannot be included in the standard and application material, we recommend developing and issuing NAG material that addresses the use of technology in obtaining audit evidence. This approach can facilitate more regular updates as technology and its use in audit evolves.</li> <li>NAG to convey more complex and detailed examples and case studies on 'how' the application material may be applied in practice would be appropriate.</li> </ul>
6.	<p><i>Support for leveraging existing technology NAG to enhance the application material for ED-500</i></p>	<ul style="list-style-type: none"> <li>We noted that a set of NAG related to the use of ATT in performing audit procedures was issued by the IAASB TCG. It would be good if the IAASB can make reference between the non-authoritative guidance and ED-500.</li> <li>ED-500 does not have some of the NAG previously provided by the IAASB on information technology. There are some stakeholders who had expectations that ED-500 would address some key questions driven by the increasing use of technology in the audit, including, amongst others, the nature and sufficiency of evidence obtained when testing entire populations using ATT, and how to address outliers in such circumstances.</li> <li>We recommend that the work of IAASB TAG be prioritized and the ISAs, including ED-500, be updated/expanded to address the output of that project and additional more detailed examples be provided in the form of supplementary materials to guide auditors when using ATT.</li> <li>We encourage IAASB to incorporate in ED-500 the content from recently published NAG on the technology topic.</li> <li>The IAASB's FAQs Regarding the Use of Automated Tools and Techniques in Performing Audit Procedures provide useful practical guidance to assist auditors in understanding whether a procedure involving ATT may be both a risk assessment procedure and a further audit procedure. We also believe that some audit procedures using technology are now more difficult to clearly categorize as a "substantive analytical procedure" or a "test of details". This can create challenges for engagement teams using current ISA 500; we would therefore encourage the IAASB to explore further how to provide more guidance in this area, in connection with the IAASB TCG.</li> </ul>

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7.	<i>What other matters or actions should be considered?</i>	<ul style="list-style-type: none"> <li>• We also recommend that the Board consult with national standard-setters (NSS) about their initiatives related to technology.</li> <li>• The Board could consider developing an International Auditing Practice Note (IAPN) as a possible path forward related to addressing technology.</li> <li>• In our view the IAASB needs to collect feedback from firms on the ways that they are using technology and provide examples as to how these techniques might be used in obtaining audit evidence during the various stages of the audit. Furthermore, we suggest looking at the guidance issued by NSS. Some of our stakeholders noted that many NSS have issued more detailed guidance on the use of technology and that this should be the role of the IAASB, not NSS. Where necessary, the IAASB could work together with NSS to produce guidance.</li> </ul>
<b>Modernizing ED-500 for Technology (e.g., specific aspects to address, enhancements, and suggestions)</b>		
8.	<i>Defining or describing ATT</i>	<ul style="list-style-type: none"> <li>• ATT are not defined in the standard yet are defined in the Proposed ISA for Less Complex Entities (LCEs) (para 2.3 of the Proposed ISA for LCE's standard). We recommend that a definition is included in ED-500 (or other relevant standards) for consistency.</li> <li>• We believe a definition for "automated tools and techniques" should be added to ED-500. Currently, this term is used in application material of ED-500 and in other ISAs. However, the term is not defined in the Handbook. To promote a consistent understanding of this term, especially if the IAASB agrees to add a new requirement that refers to this term, a definition is needed.</li> <li>• We note the positive move away from computer-assisted audit techniques (CAATs) to ATT and changes of terminology from electronic media to digital media.</li> <li>• If the term is not defined in the standard, at a minimum, the term should be described in the first application material paragraph where it is used.</li> <li>• We suggest reconsidering the appropriateness of using the term "automated" and possibly changing it to another term, such as "technology-utilized tools or techniques," or clarifying the meaning of ATT in the standard. It is important to avoid misunderstanding that an audit procedure using ATT does not require auditor's professional judgment or any other involvement.</li> </ul>

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9.	<i>Including a requirement when the auditor uses ATT</i>	<ul style="list-style-type: none"> <li>Just as there is an explicit requirement when using information prepared by a management's expert, there should be an explicit requirement when the auditor plans to use an ATT. While this may be implicitly covered by the proposed requirements in ED-500, having an explicit requirement will help to build consistent practice and address or mitigate common deficiencies noted by regulators.</li> <li>With adding an explicit requirement, we believe ISA 500 (Revised) can still be technology neutral as the requirement would only be applicable when the auditor plans to use an ATT.</li> </ul>
10.	<i>Enhancements to the application material discussing automation bias, including a more neutral discussion</i>	<p><i>More balanced discussion for automation bias:</i></p> <ul style="list-style-type: none"> <li>Including only the drawbacks related to automation bias might be interpreted as being overly cautious or negative about the use of technology rather than appropriately facilitating the use of technology.</li> <li>There is an emphasis on automation bias in the application guidance, over the other types of bias. This emphasis may discourage the use of digital information or ATT in the audit. We recommend that risks discussed related to the use of technology in the audit (such as the risk of automation bias) be balanced with a similar amount of content explaining the benefits that can be obtained by the use of technology in an audit.</li> <li>We note that automation bias is discussed in the application material, but note that as currently written, this may be interpreted as a barrier to the adoption of technology, rather than encouraging the use of ATT.</li> </ul> <p><i>Other improvements for the material on automation bias:</i></p> <ul style="list-style-type: none"> <li>There should be a clear distinction in the standard between the auditor's use of ATT in obtaining audit evidence and the entity's use of ATT within its financial reporting processes.</li> <li>Provide an example of instances or situations when vulnerability to automation bias may be greater.</li> <li>Examples of circumstances when the use of ATT may give rise to unconscious biases, including automation bias and the possible procedures the auditor can perform to avoid biases in such circumstances.</li> </ul>
11.	<i>Emphasis needed on the engagement partner's responsibility for the</i>	<ul style="list-style-type: none"> <li>Include the need for the auditor to assess whether the use of the ATT is appropriate in the circumstance to meet the intended purpose of the audit procedure, notwithstanding the fact that the ATT itself has been approved by the auditor's firm.</li> </ul>



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	<i>appropriate use of technological resources</i>	<ul style="list-style-type: none"> <li>Auditors may also use software to design ATT that are customized to obtain audit evidence for the particular audit engagement. In such instances, the engagement partner takes responsibility for the effective functioning of the custom solution, as required by paragraph 25 of ISA 220 (Revised).<sup>8</sup> We believe that paragraph A23 of ED 500 should be expanded to address ATT developed at the engagement level with reference to ISA 220 (Revised) to refer to the engagement partner's responsibility for the appropriate use of technological resources on the audit engagement.</li> <li>While auditors often use ATT that have been developed and approved at the firm level, for other tools or techniques, the review is at the engagement-level. Many firms encourage innovation and have developed protocols to help guide teams in making sure they apply the appropriate engagement-level supervision and review procedures over such audit procedures.</li> </ul>
12.	<i>Clarify for the different categories of digital information and guidance for the different auditor considerations to evaluate their reliability</i>	<ul style="list-style-type: none"> <li>More guidance is needed for the unique risks related to digital information (e.g., an entity's data retention policies and availability of digital information, risks relating to the transformation of the information from its original form, or, where information is only in digital form, and whether testing the operating effectiveness of IT related controls may be necessary).</li> <li>We note that at times ED-500 co-mingles the concepts of electronic data, i.e., information that is developed and/or stored within an entity's IT system or obtained electronically from an external source, and electronic documents, i.e., information which is obtained in electronic documentary form. We recommend that the standard more clearly distinguish between the two and set out considerations with respect to each.</li> <li>We refer the IAASB to the AICPA SAS 142, <i>Audit Evidence</i>, which defines electronic information separately and distinguishes between electronic documents and data, and which provides further guidance regarding establishing the reliability of each, in a balanced way. It also addresses information that has been transformed from its original medium into an electronic format and discusses additional audit procedures to address reliability, e.g., testing controls over the transformation and maintenance of the information, which we consider would be helpful to include within ED-500.</li> <li>We welcome the proposal to expand the scope of information that could constitute audit evidence, to include 'digital information'. However, our stakeholders advised us that they felt that the concept of 'digital information' is not clearly articulated in the ED-500. 'Digital information' could broadly be categorized to include: (i) Digital data –</li> </ul>

<sup>8</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

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		<p>information that is developed and/or stored within an IT system or obtained electronically from an external source</p> <p>(ii) Digital documents – information which is obtained in electronic format, for example, an electronic confirmation</p> <p>(iii) Information that has been transformed from its original medium into an electronic format, for example, a scanned version of an executed contract.</p> <ul style="list-style-type: none"> <li>Using different categories of digital information when obtaining audit evidence may require the auditor to perform different audit procedures to evaluate reliability. For example, with digital data the auditor may design audit procedures to test the effectiveness of controls over their accuracy and completeness. In contrast, inspecting underlying original documents to validate the authenticity of information in electronic form will be more appropriate as an audit procedure when evaluating the reliability of information that has been transformed from its original medium into a digital document. We recommend that the IAASB provides the distinction between, and clarity around, different audit procedures that may be required to evaluate the reliability of the different categories of 'digital information'.</li> </ul>
13.	<i>Explicit recognition for audit data analytics as a type of audit procedure</i>	<ul style="list-style-type: none"> <li>We feel that the standard can specifically elaborate on data analytics to support and facilitate its adoption.</li> <li>Data visualization and process mining could potentially be included as audit techniques in the section <i>Types of Audit Procedures</i> in the Appendix.</li> <li>The proposed standard is unduly limiting, in part because it does not define ATT or data analytics, and does not explain how using audit data analytics fits into the types of procedures that the auditor may perform.</li> <li>We are of the view that ED-500 only addresses ATT and not audit data analytics, which we view as being a type of ATT. Accordingly, more is needed in ED-500 to provide guidance on how audit data analytics are used in an audit engagement. For example, whether audit data analytics may be used to inform risk assessment, as a risk assessment tool or as a substantive audit procedure, and if a substantive analytical procedure, the criteria that need to be satisfied for the audit data analytics to provide substantive evidence. While we appreciate the recognition that technology is continually changing and that standards need to be principles-based, we recommend that consideration is given to including such guidance in an Appendix to the proposed standard, given an Appendix will likely be easier to update as technology progresses.</li> <li>More guidance can be provided on the use of technology, including techniques such as predictive analytics, process mining, data visualization and whether such guidance could form a further Appendix to the standard.</li> </ul>

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		<ul style="list-style-type: none"> <li>• In practice, ATT and audit data analytics are often conflated. Guidance in the standard that explains the range and examples of procedures that comprise ATT would help alleviate this confusion. As such, we recommend that this is included in an Appendix to the standard.</li> <li>• The use of audit data analytics is becoming more prominent in an audit; however, some auditors are reluctant to use audit data analytics given the lack of clarity about the type of procedure and the level of evidence obtained from its performance. For example, if an auditor performs an audit data analytics and it does not result in 'notable items' or 'outliers' being identified, it is unclear what evidence the auditor has obtained from the procedure and how this impacts the evaluation of whether sufficient appropriate audit evidence has been obtained. Clarity is needed as to whether audit data analytics can be a risk assessment procedure, a substantive procedure, or both and, if both, the respective criteria it needs to satisfy. Additionally, examples about how audit data analytics may be used as a risk assessment analytical procedure and as a substantive procedure would be helpful.</li> <li>• Data visualization and process mining could be added to the Appendix of the ED-500 as types of audit procedures. These are particularly helpful for auditors to better understand the entity and to perform refined risk assessment.</li> <li>• ATT often involve the performance of certain of the types of audit procedures outlined in the Appendix to ED-500, including analytical procedures, recalculation and reperformance. It is generally straightforward for the auditor to execute these types of procedures using ATT and apply the requirements of the related ISAs (i.e., ISA 330, ISA 500 and ISA 530). However, ATT applied to an entire population of data can also be executed using a type of audit procedure that is not clearly considered in the Appendix to ED-500. The ability to disaggregate, visualize, analyze and inspect an entire population of data from multiple perspectives (e.g., time, preparer, source), with general expectations as to how the data should behave given the auditor's understanding of the entity's business model and financial reporting processes, represents an interrogation of the population of items (e.g., "data interrogation", "data mining", "scanning"). While this type of audit procedure does not clearly align with the types of audit procedures within the Appendix to ED-500, we believe it is somewhat consistent with the description of inspection. As such, we encourage the IAASB to expand the description of an inspection procedure to include the disaggregation, visualization, analysis and inspection of data from multiple perspectives within the Appendix of ED-500.</li> <li>• We believe that the bullet on ATT in paragraph A29 of ED-500 should be expanded to explain that an inspection of an entire population of items can be performed through data analysis. At a minimum, we suggest data analysis as</li> </ul>

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		<p>an audit procedure should be recognized in some manner in the Appendix of ED-500 with supporting explanation as to how it reconciles to the existing types of audit procedures.</p> <ul style="list-style-type: none"> <li>The application material needs to address more complex uses of technology such as data assurance. If this cannot be done in the standard, then the IAASB should consider providing non-authoritative guidance which can be updated more regularly to provide more detail about the use of technology in audit procedures.</li> </ul>
14.	<p><i>Enhancing the Appendix of ED-500 to explicitly recognize how new technologies can be used in the performance of various types of audit procedures</i></p> <p><i>Further consideration and explicit recognition needed for current forms of technology and ATT (e.g., robotic process automation and artificial intelligence)</i></p>	<ul style="list-style-type: none"> <li>There is a lack of clarity on the procedures the auditor should perform with reference to the evaluation of the audit evidence obtained from the use of ATT (data analytics, machine learning, AI, etc.) that are affecting, and will affect more and more in the future, the audit activity.</li> <li>Providing more examples where technology is used in the performance of the various types of audit procedures in the Appendix. For example, the use of remote observation tools, performing recalculation procedures on 100 percent of populations, or the use of data analytics to perform risk assessment or substantive procedures to name a few.</li> <li>We would recommend that the IAASB includes more detailed examples that draw attention to or recognize the use of technology by the entity and by the auditor. References to ATT throughout the application guidance are general in nature, excluding the sections on auditor bias and automation bias. We would propose that different types of ATT could be mentioned and demonstrated within the appendix when discussing the types of audit procedures.</li> <li>As emerging technologies become more mainstream (e.g., the entity's use of robotics process automation or machine learning), entities are applying these technologies in their financial reporting processes, which introduces new or changing risks of material misstatement to the financial statements. As the pace of change continues to accelerate, management, those charged with governance and auditors will need to have a clear understanding of the roles and responsibilities that govern an entity's technology and innovation strategies and address the risks arising from the entity's use of emerging technologies in the financial reporting processes. While we understand that these considerations are emerging, we believe the application material in ED-500 should include an acknowledgement of the challenges that the auditor can face in obtaining audit evidence when the entity employs emerging technologies in their financial reporting processes.</li> <li>We believe clarifications should be made to paragraph A42 in ED-500 to more accurately address the auditor's responsibilities when the entity uses technology that learns and changes over time (i.e., applications that incorporate Artificial Intelligence) in the financial reporting processes. When the auditor identifies such an IT</li> </ul>

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		<p>application as one that is subject to risks arising from the entity's use of IT (as defined in ISA 315 (Revised 2019)), the auditor needs to consider the unique risks to the integrity of the information processed by this IT application, which in turn will affect how the auditor evaluates information from it that is intended to be used as audit evidence. Specifically, paragraph A42 of ED-500 states that "... the entity may use machine learning technology to predict the recoverability of accounts receivable, which is periodically updated (e.g., for changes in payment history, customer credit scores or economic factors). In this case, the auditor may need to perform the audit procedures close to the financial reporting date when the information generated is current, since performing audit procedures at an earlier or later date may render a different outcome". We do not believe that adjusting the timing of procedures performed adequately addresses the risks introduced by the use of an application that learns and evolves over time (i.e., Artificial Intelligence or machine learning). We believe the example should be amended to instruct the auditor to consider the unique risks arising from the entity's use of IT that affect the integrity of the information used by the IT application and the relevance and reliability of the output of the IT application over the audit period when designing audit procedures.</p> <ul style="list-style-type: none"> <li>• ED-500 does not discuss how the use of Artificial Intelligence (AI) could affect an audit. Given the speed at which AI is evolving, such guidance could perhaps be included in supporting documentation where it can be updated at a faster pace than an ISA.</li> <li>• Another aspect which may be tied into the standard, not currently covered, is the auditor's responsibility and safeguards for the use of Artificial Intelligence (AI) during the audit. The auditor will need to have a clear policy in place for the use of AI and establish procedures to verify authenticity of working papers and audit evidence.</li> <li>• There are more prevalent forms of technology used in current practice to undertake audit procedures (e.g., artificial intelligence), which should be acknowledged in paragraph A17 of ED-500 where examples have been provided.</li> <li>• We would have expected more guidance on how developments in technology have affected the way audits are performed, for example, use of ATT, such as data analytics, robotics, machine learning and artificial intelligence and how the outputs of the use of such new tools can be considered and used as audit evidence.</li> <li>• The adoption and adaptation of artificial intelligence is rapidly evolving and will have a profound impact on the future-state of information – both in terms of how it is produced and how it may be analyzed. We suggest that the Board consider whether potential implications to the auditor's responsibilities in regard to artificial intelligence, either used by an entity subject to audit or used by the auditor in applying audit procedures, should be contemplated and incorporated into the proposed standard prior to finalizing this project.</li> </ul>

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		<ul style="list-style-type: none"> <li>As one of the key objectives for the revision of the standard was to reflect usage of technology (data analytics, visualization, AI, data mining etc.), we expect that the application part will provide more useful example of impact of using of such technology. For example, the appendix where types of audit procedures are listed lists only non-sophisticated procedures (mainly related to risk assessment) such as visualization or data analytics are listed. The standard does not elaborate on use of more advanced technology for substantive procedures. We also believe that usage of AI in audit will increase and there is no guidance in application part how to work with the output provided by AI.</li> </ul>
15.	<i>Selecting items for further testing</i>	<ul style="list-style-type: none"> <li>The revision of ISA 500 was an opportunity to really drive change in the use of technology in obtaining higher quality audit evidence by assessing/analyzing entire populations and identifying outliers for further investigation rather than adopting traditional sampling techniques.</li> <li>Expanding the guidance in paragraph A32 of ED 500 or providing further example(s) of using ATT to select items for testing. For example, establishing criteria to identify items for further investigation and factors for the auditor to consider when evaluating items identified.</li> <li>We believe the guidance outlined in paragraphs A27 through A32 of ED-500 provides a useful explanation of the available approaches for identifying and selecting items for testing, including when using ATT. However, we believe that it is necessary to further clarify these paragraphs to expand upon the effects of the use of ATT as an inspection of an entire population. We have the following specific suggestions to enhance the guidance in this section of application material: <ul style="list-style-type: none"> <li>Paragraph A30 of ED-500 notes that key items may be selected for testing based on unusual or anomalous characteristics. It is important for the standard to acknowledge that, when using ATT, this method of selecting key items is generally performed in conjunction with selecting all items for testing. In other words, the use of an ATT that inspects the entire population of items can facilitate the auditor's identification of key items.</li> <li>Paragraph A31 of ED-500 then states that, "...selecting specific items from a population does not provide audit evidence concerning the remainder of the population". Generally, we agree with this statement. However, we do not agree that this is the case when the selection of the specific items was made in combination with using an ATT to inspect the entire population of items. When we determine appropriate criteria to identify key items in a population and systematically apply these criteria to the entire population, this analysis provides audit evidence for the items in the representative population (i.e., the entire population less key items) because we have determined that the anomalous characteristics are not present in the remaining population. Therefore, the</li> </ul> </li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>risk of material misstatement in the remaining population has been reduced (i.e., detection risk can be reduced to an appropriately low level). It is important for the standard to acknowledge that, when using ATT applying an approach to select key items in combination with an inspection of the entire population, this can result in a strategy that leaves no untested portion of a population. To be designed appropriately, however, this testing approach needs to consider non-sampling risk (i.e., the risk that not all anomalous items have been identified and selected for key item testing).</p>
16.	<p><i>Addressing exceptions/outliers identified when using ATT</i></p>	<ul style="list-style-type: none"> <li>• ED-500 should be improved by adding guidance dealing with exceptions identified through ATT. For example, how many exceptions are required to be investigated? Are all exceptions investigated? What type of evidence is needed to support an exception or not? Are exceptions part of audit evidence? Can exceptions under a specific threshold be ignored or must they all be considered?</li> <li>• Providing clarification of how auditors apply the requirements in paragraphs 14 and A91 of ED 500 when using technology and the auditor has identified items that are inconsistent with expectations established or exhibit characteristics that are unusual for a population. For example, factors for auditors to consider whether those items provide audit evidence that contradicts the auditor's risk assessment, indicates previously unidentified risks of misstatement, represents a misstatement or control deficiency, or indicates a modification to risk assessment or planned audit procedures is needed.</li> <li>• The problem of exceptions found in ATT is exasperated by ISA 500 being silent on this matter. ED-500 may allow an auditor to argue the intended purposes of the ATT procedure was to show the control was working and not to identify all (each and every) instance where the control was not working, or that the intended purpose was only to show the class or transaction or account balance had only few errors, not many, and so ignore the ATT and not consider it evidence (corroborating or contradictory) because the intended purpose of the ATT was not met. ED-500 should include guidance on whether all exceptions need to be investigated further, when the ATT test can be ignored, when only a few of the exceptions need to be investigated, or perhaps they can be added together and recorded as an audit difference. IAASB should add a specific example of what the auditor does when an ATT identifies thousands of potential exceptions and give specific guidance of what the auditor then does, for when ATT is a control test and when the ATT is a substantive test.</li> <li>• ED-500 does not have some of the non-authoritative guidance previously provided by the IAASB on information technology. There are some stakeholders who had expectations that ED-500 would address some key questions</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>driven by the increasing use of technology in the audit, including, amongst others, the nature and sufficiency of evidence obtained when testing entire populations using ATT, and how to address outliers in such circumstances.</p> <ul style="list-style-type: none"> <li>One would expect that the revisions to ISA 500 would address some key questions driven by increasing use of technology in the audit, including, amongst others, the nature and sufficiency of evidence obtained when testing entire populations using ATT, and how to address outliers in such circumstances.</li> </ul>
17.	<p><i>Clarity needed for when an audit procedure is a test of detail vs substantive analytical procedures</i></p>	<ul style="list-style-type: none"> <li>Additional guidance may be helpful in determining when an audit procedure is a test of details or substantive analytical procedure when using technology, as such determination may impact when the requirements within other ISAs become applicable e.g., ISA 520, <i>Analytical procedures</i>; ISA 530, <i>Audit sampling</i>; etc.</li> <li>Further guidance is required as to the distinguishing factors between “substantive analytical procedure” and “test of details” when it comes to audit procedures using technology.</li> <li>There is a clear distinction within the ISAs, currently, between tests of details and substantive analytical procedures, but as lines become blurred between these types of procedures, in application, and as testing moves towards interrogating 100% of a population, this presents new challenges in designing and performing these procedures, and interpreting the results, as the ISAs direct the auditor to interpret the results differently, depending on the classification of the procedure.</li> <li>The role of controls testing comes into question in situations where the auditor is able to interrogate 100% of the population and/or is addressing risks of material misstatement more generally, rather than the distinct sub-components of “inherent risk” and “control risk” sequentially.</li> <li>We recommend that the IAASB explore conforming amendments to the more prescriptive requirements set out in ISA 315 (Revised); ISA 330, and ISA 520, and ISA 530, as part of the changes to modernize the ISAs as the IAASB appears to intend, to enable auditors to use ATT to meet not only the objectives of those standards, but also to ensure that the more prescriptive requirements/approach as currently set out in those standards are sufficiently flexible to permit the broader use of ATT.</li> <li>We also suggest that ED-500 explicitly recognize that the performance of substantive audit procedures using ATT, in certain circumstances, may not clearly be substantive analytical procedures or tests of details, although they may contain elements of each, and are, rather, a different type of procedure to obtain audit evidence. Such explicit clarification would enable the auditor to focus on the results of such procedures and use these as audit evidence,</li> </ul>



No.	Key Insights	Views from the Written Responses to ED-500
		<p>without being constrained by the need to classify the procedure and follow the specific requirements of the ISAs in relation to each type.</p> <ul style="list-style-type: none"> <li>• We believe that in some audit procedures using technology is now more difficult to clearly categorize as a “substantive analytical procedure” or a “test of details”. This can create challenges for engagement teams using extant ISA 500. We would therefore encourage the IAASB, in collaboration with the IAASB TCG to further explore how to provide more guidance in this area.</li> <li>• The standard could be enhanced by establishing the type of evidence that can be obtained from the use of technology. We are particularly disappointed that there is no explicit acknowledgement that the auditor may perform substantive procedures, including substantive analytical procedures, by using ATT. The lack of clarity in international standards makes it difficult for firms in international networks to consistently adopt and enhance the use of technology in their audit methodologies. This further runs the risk of fragmentation of the audit market, with the largest firms more willing and able to invest in technologies that the mid-tier and smaller firms may not consider owing to apparent restrictions in the auditing standards.</li> <li>• Some technology-enabled audit procedures cannot be categorized either as “substantive analytical procedures” or as “test of details”. This creates challenges for engagement teams applying ISAs. We would therefore encourage the IAASB to further explore how to provide more guidance in this area, in coordination with the IAASB TCG. For example, with the use of new ATT, audit procedures may no longer neatly fit into the categories of risk assessment procedures, substantive analytical procedures, or tests of details.</li> </ul>
18.	<i>Performance of risk assessment procedures and further audit procedures concurrently</i>	<ul style="list-style-type: none"> <li>• We are supportive of the updates to ED-500 to move away from an emphasis on the classification of the different types of audit procedures that may be performed to obtain audit evidence (risk assessment procedures, further audit procedures and other audit procedures, as well as different types of further audit procedures), recognizing that procedures performed using ATT may fall within different types of audit procedures and/or may involve a blend of different types of procedures.</li> <li>• We also welcome the acknowledgement that the types of procedures described in ED-500 and other ISAs may not fully describe the procedure being performed when using ATT. For example, paragraph A18 of ED-500 notes that the auditor may design and perform an audit procedure that achieves more than one purpose, e.g., substantive procedures or tests of controls in accordance with ISA 330 concurrently with risk assessment procedures in accordance with ISA 315 (Revised 2019), when efficient to do so. Paragraph A18 of ED-500</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>highlights that in these circumstances, the auditor is required to comply with the requirements of the applicable ISAs that address the design and performance of such audit procedures.</p> <ul style="list-style-type: none"> <li>Although ED-500 (and the ISAs in general) describe that obtaining sufficient appropriate audit evidence is an iterative process, the concept of performing risk assessment procedures and then further audit procedures to respond to those risks identified is fundamental to the ISAs, with ‘bright lines’ remaining between the procedure types and an expectation overall of a sequential approach.</li> <li>ED-500 is helpful in acknowledging that the auditor may take a concurrent approach, however, we believe that, without further clarification, auditors may lack the confidence to perform these procedures concurrently given it is unclear how compatible this is with the iterative, sequential approach to assessing the risks of material misstatement and then designing and performing further audit procedures to respond to assessed risks that is described in the requirements of the ISAs. We therefore recommend that consideration be given to clarifying how concurrent performance of risk assessment and further audit procedures is compatible with the requirements either within the ED or by updating other ISAs, e.g., ISA 315 (Revised 2019); ISA 330, and ISA 520, <i>Analytical Procedures</i>, as part of this project.</li> <li>We also recommend that the IAASB include a detailed example of the use of ATT to concurrently perform risk assessment and substantive audit procedures.</li> <li>The TCG FAQ Regarding the Use of Automated Tools and Techniques in Performing Audit Procedures provide useful practical guidance to assist auditors in understanding whether a procedure involving ATT may be both a risk assessment procedure and a further audit procedure. The standard can incorporate the principle that the application of technology can be multi-purpose and include the relevant considerations from the FAQs.</li> <li>For ED-500 to remain adaptable, the language in the standard should reflect the emphasis on performing procedures that achieve their intended purpose, even if these procedures may not fall into a specific category of procedure as currently contemplated in the auditing standards. This can be acknowledged in the application material.</li> <li>The IAASB should offer more clarity on the use of ATT, especially in case these, that do not directly relate to one of the defined types of audit procedures. A clear example could provide meaningful guidance.</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
19.	<i>Clarity for documentation when using ATT</i>	<ul style="list-style-type: none"> <li>It may be useful for the IAASB to consider clarifications to ISA 230, <i>Audit Documentation</i>, on the extent and form in which the data sets used in ATT need to be retained as audit documentation. One situation where such clarification would be helpful is whether the raw data sets received from management for the purpose of data analytics would be required to be filed as part of the audit documentation. Our view is that such raw data sets should not be filed because they are not considered audit evidence.</li> <li>Some auditors are of the view that documentation on the parameters used for extraction, which would better inform on the nature, timing and extent of audit procedures performed, should be sufficient to meet the requirements of ISA 230. This would be consistent with the approach taken when audit procedures are performed using non-technological means (for e.g., manual vouching), where auditors are not required to retain copies of the entity's accounting records but can document key attributes of the documents. If the auditor chooses to retain the data sets in their raw form for ease of reference, these data sets can be maintained outside the audit working papers and not form part of audit documentation, since they do not constitute audit evidence. To enhance consistency in market practice, it would be helpful for the standard to clarify what is expected of the auditor in terms of documentation in this regard.</li> <li>We recommend that the IAASB considers developing application guidance regarding application and documentation principles around ATT. Specific areas for this guidance could include when further audit procedures using ATT have been performed, the factors that auditors need to consider determining whether evidence obtained from using ATT constitutes sufficient appropriate audit evidence.</li> <li>Clarity is needed for the documentation principles and how those principles are applied when ATT are used in performing audit procedures to obtain audit evidence and in evaluating the relevance and reliability of information intended to be used as audit evidence.</li> <li>We consider that it should address technology in greater depth; for example, including guidance on the expected audit documentation when an automated tool or technique is used to obtain audit evidence.</li> </ul>
20.	<i>Other matters</i>	<ul style="list-style-type: none"> <li>Further illustrative guidance, providing examples of current technology, would be useful to support the standard.</li> <li>The standard should include an example regarding the implications of data privacy laws and regulations with respect to using ATT in obtaining audit evidence, when discussing access to information when designing audit procedures, given the significant implications and jurisdictional variations in these laws and regulations.</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<ul style="list-style-type: none"> <li>• More examples and/or application material regarding what ATT are and how the auditor can obtain comfort over the relevance and reliability of audit evidence through the use of such tools.</li> <li>• We recommend inclusion of additional application material in regard to the use of technology at each phase of audit.</li> <li>• We note that the references and examples provided in the ED mainly relate to the usage of technology in substantive audit procedures. However, in practice, technology can be adopted in various phases of the audit, including test of controls (for example, to evaluate the operating effectiveness of identified controls). The usage of technology in risk assessment and test of controls are prevalent and critical for audits of entities that are in the IT sector or are IT-reliant and should be emphasized in the standard. For a more comprehensive and holistic approach towards the usage of technology, it would be helpful for the standard to provide guidance on how technology can be considered at each phase of the audit. For example, the application of emerging technologies in financial reporting processes introduces new risks of material misstatement. Auditors will need to have a clear understanding of an entity's technology strategy and address the risks arising from the entity's use of emerging technologies in the financial reporting processes. It would be useful for the standard to clarify what constitutes sufficient appropriate audit evidence in the context of obtaining an understanding of the entity to address these risks.</li> <li>• The application material could be expanded to include examples of types of ATT and how these can be used as part of obtaining audit evidence.</li> <li>• Application material should be added to note that auditors may consider whether there is a risk related to management not using technology; for example, in today's environment, it might raise concerns for the auditor if information that was expected to be provided in a digital format was prepared manually.</li> <li>• Further consideration around the use of appendices or other non-authoritative guidance to convey more complex and detailed examples and case studies on 'how' the application material may be applied in practice would be appropriate.</li> <li>• We believe that further guidance is required to assist the auditor in: (i) designing and performing audit procedures through the use of ATT; and (ii) evaluating information intended to be used as audit evidence and audit evidence obtained using ATT.</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<ul style="list-style-type: none"> <li>Considerations for evaluating the relevance and reliability of information intended to be used as audit evidence when ATT are used in risk assessment procedures and for further audit procedures designed to respond to an assessed risk.</li> <li>We note the high-quality technology-based examples, and we further recommend including an additional appendix that deals specifically with the use of technology in audits. This would include examples of procedures and techniques etc., and could be updated regularly to keep up with evolving technology.</li> </ul>
<b>Views on What Else Should be Done, Outside of ED-500 or in the ISAs More Broadly to Address Technology and the use of ATT in Audits</b>		
21.	<p><i>Support for a project to address the performance aspects when designing and performing audit procedures by using ATT.</i></p> <p><i>Revision of the 500-series of ISAs is also necessary to meet the stated objective for modernization with respect to technology.</i></p>	<ul style="list-style-type: none"> <li>Given that the project to develop the draft did not intend to address how to design and perform audit procedures through the use of ATT, we believe that the draft is appropriately balanced with respect to technology using a principles-based, non-prescriptive approach that accommodates the use of technology. However, we believe that a project in relation to the design and performance of audit procedures through the use of ATT ought to be considered in future.</li> <li>While we appreciate the concepts included in the ED-500 related to technology, we encourage the IAASB to continue to advance its other projects related to technology, such as in the areas of audit data analytics and other ATT.</li> <li>Support for the Board to address technology more holistically across other the ISAs in a separate project.</li> <li>We broadly support the limited guidance and examples that have been included within ED-500 that seek to explain that ATT may be used to obtain audit evidence. However, in our view, to respond fully to the questions that are being faced in practice, a more holistic focus on how technology affects the audit is needed to fully modernize the ISAs in line with the IAASB's stated objective. That includes addressing recurring questions such as how audit procedures can be designed and performed using ATT, and how such tools and techniques can contribute directly to obtaining audit evidence.</li> <li>In our recent response to the IAASB's consultation on its "Proposed Strategy and Work Plan for 2024-2027" we strongly encouraged the IAASB to prioritize its potential "omnibus" project on technology. As part of such an omnibus project, we urge the IAASB to explore ways in which the ISAs can more directly incorporate examples of how ATT can be used to support effective and efficient audit procedures and assist the auditor in obtaining relevant and reliable audit evidence. Such examples would include data analytics and visualization tools, artificial</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>intelligence, machine learning, remote observation tools, and robotic process automation. There are likely ways such guidance and examples can be incorporated into relevant ISAs that would allow the IAASB to refresh them on a more expedited basis to avoid the risk of the content becoming unduly out of date. For example, appendices to relevant ISAs could be more easily updated as part of a periodic technological update project without needing to re-open the body of the applicable standards.</p> <ul style="list-style-type: none"> <li>• We recommend that the work of the TCG be prioritized and the ISAs, including ED-500, be updated/expanded to address the output of that project and additional more detailed examples be provided in the form of supplementary materials to guide auditors when using ATT. Supplementary guidance is preferable in certain circumstances as it allows the ISAs to remain evergreen, whilst detailed examples can be included in guidance that is adapted as technology solutions are developed, including considerations in terms of next-generation technology, such as AI and Blockchain. Furthermore, as innovative solutions are developed at pace, guidance solutions may be capable of faster development and delivery than regular re-opening of standards.</li> <li>• We also recommend that the board expedites the updating of the 500 series, as well as ISRE 2400 (Revised),<sup>9</sup> to take into account the changes relating to technology. This includes providing more clarity that the use of technology is an audit procedure.</li> <li>• We believe that the objective for modernization of ED-500 cannot be effectively met through the amendment of ISA 500 in isolation without also amending ISA 330.</li> <li>• We believe that ED-500 is insufficient to reflect the use of technology and to make financial statement audits more effective and efficient. We suggest that other relevant standards related to the use of technology are to be revised in the future as well.</li> <li>• In addition, it is difficult to assess the sufficiency and appropriateness of the proposals in ED-500 as the basis for a framework standard until the proposed revisions have been made to other relevant ISAs that underpin ISA 500 series of standards.</li> <li>• As we have highlighted in our response to the IAASB's proposed Strategy and Work Plan for 2024-2027 we believe there is a need for a more comprehensive review of the ISA 500 series of standards to better take account</li> </ul>

<sup>9</sup> ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*

No.	Key Insights	Views from the Written Responses to ED-500
		<p>of technological developments. The use of technology presents challenges to auditors as to what is expected of them in terms of evaluating audit evidence. There is more for the IAASB to do in this regard.</p> <ul style="list-style-type: none"> <li>• As part of the IAASB's proposed Strategy and Work Program, we recommend that the Board address technology more holistically in a separate project. We are concerned that the Board's approach to technology is disparate and siloed.</li> <li>• The Board might consider modernizing the ISAs by addressing technology in each ISA, as appropriate, that it revises in the future.</li> <li>• In this context, we also refer to our comment letter in response to the IAASB's consultation on its future Strategy and Work Plan in which we expressed our support the Board continuing to monitor and assess developments in technology and its application in an audit.</li> <li>• The changes to ISA 500, as the foundational standard, however, may not be sufficient on their own to enable the broader use of technology in audits. We note that the IAASB Strategy and Work Plan 2024–2027 includes a project to refresh the various standards under the ISA 500 series, with the focus on updates relating to the impact of technology. We are supportive of this project, which is timely and necessary to incorporate technology-related amendments to the various standards under the ISA 500 series.</li> <li>• We also note that various technology-related matters are being explored by the IAASB TCG. The findings from this consultation group can be incorporated into ISA 500 and other various standards in the ISA 500 series, with additional detailed examples provided in the form of supplementary materials to guide auditors.</li> <li>• However, in our responses to the IAASB's request for comments we make a number of suggestions for improving the drafting and adding clarity to the proposed requirements. The most significant of these is in response to Question 4 where, whilst we appreciate the modernization of ISA 500 to incorporate the use of technology, we do consider that the IAASB could go further in redefining the types of audit procedures that are required by ISA 330. The use of technology has enabled auditors to perform more in-depth and sophisticated data analytics such that the requirement in paragraph 21 of ISA 330 to perform tests of details over significant risks where no tests of controls have been performed could result in duplication of effort in certain circumstances. We request the IAASB to consider whether a further consequential amendment could be made to ISA 330 in this regard.</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<ul style="list-style-type: none"> <li>• The revisions clearly accommodate the use of technology and acknowledge that risk assessment procedures and further audit procedures can be performed concurrently, but guidance as to how this might operate in practice would be useful.</li> <li>• For example, technology may enable an auditor to identify the riskier items in a population (those that are suspicious, unusual, etc.) but it is not clear from paragraphs A30-A31 of ED-500 whether it would be appropriate to test only those riskier items.</li> <li>• We suggest the IAASB to explore the need/possibility of creating a specific standard addressing the use of technology in greater depth.</li> <li>• We also highlight that there are certain challenges in the use of data and analytics tools in obtaining audit evidence, which it is important for the IAASB to consider further. We believe that changes to ISA 500, as the foundational standard, are not sufficient on their own to enable the broader use of data and analytics tools on the audit and we recommend that conforming changes to the more prescriptive requirements, set out in other standards, are necessary to address these challenges. These include: (i) Performance of risk assessment procedures and further audit procedures concurrently; (ii) Substantive procedures; (iii) Specific considerations for inventory; and (iv) External confirmations.</li> <li>• We also highlight that there are certain challenges in the use of data and analytics tools in obtaining audit evidence, which it is important for the IAASB to consider further. We believe that changes to ISA 500, as the foundational standard, are not sufficient on their own to enable the broader use of data and analytics tools on the audit and we recommend that conforming changes to the more prescriptive requirements, set out in other standards, are necessary to address these challenges.</li> </ul>
22.	<i>ISA 330, The Auditor's Responses to Assessed Risks</i>	<ul style="list-style-type: none"> <li>• Clarity is needed how the increased use of technology might affect the requirement in paragraph 21 of ISA 330 to perform tests of details over significant risks where no tests of controls have been performed. It may be the case that technology enables the auditor to obtain sufficient appropriate audit evidence over the whole population by performing substantive analytics and therefore a test of details would be duplication of effort.</li> <li>• We also encourage the IAASB to clarify in ISA 330 what qualifies as a test of details and a substantive analytical procedure when using technology. There may be a need to move away from categorizing types of procedures at all so that the precise name given to the substantive technique employed to obtain the evidence becomes less relevant.</li> </ul>



No.	Key Insights	Views from the Written Responses to ED-500
		<p>This would enable auditors to apply the framework in the standard to determine whether they have obtained sufficient, appropriate audit evidence.</p> <ul style="list-style-type: none"> <li>The standard should clarify that, where tests of controls are performed during the interim period, audit evidence shall be obtained for the remaining period if there have been significant changes in the design and implementation of controls after the interim period.</li> <li>The standard should also clarify whether the threshold for selecting material classes of transactions, account balances and disclosures under paragraph 18 of ISA 330 is the materiality for the financial statements as a whole or the performance materiality.</li> <li>The links with ISA 315 (Revised 2019) need to be strengthened by: <ul style="list-style-type: none"> <li>Providing additional guidance and illustrative examples of situations where substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level.</li> <li>Providing additional guidance on how the sliding scale of risks impacts the level of audit evidence necessary.</li> <li>Defining and explaining the different categories of controls (i.e., manual controls, automated controls and semi-automated controls) and by providing additional guidance on the nature and extent of audit procedures that the auditor can put in place to test the IT general controls and IT application controls.</li> </ul> </li> <li>The standard should provide additional requirements on audit documentation that should be retained in the audit file when using ATT, including but not limited to the memorandum outlining the findings and conclusions and the way the tests using audit tools and techniques have been performed.</li> </ul>
23.	ISA 501, Audit Evidence—Specific Considerations for Selected Items	<p><i>Specific Considerations for Inventory:</i></p> <ul style="list-style-type: none"> <li>Paragraph A42 of ED-500 provides an example of how the design of an audit procedure to inspect the physical condition of the entity's inventories may differ based on whether the auditor plans to be physically present at specific locations or plans to obtain audit evidence through alternative means, such as remote observation techniques. Whilst this is helpful, we recommend that the IAASB explore more comprehensive revisions to requirements relating to inventory. In light of the fact that an increasing number of entities use highly automated, continuous inventory systems, and the concept of observing the performance of a count at a particular point in time may be somewhat outdated in respect of obtaining audit evidence over the existence and condition of inventory at</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>such entities, we believe it is timely to consider whether the requirements in paragraphs 4-8 of ISA 501 and related application material need to be modernized. We acknowledge that the IAASB Proposed Strategy and Work Plan 2024-2027 includes a potential project to modernize ISA 501 to reflect current methods for obtaining sufficient appropriate audit evidence regarding the existence and condition of inventory and we would welcome such a project.</p> <ul style="list-style-type: none"> <li>• In terms of examples, we especially welcome the acknowledgement of using technology for remote observation as audit procedures to inspect the physical condition of the entity's inventories. In this regard we would also like to refer to our comment letter to the IAASB's Strategy and Work Plan, where we suggest prioritizing a narrow-scope project regarding ISA 501.</li> <li>• As part of the conforming amendments to ED-500, ISA 501 should be updated to: <ul style="list-style-type: none"> <li>○ Reflect the example provided in paragraph 5 of Appendix to the ED-500 regarding the use of ATT to perform inventory counts; and</li> <li>○ Set out additional requirements and guidance when the auditor uses such remote observation techniques to perform inventory counts.</li> </ul> </li> <li>• The following conforming amendments should be made to paragraph A5 of ISA 501 to acknowledge that automated techniques may be used to observe management's inventory count procedures: "<u>Typically, the auditor will be physically present at the specific location during management's count procedures. However, there may be instances in which the auditor can obtain sufficient appropriate audit evidence through automated techniques such as live video, screensharing or video footage from a drone.</u>"</li> <li>• We believe the inclusion of remote observation techniques in paragraphs A41 and A42 of ED-500 is helpful in modernizing the auditing standard. Specifically, the example in paragraph A42 of ED-500 recognizes that remote observation techniques may be used to inspect the physical condition of inventory. We believe the IAASB should consider whether a conforming amendment should be made to ISA 501 to clarify whether "attendance" at physical inventory counting can be achieved using remote observation techniques.</li> </ul> <p><i>Litigation and Claims:</i></p> <ul style="list-style-type: none"> <li>• The standard should provide an additional requirement requiring the auditor to maintain control over the lawyer's letter of inquiries process in all cases. Paragraph 10 of ISA 501 currently only requires this in the two situations</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>specified in the standard.</p> <ul style="list-style-type: none"> <li>The standard should also clarify that the lawyer's response to the auditor's inquiries alone does not represent sufficient audit evidence to validate the accuracy of a provision or a disclosure for complex and significant litigation.</li> </ul>
	<p><i>ISA 505, External Confirmations</i></p>	<ul style="list-style-type: none"> <li>When performing alternative audit procedures due to non-response to a confirmation request, the standard should require the auditor to obtain external audit evidence where possible. If only internal audit evidence is available, then the standard should require the auditor to reduce the reliance placed on these procedures.</li> <li>The standard should require that, in specific cases, even where external confirmations have been received directly by the auditor, the auditor should perform additional procedures in order to consider the information included in the confirmation responses as reliable (i.e., confirmation alone cannot be considered as sufficient audit evidence).</li> </ul> <p><i>Open Banking Confirmation Tools:</i></p> <ul style="list-style-type: none"> <li>The standard should explain that for confirmations from custodian banks or inter-company confirmations evidence of reliability is obtained if the effectiveness of the process to prepare the confirmation responses is known and tested.</li> <li>We note that in addressing the use of external confirmations, paragraph 7 of ISA 505 requires the auditor to maintain control over external confirmation requests, including return information being sent directly to the auditor, and sending the requests to the confirming party. In connection with this, paragraph A11 of that standard explains that receipt of a response indirectly may indicate doubts about the reliability of a response, and paragraph A12 notes that responses received electronically may involve risks as to reliability, as proof of origin and authority of the respondent may be difficult to establish, and alterations may be difficult to detect. Whilst we agree with the overarching messages in ISA 505, we note that certain external confirmations, e.g., bank confirmations, are now increasingly provided using electronic means, and ISA 505 has not been modernized to address these technology changes and the implications for the audit approach, including in respect of the requirement for the auditor to “maintain control” over the process. We recommend that, as part of modernizing ISA 500 to recognize the evolution in technology, the IAASB explore conforming amendments to ISA 505 as part of this project. We recognize that the IAASB Proposed Strategy and Work Plan 2024-2027 also includes a potential project to modernize ISA 505 to reflect technology-based confirmation processes and, we would welcome such a project.</li> <li>We believe that high quality technology-enabled confirmation tools provide the profession with a source of external evidence that is uniquely efficient, secure and appropriate (i.e., highly relevant and highly reliable). This</li> </ul>

No.	Key Insights	Views from the Written Responses to ED-500
		<p>is described well in paragraph A12 of extant ISA 505, indicating that the reliability of confirmation responses are enhanced when obtained through a process that is secure and properly controlled. We believe that confirmation responses delivered by such systems meet all the Reliability criteria described in paragraph A56 of the Proposal (accurate, complete, authentic, unbiased and credible). We have concern, however, that ED 500 changes flowing through to ISA 505 may be interpreted by some auditors as lessening the emphasis on high quality confirmations received through third-party web-based platforms that are secure and properly controlled. This might be inferred by some, for example, due to a) “external information sources” being referred to in cautionary terms in paragraph A46 (p. 36) of the Proposal, and b) the proposed revision in paragraph 2 of ISA 505 (pgs. 68-69 of the Proposal) keeping the statement that “audit evidence in the form of external confirmations received directly by the auditor from confirming parties may be more appropriate than evidence generated internally by the entity” but removing the extant generalizations in paragraph 2 stating that audit evidence obtained directly from independent sources is more reliable than evidence generated internally. We think it is important that any such inferences or misunderstandings be avoided. External confirmation through a secure and well-controlled system is one of the most powerful and efficient fraud detection opportunities available to the audit profession today. To avoid any such inferences or misunderstandings, we suggest that confirmation responses received through a secure and properly controlled system be explicitly cited in the Proposal as examples of high-quality evidence.</p>
24.	<i>ISA 520, Analytical Procedures</i>	<ul style="list-style-type: none"> <li>• The standard should provide additional guidance to better explain how to determine the amount of difference from the expectations that can be accepted without further investigation (i.e., the “threshold”).</li> <li>• The standard should also clarify if and when such an amount can be above the overall materiality.</li> </ul>

## Appendix 2

### Deep-Dive Analysis of Responses for Question 4 of the Strategy and Work Plan Consultation Relevant to a Revision of ISA 330, Certain ISAs of the 500-Series and a Technology Omnibus Project(s)

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
<b>ISA 330, Responding to the Assessed Risks of Material Misstatement</b>		
1.	<i>Alignment is needed for changes in other IAASB Projects and more recently revised ISAs</i>	<ul style="list-style-type: none"> <li>It is important that ISA 330 is revised in light of amendments made to ISA 315 (Revised 2019) “Risk assessment” and other standards as changes in proposed ISA 500 (Revised) “Audit Evidence” and ISA 240 “Auditor’s Responsibilities Relating to Fraud in the Audit of Financial Statements”.</li> <li>We believe it is important that the Board begin a project to review and update ISA 330 with the objective to update the standard for current developments in auditing and to consider all follow-on impacts resulting from the amended ISA 315 (Revised 2019). In particular, consideration should be given to the impact of the “spectrum of risk” and “inherent risk factors” on the auditor’s response.</li> <li>ISA 330 should be revised to drive more consistent and appropriate responses provided by auditors facing similar circumstances. Findings in areas covered by ISA 330 remain the most frequent in inspections of audit engagements, according to regulators inspection findings database.</li> <li>It is important that ISA 330 is reviewed in light of the amendments to ISA 315 (Revised 2019) (on risk assessment), given the links between the two standards. In particular it is important to make sure that all the concepts in ISA 315 (Revised 2019) are consistently used and aligned in ISA 330 and other standards dealing with risks assessment or their implications, like ISA 240 (on fraud) or ISA 550 (on related parties), for instance.</li> <li>The standard needs to be updated as a priority by the IAASB to align with changes to recently updated standards (especially ISA 315 (Revised 2019)) or standards currently under development.</li> <li>Not updating ISA 330 may result in confusion and inconsistencies in applying the new concepts introduced in ISA 315 (Revised 2019) and ISA 500 (Revised), which may impact audit quality.</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<ul style="list-style-type: none"> <li>• This would also clarify the relationships among ISA 330, the revised ISA 315 (Revised), 540 (Revised)<sup>10</sup> and proposed 500 (Revised), align the conceptual elements used and ensure the coherence of the suite of ISAs as a whole.</li> <li>• We consider “external confirmations”, “analytical procedures” and “audit sampling” are closely related to “responding to assessed risks”. To ensure the holistic revision of ISAs on a consistent and efficient basis, we propose that revisions to ISA 330, ISA 505, <i>External Confirmations</i>, ISA 520, <i>Analytical Procedures</i> and ISA 530, <i>Audit Sampling</i> be considered as a bundle in the same project.</li> <li>• We agree with this proposed project and note that the testing of operational effectiveness of controls is frequently mentioned as being unclear.</li> <li>• We agree with the IAASB’s view that the next major project to be commenced should be the revision of ISA 330, <i>The Auditor’s Responses to Assessed Risks</i>, to better complement/align this with other ISAs, in particular, recently revised ISA 315 (Revised 2019), <i>Identifying and Assessing the Risks of Material Misstatement</i>, as well as changes in proposed ISA 500 (Revised), <i>Audit Evidence</i>. We recognize that the changes made to ISA 315 (Revised 2019), in particular, were extensive, and therefore we agree with the IAASB’s comment that this project would likely involve substantial revision to ISA 330.</li> </ul>
2.	<i>Revision to ISA 330 is urgent and relevant for ED-500, due to overlap between standards</i>	<ul style="list-style-type: none"> <li>• A Monitoring Group respondent noted that they do not agree with the Board’s decision to delay, until earliest 2024, possible enhancements to ISA 330, as they believed enhancements to ISA 330 are necessary in order to meet the Board’s stated project objective for proposed ISA 500 (Revised), to evaluate whether sufficient and appropriate audit evidence has been obtained. This is because they observed several areas of overlap between proposed ISA 500 (Revised) and ISA 330 that should be resolved concurrently to avoid confusion and inconsistent application.</li> </ul>
3.	<i>Modernization for technology</i>	<ul style="list-style-type: none"> <li>• With the use of technology by entities and ATT by auditors, the modernization of ISA 330 will need to consider relevant technological considerations.</li> <li>• We also support the revision of ISA 330 to better align the requirements with the changes to ISA 315 (Revised 2019). This should include revisions of the definition of substantive audit procedures in particular in relation to technology.</li> </ul>

<sup>10</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<ul style="list-style-type: none"> <li>Modernized to consider the use of technology in performing further audit procedures and the evolution of the types of audit procedures that yield audit evidence.</li> <li>A project on updates to ISA 330 may be appropriate to address changes to recent standards and to address practical issues identified with using audit data analytics; however, the latter could be accomplished via the omnibus technology project. More information on the proposed scope of this project would be necessary to make an informed decision.</li> <li>We also agree that changes to modernize ISA 330 in relation to technology are necessary to support/complement the changes in proposed ISA 500 (Revised), as well as other standards in the 500 series, to enable the ISAs to be used as a coherent and cohesive suite of standards, adapted and modernized for use in a technological environment.</li> <li>We support modernization of ISA 330. The revisions to ISA 315 (Revised 2019) and the proposed revisions to ISA 500 have not gone far enough to address the use of technology in audit, and therefore we urge IAASB to address this within ISA 330 if it is revised.</li> </ul>
4.	<i>Clarity for the level of internal control testing</i>	<ul style="list-style-type: none"> <li>Address the lack of clarity in ISA 330 on the level of internal control testing that is a particularly important subject, especially when substantive testing alone is not sufficient.</li> <li>Insufficient clarity on the level of internal control testing is also an area of particular concern in ISA 330 which was identified during inspections, especially when substantive testing alone is not sufficient.</li> <li>Given the recurring high level of findings with respect to the testing of internal controls in the annual IFIAR Survey, we support the IAASB commencing a project to revise and clarify ISA 330.</li> </ul>
5.	<i>Performance of risk assessment procedures and further audit procedures concurrently</i>	<ul style="list-style-type: none"> <li>Although ED-500 (and the ISAs in general) describe that obtaining sufficient appropriate audit evidence is an iterative process, the concept of performing risk assessment procedures and then further audit procedures to respond to those risks identified is fundamental to the ISAs, with 'bright lines' remaining between the procedure types and an expectation overall of a sequential approach.</li> <li>ED-500 is helpful in acknowledging that the auditor may take a concurrent approach, however, we believe that, without further clarification, auditors may lack the confidence to perform these procedures concurrently given it is unclear how compatible this is with the iterative, sequential approach to assessing the risks of material misstatement and then designing and performing further audit procedures to respond to assessed risks that is described in the requirements of the ISAs. We therefore recommend that consideration be given to clarifying how concurrent</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		performance of risk assessment and further audit procedures is compatible with the requirements either within the ED or by updating other ISAs, e.g., ISA 315 (Revised 2019); ISA 330, and ISA 520, with examples, as part of this project.
6.	<i>Clarity needed for when an audit procedure is a test of details versus substantive analytical procedure</i>	<ul style="list-style-type: none"> <li>There is a clear distinction within the ISAs, currently, between tests of details and substantive analytical procedures, but as lines become blurred between these types of procedures, in application, and as testing moves towards interrogating 100% of a population, this presents new challenges in designing and performing these procedures, and interpreting the results, as the ISAs direct the auditor to interpret the results differently, depending on the classification of the procedure. Furthermore, the role of controls testing comes into question in situations where the auditor is able to test 100% of the population and/or is addressing risks of material misstatement more generally, rather than the distinct sub-components of 'inherent risk' and 'control risk' sequentially.</li> <li>We therefore recommend that the IAASB explore conforming amendments to the more prescriptive requirements set out in ISA 315 (Revised 2019); ISA 330, ISA 520, and ISA 530, <i>Audit Sampling</i> as part of the changes to modernize the ISAs as the IAASB appears to intend, to enable auditors to use ATT to meet not only the objectives of those standards, but also to ensure that the more prescriptive requirements/approach as currently set out in those standards are sufficiently flexible to permit the broader use of ATT.</li> </ul>
7.	<i>Audit data analytics</i>	<ul style="list-style-type: none"> <li>We note the current project to modernize ISA 500 to incorporate the use of technology, but we also consider that the IAASB's project on revising ISA 330 should be used as an opportunity to redefine the types of audit procedures that are required in certain situations. For example, the use of technology has enabled auditors to perform more in-depth and sophisticated data analytics such that the requirement in paragraph 21 of ISA 330 to perform tests of details over significant risks where no tests of controls have been performed, could result in duplication of effort in certain circumstances. Any change in this requirement would have a consequential impact on ISAs 520 and 530.</li> </ul>
<b>ISA 501, Audit Evidence—Specific Considerations for Selected Items</b>		
8.	<i>Performance of remote inventory counts</i>	<ul style="list-style-type: none"> <li>Additional requirements and guidance related to the performance of remote inventory counts. We are seeing an increase in the use of remote observation with the onset of pandemic related restrictions.</li> <li>For ISA 501 there is an urgent need to modernization of the requirement to attend a physical stock-take. This includes application guidance allowing to attend remote or to perform other procedures addressing the risk of material misstatement.</li> </ul>



No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<ul style="list-style-type: none"> <li>Updated to incorporate modern methods of inventory counts and to consider the use of technology solutions by the entity that may change inventory management processes, including the design and frequency of inventory counts. With the use of technology by entities to perform inventory counts becoming more prevalent, it would be beneficial for guidance to be included on the procedures that the auditor is expected to perform on such technologies.</li> <li>We recommend that the IAASB explore more comprehensive revisions to requirements relating to inventory. In light of the fact that an increasing number of entities use highly automated, continuous inventory systems, and the concept of observing the performance of a count at a particular point in time may be somewhat outdated in respect of obtaining audit evidence over the existence and condition of inventory at such entities, we believe it is timely to consider whether the requirements in paragraphs 4-8 of ISA 501 and related application material need to be modernized. We therefore welcome the proposed project to modernize ISA 501 to reflect current methods for obtaining sufficient appropriate audit evidence regarding the existence and condition of inventory.</li> <li>We believe that there is a need to update ISA 501 regarding the requirement to attend at a physical stock-take. This includes application guidance allowing to attend remote or to perform other procedures addressing the risk of material misstatement in respect to relevant assertions in existence and/or completeness, i.e., a true risk-based approach. This could be a narrow scope project.</li> </ul>
9.	<i>Segment reporting</i>	<ul style="list-style-type: none"> <li>Segment reporting should be deleted, as segment reporting is part of the disclosures in the notes and needs no special attention in audit procedures.</li> </ul>
<b>ISA 505, External Confirmations</b>		
10.	<i>External confirmations</i>	<ul style="list-style-type: none"> <li>There should be guidance for auditors on how to assess the reliability of external confirmations received, with regard to the possibility of fraud.</li> <li>There should also be more complete requirements on how auditors should respond where there is no response to a confirmation request.</li> <li>We suggest that the IAASB incorporate guidance on technology-based confirmations, in particular when a third-party technology solution (e.g., confirmation.com) is used to obtain a confirmation from another third party.</li> <li>We note that in addressing the use of external confirmations, paragraph 7 of ISA 505 requires the auditor to maintain control over external confirmation requests, including return information being sent directly to the auditor, and sending</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<p>the requests to the confirming party. In connection with this, paragraph A11 of that standard explains that receipt of a response indirectly may indicate doubts about the reliability of a response, and paragraph A12 notes that responses received electronically may involve risks as to reliability, as proof of origin and authority of the respondent may be difficult to establish, and alterations may be difficult to detect.</p> <ul style="list-style-type: none"> <li>• Whilst we agree with the overarching messages in ISA 505, we note that certain external confirmations, e.g., bank confirmations, are now increasingly provided using electronic means, and ISA 505 has not been modernized to address these technology changes and the implications for the audit approach, including in respect of the requirement for the auditor to ‘maintain control’ over the process. We recommend that, to complement the modernization of ISA 500 to recognize the evolution in technology, the IAASB also explore conforming amendments to ISA 505. We therefore welcome the proposed project to modernize ISA 505 to reflect technology-based confirmation processes, as well as to revisit the concepts of positive and negative confirmation.</li> <li>• The proposed revisions to ISA 505, <i>External Confirmations</i>, include modernization of the process to obtain external confirmations. Should the IAASB proceed with this proposed project, we encourage the IAASB to minimize the differences in terminology and approach with the proposed revisions to the Public Company Accounting Oversight Board (PCAOB) confirmations standard, now under way.</li> <li>• In addition to the proposed revisions to modernize the process to obtain external confirmations, we suggest that ISA 505 clearly articulate the link between the risk assessments under ISA 315 (Revised 2019) and the need for confirmations. The audit requirements should reduce or remove the need for confirmations for assertions in accounts that have a lower assessed risk, as more limited procedures might be responsive to the assessed risk of material misstatements. We also suggest that the revisions to the standard consider the challenges faced in some jurisdictions to obtain reliable confirmations. Additional guidance could also be added to help auditors determine instances where the confirmation process may not be appropriate.</li> </ul>
<b>ISA 520, Analytical Procedures</b>		
11.	<i>Analytical procedures</i>	<ul style="list-style-type: none"> <li>• We are supportive of this project. Given the recurring high level of findings with respect to substantive analytical procedures in the annual IFIAR Survey and specifically in respect to the audit of revenue and cost of sales.</li> <li>• Targeted amendments to ISA 520, <i>Analytical Procedures</i> should be prioritized to address challenges in practice resulting from the use of data analytics, as well as regulator expectations for how the auditor sets expectations and</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<p>documents those expectations.</p> <ul style="list-style-type: none"> <li>ISA 520: We suggest that the IAASB address challenges in practice resulting from the use of ATT, as well as regulator expectations for how the auditor sets expectations and documents those expectations. In particular, we believe there is a need for standard-setting actions to address how the guidance in ISA 520 may be applied to risk assessment analytical procedures as outlined in ISA 315 (Revised 2019).</li> <li>In addition, we encourage the IAASB to capture relevant aspects of recently released non-authoritative guidance regarding the use of automated tools and techniques in ISA 520. ISA 520 is, however, only a small component of the overall challenges facing auditors with regard to the increased use of ATT and other technological advancements.</li> <li>We agree with the importance of revising ISA 520, in light of the use of technologies by entities and ATT by auditors. Furthermore, we believe that ISA 520 should be revised to consider the impact of the revised ISA 315 (Revised 2019). ISA 520 could clarify if substantive analytical procedures, performed in accordance with ISA 520 could be considered sufficient substantive procedures for material classes of transactions, account balances and disclosures for which no risk of material misstatement has been identified. We also suggest that robust examples of substantive analytical procedures in accordance with ISA 520 be provided as part of any implementation guidance for this standard.</li> </ul>
<b>ISA 530, Audit Sampling</b>		
12.	<i>Audit sampling</i>	<ul style="list-style-type: none"> <li>Extant ISA 530 leaves the determination of sample sizes to the professional judgment of the auditor with limited guidance for decision making. Members have observed diversity in practice among auditors regarding the appropriate use of audit sampling, including choosing the appropriate sampling technique to obtain a representative sample. In addition, the audit documentation does not always reflect the auditor's thought process including the approach and basis for the audit sampling work performed.</li> <li>Other key areas include: (i) determining sample sizes when combining substantive analytical procedures and tests of detail for one population and assertion; (ii) stratification of populations when determining sample sizes across group entities or collective investment schemes that have separate financial reports; (iii) use of reliability factors; (iv) whether sample sizes determined for income statement testing can be reduced based on balance sheet testing results; and (v) determining sample sizes when performing dual-purpose testing.</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<ul style="list-style-type: none"> <li>Addressing issues with audit sampling, including better linkage to how to deal with exceptions. We frequently see auditors extrapolating differences without a sufficient understanding of the reason for the difference, including evaluating the impact on internal controls and whether further audit procedures are necessary.</li> <li>We are supportive of this project. Given the recurring high level of findings with respect to the audit sampling in the annual IFIAR Survey and the IRBA Inspections report.</li> <li>For example, new technologies may allow auditors to test 100% of a population, which may result in a far greater number of “exceptions” as compared to testing a small sample. Such a result may, in turn, impact the auditor’s consideration of what is considered an “exception”. In our view, ISA 520 and ISA 530 are most likely to be affected by new technologies and their impact on audit considerations.</li> <li>We heard strong desire from the practitioners regarding the auditor’s use of technology in ISA 520 and ISA 530. For example, in order to perform audit procedures more effectively and efficiently, some practitioners use technology to perform meticulous analysis and risk assessment on the entire population to narrow down the items to be selected from the population for tests of details. However, since the ISA 500 series do not take into account such use of technology, we have seen practices that the practitioners perform further audit procedures using a traditional audit sampling approach for the entire population without the use of technology in addition to the audit procedures with the use of technology. Such practices may pose challenges to audit efficiency and may be a barrier to further development in technology-based audit procedures.</li> <li>Moreover, since ISA 520 and ISA 530 have not been revised for many years, in addition to addressing technology, we suggest that the IAASB investigate whether there are any other practical issues around these ISAs, for example, relating to investigation on amounts of difference of recorded amounts from expected values, and if so, to address those issues as well.</li> <li>ISA 530 to address issues and challenges related to consistency in the application of audit sampling as a means of selecting items for testing. In addition, to address challenges in practice and expectations that come with the use of technology by entities and ATT by auditors.</li> </ul>
<b>Technology Omnibus Project</b>		
13.	<i>Novel areas, such as fintech and crypto</i>	<ul style="list-style-type: none"> <li>In Canada, we have seen a significant increase in the number of reporting issuers operating in novel areas such as fintech and crypto. These industries tend to be very heavily reliant on technology that is either internally developed or</li> </ul>

No.	Key Insights	Views from the Written Responses to the Strategy and Work Plan Consultation
		<p>where they utilize the services of third-party service organizations. In our inspections, we have identified significant concerns over the sufficiency of work performed by auditors when identifying and responding to the risks associated with entities who rely/utilize technology extensively in the performance of their services. We published thought leadership papers highlighting our observations from our inspections: Auditing in the crypto-asset sector (August 2022) and Technology in the Audit (August 2021).</p> <ul style="list-style-type: none"> <li>• With regards to technology, updates to cover the principles in auditing the following areas should be prioritized, considering their prevalence and risks: <ul style="list-style-type: none"> <li>○ Complex IT environment (including audit risks arising from cybersecurity risks), present in IT-reliant or IT-intensive industries.</li> <li>○ Digital assets (for example cryptographic assets, digital tokens etc) and their underlying technologies. In particular, recent developments in the space of cryptocurrencies or cryptocurrency-related companies have highlighted the risks surrounding such audits, which are not adequately addressed in the current ISAs.</li> </ul> </li> <li>• With a lack of standards and guidance in this area, coupled with the rapid pace at which the related technology is evolving, audit firms are understandably wary of taking on crypto-related engagements. As this space continues to grow and evolve, there may be a growing gap between the demand in the market for such audit services and the pool of auditors who are willing (and able) to take on such audit engagements. We urge the IAASB to take prompt action to address this issue.</li> <li>• Clarity in the standards and supporting application material would help to raise awareness on such risks, so that firms can better assess if they have the capability to undertake such engagements. This also reduces the risk of firms, that do not have adequate capabilities to perform such engagements, accepting them due to a lack of appreciation of the risks involved.</li> <li>• In the intervening period, it would be beneficial for IAASB to provide non-authoritative guidance in these areas.</li> <li>• Support for project specific to digital assets and blockchain.</li> <li>• We propose that the audit of digital assets such as cryptocurrencies and the use of big data in audit engagements be considered in separate projects, or as part of ISA 330, ISA 505, ISA 520 and ISA 530 modernization.</li> </ul>

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14.	<i>Strategy for technology needed</i>	<ul style="list-style-type: none"> <li>• We believe the IAASB should add to the Proposed Strategy and Work Plan a long-term strategy regarding technology (not just identify it as a strategic driver – it should have a strategy) considering the following areas of focus: (1) education and examples, (2) linking technology-related standard development efforts to projects that can facilitate innovation such as Sustainability Assurance, (3) identify a core audience, which we believe should be those who perform audit, review and assurance work, and (4) identify how to collaborate with national standard setters and public accountancy organizations on shared areas of interest to produce guidance beneficial for stakeholders at the intersection of technology and the financial statement audit. The topic of ATT (including audit data analytics) is a current area in practice where we observe that financial statement auditors globally are increasingly in need of assistance in applying such techniques in performing their audit engagements. Additionally, we believe they need guidance on how to audit digital assets. Over the past few years, the AICPA has produced resources on both topics that may be able to be leveraged internationally. Identifying and designating resources like that of the AICPA or other national standard setters as guidance that could address current issues in practice could temporarily provide the IAASB de facto leverage in addressing the needs of auditors.</li> <li>• On the last point above, we also believe that the digitization of standards might be a natural opportunity to partner with others such as IFAC. We also believe working with others such as national standard setters and public accountancy organizations includes understanding the results of research conducted by those entities and identifying where those results can more directly assist the progress of the IAASB's work of a similar kind. For example, we conducted a study in Q4 2022 on the impediments to the auditor's use of information technology, including emerging technologies. This work is an important element of the ASB's standard-setting outreach and has provided us useful insights about the role of information technology in the audit environment and whether there is a need for changes to professional standards and guidance related to the auditor's use of information technology.</li> <li>• We also believe the linkage between technology with other standards or active projects and comments letters needs to be stronger and more deliberate. For example, we believe a more holistic focus on how technology affects the audit, including how audit procedures are designed and performed using ATT, is needed to fully modernize the proposed ISA 500 exposure draft in line with the IAASB's stated objective in that project. Additionally, other than perfunctory contributions at times in the service of other projects, such as Going Concern, the IAASB's TCG appears underutilized.</li> <li>• A Strategy for Technology. Despite several acknowledgements about the impact of technology in the Proposed Strategy and Work Plan, we believe the IAASB lacks a clear strategic direction regarding technology. We observe</li> </ul>

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		<p>that the technology-related work of the IAASB from 2020-2023 has had an activity-focus (e.g., technology market scans, forming consulting and advisory groups, conducting polls, issuing non-authoritative guidance, and convening stakeholders). These actions are highly tactical and fragmented; we are concerned about the lack of an overarching strategy and vision that should take primacy and be accretive to standard-setting work. We believe that technology should be a standing agenda item for the IAASB and should be an opportunity for continuing IAASB education. We have offered several recommendations later in this letter as to what the IAASB's strategic direction could be.</p>
15.	<i>Other matters</i>	<ul style="list-style-type: none"> <li>• We encourage the Board to continue to issue practical application material upon the identification of key emerging issues related to technology in a timely manner.</li> <li>• Improved guidance is necessary to better align the auditor's use of substantive analytical procedures with the auditor's risk assessment. In addition, due to increased use of technology in performing analytical procedures, including whole population analyses, there is diversity in practice in regards to testing reliability of data used, precision of expectations developed, and evaluating outliers identified as a result of the procedures performed. As such, key areas for improved guidance include: <ul style="list-style-type: none"> <li>○ Establishing relationships and developing expectations that are sufficiently precise.</li> <li>○ Source data used to be reliable, tested, and produced independently from the population being tested.</li> <li>○ Setting thresholds, including thresholds for disaggregated components of a population.</li> <li>○ Corroborating explanations for variances with sufficient appropriate audit evidence.</li> <li>○ Distinction between substantive and non-substantive analytical procedures in the requirements of the standard.</li> </ul> </li> <li>• We are also seeing an increase in the use of ATT by auditors and reported concerns over the sufficiency of procedures by auditors when using these tools in our 2021 and 2022 regulatory assessments.</li> <li>• We support the proposal to review the standards dealing with "audit evidence". The project should cover enhancement of the auditor's professional skepticism, and refining the provisions on materiality, audit sampling, and analytical procedures to take into account inspection findings by regulators and deficiencies identified through inspections. We would like to reemphasize the need for the IAASB to consider the integration of the use of new technologies such as "data analytics" in audit in the course of this project. We also flagged that the audit evidence project may require further revision of ISA 330: the use of new technology for testing financial information and internal</li> </ul>

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		<p>controls may have an impact on the means of responding to risks defined in the current ISA 330.</p> <ul style="list-style-type: none"> <li>• Technology is changing the way the audit is performed. It is important that these standards remain current, either through targeted updates or issuing of non-authoritative material that addresses the use of technology. A benefit of issuing non-authoritative material is that it does not require the same amount of board time and could be developed in partnership with NSS.</li> <li>• More holistic approach to considering data and the auditor's use of technology in the auditing standards: We support the IAASB's decision to include the impact of technology in the IAASB's workplan as we believe that the standards need to be modernized to embrace the changing landscape of the digital era. However, we believe that the consideration of data as information and the application of technology (i.e., ATT used by the auditor) to data should be an integral part of the process for developing new or revised requirements within the standards. These considerations should not be limited to application material, which seems to be developed through a separate process.</li> <li>• Embedding consideration of the entity's use of emerging technologies in the auditing standards as a matter of priority: While we commend the IAASB for its ongoing Disruptive Technologies initiative, we believe the IAASB needs to put a more immediate focus on addressing the effects of emerging technology implemented by entities in their financial reporting processes in the ISAs. The Forum of Firms polling results presented in the Disruptive Technologies IAASB materials for the March 2023 meeting indicated that many technologies are being used extensively by entities today, including robotic process automation, artificial intelligence, and blockchain. Additionally, many entities are investing and/or transacting in cryptocurrency and digital assets. As technology is embedded in all aspects of an entity's business and its use is expected to increase significantly over the next several years, we believe having a strategy to address these emerging topics is critical to developing standards that will remain fit for purpose. Therefore, to be effective, the IAASB needs to start the process of embedding these technologies in the ISAs now – a process that may begin through the development and issuance of staff or other implementation guidance and then embedding consideration of the entity's use of these technologies directly in the ISAs.</li> <li>• With respect to the auditing standards, we are of the view that, where possible, the prioritization of future projects should be considered more on a thematic basis rather than a standard-by-standard basis. Therefore, we do not believe that it is appropriate to approach updates to the standards for advancement in technology by embarking on projects to update four separate standards. The proposal to undertake a Technology targeted or omnibus project(s) to update of the ISAs for technology challenges would be a more appropriate manner in which to make the necessary</li> </ul>



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		<p>updates for technology. This approaches the topic in a holistic way, guarding against inconsistencies arising from a piecemeal approach and against unnecessary amendments to the individual standards.</p> <ul style="list-style-type: none"> <li>• We also urge the Board to pursue, as a priority, its proposed “omnibus” project on technology. Key questions have persisted for several years about whether the ISAs sufficiently address the increasing use of technology by entities and auditors, including the evolving use of technological tools in the audit. The current ISA 500 revision project was widely anticipated to be a source of needed clarity in this area, but the project has taken a relatively high-level approach. Likewise, the IAASB’s TCG has published a number of FAQs, however these lack the authority of standards and may lack widespread recognition, thereby limiting their impact.</li> <li>• As technology continues to rapidly evolve, important questions are likely to remain and grow. For example, emerging issues such as Blockchain and artificial intelligence continue to raise new and challenging audit questions. The IAASB needs to be fully engaged in debates on these matters. A clear strategy and work plan that demonstrates a commitment and ability to respond nimbly to the outcomes of those debates is important. A project that takes a holistic approach to considering where, and to what extent, these questions can be addressed in the suite of ISAs would help resolve uncertainty amongst auditors and regulators about how such tools can help to provide sufficient appropriate audit evidence and enhance audit quality.</li> <li>• The Board can leverage the work undertaken by the TCG and the FAQs it has issued as a useful starting point for thinking about the issues and questions that need to be addressed, as well as leveraging any relevant jurisdictional initiatives, as described above.</li> </ul>