

### Risk Response Workstream – Issues Paper

#### Objective

The objective of this paper is to obtain the Board's views on the issues identified to date regarding the International Standard on Auditing (ISA) 330, *The Auditor's Responses to Assessed Risks* and ISA 520, *Analytical Procedures*, including whether:

- The issues identified are, in the Board's views, issues that should be explored in the revision of ISA 330 and ISA 520; and
- There are other issues that should be explored in the revision of ISA 330 and ISA 520.

#### Board Discussion

##### Issues Paper

The following appendices to this Agenda Item have been presented:

<b>Appendix 1</b>	Staff and Focus Group Members and Activities
<b>Appendix 2</b>	Risk Response Private Workshop Session

#### Introduction

##### Background

1. In December 2023, the IAASB approved the Strategy and Work Plan for 2024–2027,<sup>1</sup> in which the Board agreed to pursue an integrated approach to audit evidence and risk response based on feedback, particularly from regulatory authorities, that there is a need to concurrently address revisions to ISA 500,<sup>2</sup> ISA 330, and other targeted standards in the ISA 500-series.
2. This Integrated Project on audit evidence and risk response includes a focus on technology and internal control, and reflects an integrated approach to consider:
  - (a) The 'reference framework' aspects relating to judgments about sufficient appropriate audit evidence in ISA 500 (Audit Evidence Workstream); and
  - (b) The 'performance' aspects relating to the design and performance of further audit procedures responsive to assessed risks of material misstatement (ROMMs) to obtain sufficient appropriate audit evidence in ISA 330 (Risk Response Workstream).

<sup>1</sup> Refer to the IAASB Strategy and Work Plan for 2024–2027 as approved in December 2023 ([Agenda Item 4-D](#)) for a description of the Integrated Project that represents an integrated approach to audit evidence and risk response, including a focus on technology and internal control.

<sup>2</sup> ISA 500, *Audit Evidence*

3. In 2019, the IAASB commenced its work on the Audit Evidence Workstream. Since the approval of the project proposal in December 2020, the Audit Evidence Task Force (AETF) has proposed revisions to ISA 500, and analyzed the feedback received from respondents to the [Exposure Draft of Proposed ISA 500 \(Revised\), Audit Evidence](#) (ED-500). More information on the Audit Evidence Workstream can be found on the [Audit Evidence project page](#).
4. This paper focuses on the issues identified related to the 'performance' aspects of the auditor's responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence addressed in ISA 330 and ISA 520. Once key issues have been identified and clarified through discussion and other information gathering activities (see **Section D**), Staff will identify strategic actions to mitigate these issues.
5. This paper includes the following sections:
  - (a) Information gathering to date (**Section A**);
  - (b) Drivers for revising ISA 330 (**Section B**);
  - (c) Drivers for revising ISA 520 (**Section C**); and
  - (d) Way forward (**Section D**).

#### **Approach for this Agenda Item**

6. The IAASB discussion will comprise the following:
  - (a) Plenary discussion (90 minutes) on the applicability and completeness of the initial issues identified as set out in **Sections B and C** of this Agenda Item.
  - (b) Private workshop (breakout) session (90 minutes) where Board members will be asked to reflect on specific questions to obtain deeper insights on selected issues identified in **Sections B and C**. See **Appendix 2** for more information about the breakout sessions, including the questions.

#### **Coordination Activities**

##### *Audit Evidence Workstream*

7. Throughout the information gathering process, Staff of the Risk Response Workstream liaised with Staff on the Audit Evidence Workstream and the AETF. This included participating in a working session with the AETF during their February 2024 meeting and a call with the Chair of the AETF's Chair and Staff on the Audit Evidence Workstream in February 2024. During these interactions, areas of identified interdependencies between proposed ISA 500 (Revised) and ISA 330 were discussed (also see **Section B-II**).
8. In addition, the Staff on the Risk Response Workstream leveraged the work completed by the AETF in compiling the responses from previous consultations, as respondents to ED-500 often provided comments related to matters which are addressed in ISA 330 (also see paragraph 12 below).

##### *Technology Consultation Group (TCG)*

9. Staff of the Risk Response Workstream coordinated with Staff leading the TCG in the development of a Board position on addressing the impact of technology in the IAASB's standards. Staff

discussed how the development of the Board position on technology may impact the Risk Response Workstream and the development of the project proposal for the Integrated Project on audit evidence and risk response.

## Section A – Information Gathering to Date

10. To identify the main drivers for revisions to ISA 330 and ISA 520, Staff reviewed the following:
- (a) Comments letters on the:
    - (i) [Exposure Draft of Proposed ISA 315 \(Revised\), \*Identifying and Assessing the Risks of Material Misstatement\*](#).
    - (ii) ED-500.
    - (iii) [Consultation Paper for \*The IAASB's Proposed Strategy and Work Plan for 2024–2027\*](#).
  - (b) Survey Consultation on the IAASB's Work Plan for 2022–2023;
  - (c) Inspection reports from:<sup>3</sup>
    - (i) Canadian Public Accountability Board (CPAB), [2022 Annual Inspections Results, March 2023](#) and [2023 Interim Inspections Results, October 2023](#).
    - (ii) Committee of European Auditing Oversight Bodies (CEAOB), [Annual Report, 2022](#).
    - (iii) Financial Reporting Council – United Kingdom (FRC), [Tier 1 Firms – Overview, Audit Quality Inspection and Supervision Report, July 2023](#) and [Tier 2 and Tier 3 Audit Firms – Audit Quality Inspection and Supervision, December 2023](#).
    - (iv) International Forum of Independent Audit Regulators (IFIAR), [Survey of Inspection Findings 2022](#); and
  - (d) Implementation Tool for Auditors from Chartered Professional Accountants of Canada, [Designing and Performing Tests of Relevant Controls](#).
11. In addition, Staff inquired of Staff and Board Members involved in the revisions of ISA 315 (Revised)<sup>4</sup> and ISA 500.
12. Staff notes that certain issues identified that drive the revisions of ISA 330 and ISA 520 in **Sections B and C** below reflect key insights previously identified by the AETF and Staff, which were presented as part of their:

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<sup>3</sup> The comment letters to previous consultations (see paragraphs 10(a)–10(b)) included responses from Monitoring Group members (e.g., Basel Committee on Banking Supervision, International Association of Insurance Supervisors, IFIAR and International Organization of Securities Commissions (IOSCO)) and regulators and audit oversight authorities (e.g., Botswana Accountancy Oversight Authority, CPAB, Commission de Surveillance du Secteur Financier, CEAOB, Dutch Authority for the Financial Markets, FRC, Haut Conseil du Commissariat aux Comptes, Independent Regulatory Board for Auditors, Institute of Chartered Accountants of Namibia, Instituto de Contabilidad y Auditoria de Cuentas and Irish Auditing and Accounting Supervisory Authority). The views expressed in these responses by respondents who are also named in paragraph 10(c) often echoed the findings from their inspection reports.

<sup>4</sup> ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

- (a) September 2023 agenda papers, in particular, the analysis of feedback relating to the relationship and linkages with other ISAs, technology, the interrelationship of sufficiency, appropriateness and persuasiveness of audit evidence and the stand-back requirement.
  - (b) December 2023 agenda papers, in particular, their deep-dive analysis as included in **Agenda Item 8–B**. This analysis included feedback received relating to technology, ISA 330 and certain ISAs in the 500-series.
13. As the Board continues to consider and analyze these and other issues in developing a project proposal for the Integrated Project, the issues and possible actions to address them will be contextualized in terms of project objectives that support the public interest, and the qualitative standard-setting characteristics of the Public Interest Framework (PIF).<sup>5</sup>

## Section B – Drivers for Revising ISA 330

14. Based on the information gathering performed, Staff identified the following drivers for revising ISA 330:
- (a) Alignment with ISA 315 (Revised 2019)<sup>6</sup> (**Section B-I**);
  - (b) Alignment with proposed ISA 500 (Revised) and other issues relating to an integrated approach to audit evidence and risk response (**Section B-II**);
  - (c) Addressing the use of technology in responding to assessed ROMMs (**Section B-III**); and
  - (d) Enhancing the auditor's work effort relating to internal controls (**Section B-IV**).
15. For each of the drivers noted in paragraph 14 above, Staff identified issues which could be addressed as part of the revision of ISA 330. The information gathering (see paragraph 10) did not indicate that ISA 330 is fundamentally broken, which was confirmed by respondents to previous consultations. However, the issues identified highlight the need for a revision of ISA 330 to clarify and strengthen some of its concepts and principles.

### Section B-I – Alignment with ISA 315 (Revised 2019)

#### *Background*

16. In its September 2019 meeting, the IAASB approved ISA 315 (Revised 2019) which became effective for audits of financial statements for periods beginning on or after December 15, 2021. Given the significance of the changes to ISA 315 (Revised) and given the interconnections between ISA 315 (Revised 2019) and ISA 330, respondents to previous consultations noted that ISA 330 should be revised to further align with ISA 315 (Revised 2019). Based on the information gathering performed, Staff identified relating to the following areas where issues arise:
- (a) Material classes of transactions, account balances and disclosure;

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<sup>5</sup> The PIF sets out the framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. In explaining how stakeholders' needs can be served, the PIF sets out qualitative characteristics to assess a project's responsiveness to the public interest.

<sup>6</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

- (b) New definitions and concepts; and
- (c) Scalability of the requirements.

*Material Classes of Transactions, Account Balances and Disclosures*

Issue #1: Scope of Work Related to ISA 330 Paragraph 18

17. ISA 315 (Revised 2019) introduced a definition of significant class of transactions, account balance and disclosure (COTABD), together with requirements for work to be carried out in relation to significant COTABDs. A significant COTABD is one for which there is one or more relevant assertions. Additionally, ISA 315 (Revised 2019) introduced a stand-back requirement for the auditor to evaluate for material COTABD that have not been determined to be significant COTABDs, whether the auditor's determination that these are not significant COTABDs remains appropriate (i.e., although a COTABD is material, no relevant assertions have been identified for that COTABD).
18. Paragraph 18 of ISA 330 requires the auditor, irrespective of the assessed ROMM, to design and perform substantive procedures for each material COTABD. This requirement reflects the facts that:
  - (a) The auditor's assessment of ROMMs is judgmental and so may not identify all ROMMs; and
  - (b) There are inherent limitations to controls including management override.
19. Application material to paragraph 18<sup>7</sup> addresses that there may be instances where a material COTABD was not determined to be a significant COTABD under ISA 315 (Revised 2019) and, therefore, there would be no assessed ROMMs at the assertion level to respond to. Even so, paragraph 18 requires substantive procedures to be performed for such COTABD. However, not all assertions within such a material COTABD are required to be tested; rather, the auditor considers the assertion(s) in which, if a misstatement were to occur, there is a reasonable possibility of the misstatement being material.
20. Respondents to previous consultations noted some ambiguity when operationalizing paragraph 18 and asked the IAASB to:
  - (a) Further explain how the auditor would determine which assertion(s) may be relevant when designing substantive procedures for material COTABD that the auditor has not determined to be significant COTABD, as the auditor has previously determined that there are no relevant assertions for such COTABD.
  - (b) Provide additional guidance on the nature and extent of substantive procedures to be performed for material COTABD that the auditor has not determined to be significant COTABD. Auditors determine the nature, timing and extent of substantive procedures for significant COTABD based on the assessed ROMMs (i.e., the higher the assessed ROMM the more persuasive audit evidence is needed, for example, by testing more items). However, for material COTABD that the auditor has not determined to be significant, auditors apply their professional judgment to determine the assertion(s) to be tested and the nature

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<sup>7</sup> ISA 330, paragraphs A43-A49

and extent of substantive procedures which leads to inconsistencies of work performed in practice.

- (c) Clarify whether the threshold for determining material COTABD is the materiality for the financial statements as a whole or performance materiality.
21. In addition, respondents to previous consultations indicated that the requirement to perform substantive procedures on a selected assertion of a material COTABD that is not determined to be a significant COTABD had the unintended consequence of implying that all material COTABD are significant COTABD as the definition of a significant COTABD is one with a relevant assertion; and that this may make the stand-back requirement in ISA 315 (Revised 2019) circular.

### *New Definitions and Concepts*

#### Issue #2: Impact of Separately Assessing Inherent Risk and Control Risk on the Auditor's Response to ROMM

22. To facilitate the robustness and consistency of the identification and assessment of ROMM, new concepts and definitions were introduced to ISA 315 (Revised 2019), including for:
- (a) Inherent risk factors. A new definition was added that explains that inherent risk factors are characteristics of events or conditions that affect susceptibility to misstatement, whether due to fraud or error, of an assertion about a COTABD before considering controls.
  - (b) Spectrum of inherent risk. A new concept was introduced that recognizes that inherent risk will be higher for some assertions than for others and the relative degrees of the likelihood and magnitude of a possible misstatement determine where on the spectrum of inherent risk the risk of misstatement is assessed.
23. These concepts also facilitate the requirement in ISA 315 (Revised 2019) to perform a separate assessment of inherent risk and control risk, which ISA 315 (Revised) did not explicitly require.
24. Respondents to previous consultations asked the IAASB to provide additional guidance on how the inherent risk factors and the spectrum of inherent risk impact the auditor's response to ROMM. They also questioned the need for stronger alignment between ISA 330 and the requirements to assess the inherent risk and control risk separately in ISA 315 (Revised 2019). For example, paragraph 6 of ISA 330 states that the auditor shall design and perform further audit procedures whose nature, timing and extent are based on and are responsive to the assessed ROMMs at the assertion level which respondents found confusing.

### *Scalability of the Requirements*

#### Issue #3: Unclear How to Make ISA 330 Scalable

25. In revising ISA 315 (Revised), the IAASB improved the scalability of the standard by:
- (a) Presenting paragraphs that highlight and illustrate the proportionality and scalability of the standard under the heading "scalability";
  - (b) Where appropriate, illustrating the scalability of the standard by providing contrasting examples (i.e., illustrating both sides of the complexity spectrum); and

- (c) Referring to “less complex entities” rather than “*smaller and* less complex entities” to recognize that the challenges of applying the ISAs relate more to complexity than the size of an entity.
26. Respondents to previous consultations noted that similar revisions are needed to ISA 330 to improve the understandability and scalability of the standard.

#### **Matters for Board Consideration**

1. The Board is asked for its views on whether:
  - (a) The issues identified in **Section B-I** related to the alignment with ISA 315 (Revised 2019) are issues that should be explored in the revision of ISA 330; and
  - (b) They are aware of other issues that should be explored related to the alignment with ISA 315 (Revised 2019).

#### **Section B-II – Alignment with Proposed ISA 500 (Revised) and Other Issues Relating to An Integrated Approach to Audit Evidence and Risk Response**

##### *Alignment with Proposed ISA 500 (Revised)*

27. As explained in the **Introduction section** above, the Integrated Project deals with the ‘reference framework’ aspects in proposed ISA 500 (Revised) and the ‘performance’ aspects in ISA 330. Given the interconnections between both standards, respondents to previous consultations noted that ISA 330 would need to be aligned with proposed ISA 500 (Revised). This section describes relevant issues in aligning ISA 330 with proposed ISA 500 (Revised).

##### **Issue #4 – Lack of Linkages in ISA 330 to the Description of the Term Automated Tools and Techniques (ATT) in Proposed ISA 500 (Revised)**

28. Respondents to ED-500 suggested providing a description, or a definition, for ATT given the use of this term in the application material of ED-500 and in other ISAs. In its deliberations post ED-500, the Board supported the AETF’s proposals to provide a description of ATT, rather than defining the term. This approach is similar to the approach used for computer-assisted audit techniques. Also, a description could be more easily updated to recognize evolution in technology and would allow more flexibility (e.g., referring to examples of new forms of technology in the description). Given the relevance of the term ATT in the context of responding to assessed ROMMs in ISA 330, revisions to ISA 330 would need to focus on alignment and related linkages with proposed ISA 500 (Revised) and would need to be informed by the Board’s position on technology.

##### **Issue #5 – Lack of Linkages in ISA 330 to the Explanation of the Interrelationship of the Sufficiency, Appropriateness and Persuasiveness of Audit Evidence in Proposed ISA 500 (Revised)**

29. Respondents to ED-500 were of the view that the IAASB needs to clarify the interrelationship of the sufficiency, appropriateness and persuasiveness of audit evidence by defining the persuasiveness of audit evidence. In its deliberations post ED-500, the Board decided not to pursue a definition for persuasiveness of audit evidence, given that the description in the application material sufficiently describes this term in the context of its interrelationship with sufficiency and appropriateness of audit evidence. In addition, the Board noted that defining “persuasiveness” may inadvertently imply

a threshold for 'enough evidence' which would not be appropriate, since this is a matter of the auditor's professional judgment in the circumstances of the particular engagement.

30. The Integrated Project could further explore the interrelationship and alignment of the sufficiency, appropriateness and persuasiveness of audit evidence in proposed ISA 500 (Revised) and ISA 330, given the relevance of these concepts when responding to assessed ROMMs in ISA 330.

*Other Issues Relating to An Integrated Approach to Audit Evidence and Risk Response (i.e., the Objectives and Stand-back Requirements in ISA 330 and Proposed ISA 500 (Revised))*

31. Staff notes that the AETF's proposals to be discussed at the March 2024 meeting include addressing the overlap between ISA 330 and proposed ISA 500 (Revised) relating to the objective and stand-back requirements (see **Agenda Item 5**, paragraphs 30–35). In view of these proposals, other issues relating to an integrated approach to audit evidence and risk response with respect to the objectives and a stand-back requirement(s) are described below.

**Issue #6 – Questions About the Need to Apply an Integrated Lens to the Objectives of ISA 330 and Proposed ISA 500 (Revised)**

32. In applying an integrated lens to the 'performance' aspects of obtaining sufficient appropriate audit evidence through designing and implementing appropriate responses to assessed ROMMs in ISA 330 and the overarching reference framework aspects for auditors when making judgments about audit evidence in proposed ISA 500 (Revised), the objectives of both standards would need to be considered in conjunction. This could relate to whether the objectives of the two standards are sufficiently distinct and appropriately focused on the outcomes to be achieved under each standard.

**Issue #7 – Questions About the Need to Apply an Integrated Lens to a Stand-Back Requirement Relating to the Sufficiency and Appropriateness of Audit Evidence**

33. Paragraph 26 of ISA 330 includes a stand-back requirement for the auditor to conclude whether sufficient appropriate audit evidence has been obtained. It further states that in forming an opinion, the auditor is required to consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements. As discussed in **Agenda Item 5**, the AETF proposes to remove the stand-back requirement previously introduced in ED-500 and provides further analysis of a possible model for stand-back requirements in the ISAs to address concerns about the proliferation of stand-back requirements (e.g., ISA 220 (Revised),<sup>8</sup> ISA 315 (Revised 2019),<sup>9</sup> ISA 330,<sup>10</sup> and ISA 540 (Revised)<sup>11</sup>). The Integrated Project could include clarifying the interrelationship of the suite of stand-back requirements across the ISAs, including those in ISA 330, to avoid overlap or confusion, and to achieve consistency in implementation based on the proposals by the AETF as set out in Appendix 2 to **Agenda Item 5**.

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<sup>8</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraphs 32 and A90–A94

<sup>9</sup> ISA 315 (Revised 2019), paragraphs 35 and A230–A232

<sup>10</sup> ISA 330, paragraphs 25–27 and A60–A62

<sup>11</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs 33–35, A12–A13 and A137–A144



34. In applying an integrated lens to the performance aspects in ISA 330 and the overarching reference framework aspects in proposed ISA 500 (Revised), the Integrated Project would need to consider the appropriateness of a stand-back requirement relating to the sufficiency and appropriateness of audit evidence. This would involve considering whether a stand-back requirement relating to the sufficiency and appropriateness of audit evidence should be addressed in ISA 330 or in proposed ISA 500 (Revised) or elsewhere in the ISAs in view of the:
- (a) Scope of both ISAs. Proposed ISA 500 (Revised) is applicable to all audit evidence obtained during the audit, whereas ISA 330 deals with the auditor's responsibility to design and implement responses to the assessed ROMMs.
  - (b) Objectives of both ISAs.
    - (i) The objective of the auditor in proposed ISA 500 (Revised) is to “design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion, including evaluating the relevance and reliability of information intended to be used as audit evidence.”
    - (ii) The objective of the auditor in ISA 330 is to “obtain sufficient appropriate audit evidence regarding the assessed ROMMs, through designing and implementing appropriate responses to those risks.”

#### **Matters for Board Consideration**

2. The Board is asked for their views on whether:
- (a) The issues identified in **Section B-II** related to the alignment with proposed ISA 500 (Revised) are issues that should be explored in the revision of ISA 330; and
  - (b) They are aware of other issues that should be explored related to the alignment with proposed ISA 500 (Revised).

### **Section B-III – Addressing the Use of Technology in Responding to Assessed Risks of Material Misstatement**

#### *Background*

35. Based on the information gathering performed, Staff identified the following areas where issues arise:
- (a) Use of ATT in responses to assessed ROMMs.
  - (b) Use of new or emerging technologies by the entity and the auditor.
36. Staff notes that Issues #8–#10 and Issue #15 relate to matters that directly impact the ‘performance’ aspects of obtaining sufficient appropriate audit evidence through designing and implementing appropriate responses to assessed ROMMs in ISA 330. These issues call for more fundamental revisions in ISA 330 regarding the use of ATT in responses to assessed ROMM. Further, Staff notes that Issues #11–#14 relate to matters that could be relevant to both the performance aspects in ISA 330 and the overarching reference framework aspects in proposed ISA 500 (Revised). Therefore,

the Integrated Project would also need to consider the proposed revisions addressing technology in proposed ISA 500 (Revised).

37. In addition, the IAASB's Strategy and Work Plan for 2024–2027 includes establishing a position on addressing the impact of technology in the IAASB's standards (i.e., a Technology Position). The Technology Position will inform the development of the scope of the Integrated Project, particularly with respect to the approach for addressing technology in ISA 330 and more broadly across the ISAs.

#### *Use of ATT in Responses to Assessed ROMMs*

##### **Issue #8 – Insufficient Guidance When the Use of ATT Allows for Multi-Purpose Procedures**

38. Respondents to previous consultations noted that audit procedures performed using ATT may fall within different types of procedures or may involve a blend of different types of procedures (i.e., multi-purpose audit procedures). Respondents recognized that relevant application material in the ISAs (e.g., paragraph A18 of ED-500 and paragraph A19 of ISA 315 (Revised 2019)) is helpful in acknowledging that the auditor may design and perform an audit procedure that achieves more than one purpose. For example, auditors can perform substantive procedures or tests of controls in accordance with ISA 330 concurrently with risk assessment procedures in accordance with ISA 315 (Revised 2019). Comments included further clarifying whether using ATT to perform risk assessment procedures and further audit procedures (i.e., test of controls and substantive procedures) concurrently is compliant or not in conflict with the requirements of relevant ISAs (e.g., ISA 315 (Revised 2019), ISA 330 and ISA 520).
39. ISA 330 includes requirements addressing further audit procedures in paragraphs 6–23. When revising ISA 330, the Board could explore incorporating the notion of 'multi-purpose' audit procedures, especially in the context of using ATT, as well as clarifying when such procedures comply with the ISAs. See also Issue #20 that addresses dual-purpose tests under ISA 330.

##### **Issue #9 – Ambiguity Relating to Whether Substantive Procedures Using ATT Are Considered Tests of Details or Substantive Analytical Procedures**

40. Respondents to previous consultations noted that while ISA 330 is clear that substantive procedures comprise tests of details and substantive analytical procedures, there is ambiguity relating to whether substantive procedures using ATT are considered tests of details or substantive analytical procedures. For example, respondents observed that using ATT to interrogate 100% of a population 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. Respondents' views included that the auditor's responses to assessed ROMMs in ISA 330 need not be specifically tied to or fit within a category of substantive procedures and questioned whether there may be a need to move away from categorizing substantive procedures in the ISAs or add a new category of substantive procedures.
41. ISA 330 includes requirements addressing substantive procedures in paragraphs 18–23. Revising ISA 330 could:
  - (a) Include further guidance in ISA 330 to assist auditors in determining whether substantive procedures using ATT are considered test of details or substantive analytical procedures.

This distinction when using ATT would also impact ISA 520, which deals with the auditor's use of analytical procedures as substantive procedures.

- (b) Explore whether the auditor can obtain sufficient appropriate audit evidence through designing and implementing responses to assessed ROMMs, that are not specifically tied to or fit within the types of further audit procedures or substantive procedures in ISA 330.

Issue #10 – Ambiguity Relating to Whether Audit Data Analytics is a Type of Audit Procedure or a Type of ATT

- 42. Respondents to previous consultations noted that the ISAs do not explain how using audit data analytics fits into the types of audit procedures the auditor performs, and that in practice, ATT and audit data analytics are often conflated.
- 43. In applying an integrated approach to audit evidence and risk response regarding this issue, the Integrated Project would need to consider relevant guidance provided in Appendix 1 to proposed ISA 500 (Revised) (i.e., audit data analytics is not recognized as a new type of audit procedure given that audit data analytics are techniques that the auditor may use to perform procedures). However, considering respondents' comments to previous consultations on the performance aspects in ISA 330 and ISA 520 to address this issue, ISA 330 (and ISA 520 in context of performing analytical procedures (also see Issue #27 in **Section C-2**)) could clarify whether audit data analytics:
  - (a) Is a type of audit procedure or a type of ATT; and
  - (b) Can be a risk assessment procedure, a substantive procedure, or both and, if both, the respective criteria it needs to satisfy.

Issue #11 – Lack of Requirement(s) Addressing the Use of ATT

- 44. Respondents to previous consultations called for an explicit requirement in the ISAs that applies if the auditor uses ATT in performing audit procedures (just as there is an explicit requirement if the auditor uses information prepared by a management's expert). Respondents believe that such a requirement will promote consistent practice and address or mitigate common deficiencies noted by regulators. Respondents noted that such a conditional requirement in the ISAs would be 'technology neutral' as the requirement would only apply if the auditor uses ATT.
- 45. In applying an integrated approach to audit evidence and risk response with respect to the use of ATT in the audit, the Integrated Project would need to consider the conditional requirement in proposed ISA 500 (Revised) that applies when the auditor uses ATT. When revising ISA 330 (and ISA 520 in context of performing analytical procedures (also see Issue #28 in **Section C-2**)), it could be explored whether, and the extent to which, it may be appropriate to have a requirement(s) that applies if the auditor uses ATT in designing and performing further audit procedures to respond to assessed ROMM, to be aligned with the relevant changes to proposed ISA 500 (Revised). The Integrated Project could also consider the appropriate location of such requirements.

Issue #12 – Insufficient Guidance Relating to the Use of ATT When Selecting Items for Testing

- 46. Respondents to previous consultations suggested adding guidance relating to the use of ATT when selecting items for testing (e.g., establishing criteria to select items for testing).

47. The Integrated Project could consider relevant material in Appendix 2 to proposed ISA 500 (Revised). This appendix describes various approaches to identify and select items for testing, such as selecting all items, selecting specific items (using ATT), and audit sampling. The appendix also provides guidance that specific items selected may include high value items, all items over a certain amount, key items and items to obtain information (i.e., criteria to select items).

Issue #13 – Insufficient Guidance Addressing Exceptions / Outliers Identified When Using ATT

48. Respondents to previous consultations suggested adding guidance on dealing with exceptions / outliers identified when using ATT to perform audit procedures in response to assessed ROMMs.
49. The Integrated Project could explore addressing this issue in ISA 330 and ISA 520 (also see Issue #29 in **Section C-2**) by considering relevant guidance in proposed ISA 500 (Revised) relating to:
- (a) The extent of investigating exceptions / outliers when using ATT (i.e., whether all items or selected items should be investigated or whether there could be a threshold for investigating exceptions / outliers).
  - (b) Whether the exceptions / outliers are considered audit evidence.

Issue #14 – Need to Clarify the Expected Audit Documentation When Using ATT

50. Respondents to previous consultations noted the need to clarify the expected audit documentation when using ATT in performing audit procedures. For example, they questioned whether the raw data sets used by the auditor in performing procedures using ATT would need to be filed as part of the audit documentation.
51. The Integrated Project could consider whether additional documentation requirements when using ATT are needed in ISA 330, or guidance on how current documentation requirements in ISA 330 could be met. The Integrated Project could also consider relevant guidance in proposed ISA 500 (Revised) relating to documentation considerations when using ATT.

*Use of New or Emerging Technologies by the Entity and the Auditor*

Issue #15 – Need to Clarify Audit Considerations Relating to the Use of New or Emerging Technologies by the Entity or the Auditor

52. Respondents to previous consultations observed that the use of new or emerging technologies (e.g., artificial intelligence (AI), machine learning or robotics process automation), by entities in their financial reporting processes or by auditors in performing audit procedures, introduces new or changing audit risks.
53. Matters that the Board may need to explore in revising ISA 330 could include:
- (a) The notion that there could be instances where the auditor cannot obtain sufficient appropriate audit evidence without using ATT or by using a 'traditional' audit approach only (e.g., when auditing AI applications used in the entity's information system relevant to the preparation of the financial statements).
  - (b) The risks associated with new or emerging technologies (e.g., technology risks related to machine learning, data science and cybersecurity arising from AI applications used in the entity's information system relevant to the preparation of the financial statements).

### **Matters for Board Consideration**

3. The Board is asked for their views on whether:
  - (a) The issues identified in **Section B-III** related to technology, in the context of ISA 330, are issues that should be explored in the revision of ISA 330, subject to being further informed by the Board's Technology Position; and
  - (b) They are aware of other issues that should be explored related to technology.

### **Section B-IV – Enhancing the Auditor's Work Effort Relating to Internal Controls**

#### *Background*

54. Stakeholders, including the Public Interest Oversight Board and two Monitoring Group members, have encouraged the IAASB to undertake a project with a focus on internal control, noting that such a focused project is needed to support high-quality audit engagements. Reasons provided included the high level of inspection findings in this area. Upon review of inspection reports, Staff noted that the main concerns from regulators and oversight bodies are about the auditor's work effort relating to internal controls, including internal control testing.
55. In addition:
  - (a) Respondents to previous consultations also highlighted several issues related the auditor's work effort relating to internal controls.
  - (b) Revisions of ISA 315 (Revised) emphasized the importance of a strong understanding of the entity's system of internal control as an integral part to the auditor's identification and assessment of ROMMs. This understanding informs the auditor's expectations about the operating effectiveness of controls and the auditor's intentions to test controls in designing and performing further audit procedures.
56. Based on the information gathering performed, Staff identified the following areas where issues arise:
  - (a) Testing of controls if substantive procedures alone cannot provide sufficient appropriate audit evidence.
  - (b) Nature, timing and extent of testing controls.
  - (c) Evaluating the operating effectiveness of controls.

#### *Testing of Controls If Substantive Procedures Alone Cannot Provide Sufficient Appropriate Audit Evidence*

Issue #16: Insufficient Clarity About When to Test Relevant Controls Where Substantive Procedures Alone Cannot Provide Sufficient Appropriate Audit Evidence

57. Paragraph 8(b) of ISA 330 requires the auditor to design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of controls if substantive procedures alone cannot provide such audit evidence at the assertion level. The application material further explains when this situation may occur by providing an example of an entity that

conducts its business using Information Technology (IT) and no documentation of transactions is produced or maintained, other than through the IT system.

58. One of the inspection findings noted was that auditors fail to test relevant controls, when substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level. It was noted that this is a more prevalent issue due to entities transacting more and more electronically. As this was a common finding, ISA 330 may need to be strengthened to promote the consistent application in practice. For example, ISA 330 could provide additional clarity, including illustrative examples of situations where substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the assessed ROMMs at the assertion level.

*Nature, Timing and Extent of Testing Controls*

Issue #17: Ambiguity Relating to the Requirement to Obtain More Persuasive Audit Evidence When Placing Greater Reliance on the Effectiveness of Controls

59. Paragraph 9 of ISA 330 requires the auditor to obtain more persuasive audit evidence the greater the reliance the auditor places on the effectiveness of a control. However, inspection findings indicated that auditors do not meet this requirement consistently, resulting in relevant assertions not being appropriately addressed by the tests of controls and insufficient procedures being performed.
60. Staff noted some ambiguity with the terms “more persuasive audit evidence” and “greater reliance,” and questioned whether the requirement or application material can be enhanced by clarifying what “more persuasive audit evidence” and “greater reliance” entail.

Issue #18: Misalignment Between the Level of Requirements to Understand the Entity’s System of Internal Control and the Control Testing Required

61. In the revision of ISA 315 (Revised) the auditor’s work effort related to obtaining an understanding of the entity’s system of internal control was enhanced. Respondents to previous consultations noted that there is a misalignment between the requirements for understanding the entity’s system of internal control in ISA 315 (Revised 2019) and the requirements when testing controls in ISA 330, including with respect to specificity. To further enhance the auditor’s work effort related to internal controls, the standard could be strengthened by:
- (a) Defining or explaining the different categories of controls (i.e., manual controls, automated controls and semi-automated controls)
  - (b) Providing additional clarity on the nature and extent of audit procedures to test IT general controls (ITGCs) and IT application controls.
  - (c) Describing the impact on the assessment of control risk and on the auditor’s response to ROMMs when the controls are not operating effectively.

Issue #19: Insufficient Clarity About How to Obtain Sufficient Appropriate Audit Evidence as to the Operating Effectiveness of Controls

62. Regulators and oversight bodies highlighted in their inspection reports that by not designing and performing tests of controls that provide sufficient appropriate audit evidence about the operating effectiveness of relevant controls, the auditor may inappropriately conclude that the entity’s controls

are able to prevent or detect material misstatements. This included not obtaining sufficient appropriate audit evidence related to:

- (a) How the controls were applied at relevant times during the period under audit.
  - (b) The consistency with which the controls were applied.
  - (c) By whom (or by what means) the controls were applied.
63. More specifically, common inspection findings relate to failures to obtain sufficient appropriate audit evidence to support the operating effectiveness of:
- (a) Manual controls.
  - (b) ITGCs and application controls.
  - (c) Controls over data or reports produced by management, including the accuracy and completeness of such data or reports.
64. Although ISA 330 includes requirements on the design and performance of tests of controls, it does not specify the nature and extent of tests of controls based on the different type of controls (e.g., manual or ITGC). Also, as noted in paragraph 61, respondents to previous consultations requested additional clarity on the nature and extent of audit procedures to test the ITGCs and IT application controls.

Issue #20: Insufficient Clarity About How to Perform and Document Dual-Purpose Tests Appropriately

65. As described in paragraph A23 of ISA 330, auditors may choose to perform dual-purpose tests, which provides efficiencies for the auditor by performing test of controls concurrently with test of details on the same transaction. A dual-purpose test is designed and evaluated by considering the purpose of each test separately. However, inspection findings noted that auditors do not consider that:
- (a) The purpose, performance of procedures and evaluation of each test are to be clearly distinguished and documented.
  - (b) The determination of the extent of each test (test of controls and test of details) is documented separately even though the same underlying transactions are being used for both tests.
66. In revising ISA 330, the Board could explore the continued relevance of the notion of dual-purpose tests and, if so, how to enhance the consistency of application and documentation. Also see Issue #8 that addresses the notion of multi-purpose procedures when using ATT.

Issue #21: Insufficient Clarity of Requirements Relating to the Sufficiency of Audit Evidence When Testing Controls at an Interim Period

67. Paragraph 12 of ISA 330 requires the auditor, if obtaining audit evidence about the operating effectiveness of controls during an interim period, to:
- (a) Obtain audit evidence about the significant changes to those controls subsequent to the interim period.
  - (b) Determine the additional audit evidence to be obtained for the remaining period.

68. Inspection findings indicated that when auditors test relevant controls at an interim period and conclude on the operating effectiveness of those controls during the interim period, they do not always comply with the requirements of ISA 330 related to the remaining period. Therefore, the Board could further explore whether ISA 330 is sufficiently clear on, for example:
- (a) What a significant change is; and
  - (b) The nature and extent of additional audit evidence needed to be obtained for the remaining period.

Issue #22: Insufficient Clarity about How to Use Audit Evidence About the Operating Effectiveness of Controls Obtained in Previous Periods

69. Paragraphs 13 and 14 of ISA 330 include requirements related to the use of audit evidence about the operating effectiveness of controls obtained in previous periods. Due to the enhanced requirements in ISA 315 (Revised 2019) which require the auditor to obtain an understanding of the entity's system of internal control every year, respondents to previous consultations questioned whether you should still be able to rely on audit evidence about the operating effectiveness of controls obtained in previous periods.

*Evaluating the Operating Effectiveness of Controls*

Issue #23: Insufficient Clarity about How to Evaluate the Operating Effectiveness of Controls

70. Regulators and oversight bodies noted inspection findings related to the following requirements in ISA 330:
- (a) Paragraph 16: Evaluating whether misstatements that have been detected by substantive procedures indicate that controls are not operating effectively.
  - (b) Paragraph 17: If deviations from controls upon which the auditor intends to rely are detected, make specific inquiries to understand these matters and their potential consequences; and
  - (c) Paragraph 17(b) and (c): Determine whether additional tests of controls are necessary or determine whether the potential risk of misstatement need to be addressed using substantive procedures.
71. Paragraph A42 of ISA 330 recognizes that the effectiveness of the operation of controls may include some deviations in the way controls are applied by the entity. However, the standard provides limited guidance on how the auditor should evaluate the detected rate of deviation, in particular in comparison with the expected deviation rate.

**Matters for Board Consideration**

4. The Board is asked for their views on whether:
- (a) The issues identified in **Section B-IV** related to internal controls are issues that should be explored in the revision of ISA 330; and
  - (b) They are aware of other issues that should be explored related to internal controls.



## Section C – Drivers for Revising ISA 520

72. Based on the information gathering performed, Staff identified the following areas where issues arise:
- (a) Scope and clarity of the standard; and
  - (b) The increased role of technology in performing audit procedures.

### Section C-I – Scope and Clarity of the Standard

#### *Background*

73. Inspection reports recurrently describe findings relating to the performance of substantive analytical procedures, in particular around the development of expectations and the evaluation of variances. Staff identified three possible issues contributing to these inspection findings:
- (a) The varying uses of the term analytical procedures throughout the ISAs;
  - (b) Ambiguous requirements and application material relating to developing expectations; and
  - (c) Ambiguous requirements and application material relating to investigating of the results of variances.

#### Issue #24: Varying Uses of the Term Analytical Procedures Throughout the ISAs

74. Analytical procedures are identified in both extant ISA 500 and ED-500 as a type of procedure an auditor may perform to obtain audit evidence. The term analytical procedure is used variably in different contexts:
- (a) ISA 315 (Revised 2019) includes requirements to perform analytical procedures as part of the auditor's risk assessment procedures and specifies that these procedures are not performed in accordance with ISA 520.
  - (b) ISA 520 includes requirements to perform:
    - (i) Substantive analytical procedures; and
    - (ii) Analytical procedures that assist the auditor in forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.
75. Clarifying the different uses of the term analytical procedures in the ISAs may help auditors with better understanding the differences between the terms and apply relevant requirements appropriately.

#### Issue #25: Ambiguous Requirements and Application Material Relating to Developing Expectations

76. Respondents to previous consultations highlighted inconsistencies in the ways that requirements related to the development of expectations are applied, particularly relating to how auditors select sources of information from which to develop sufficiently precise expectations. They therefore suggested that ISA 520 be enhanced to promote consistency of performance.

77. Respondents also called for clarity about:

- (a) How to determine what constitutes suitable data from which to develop expectations; and
- (b) What type of procedures the auditor is required to perform to obtain audit evidence about the reliability of the data used in developing those expectations.

Issue #26: Ambiguous Requirements and Application Material Relating to Investigating of the Results of Variances

78. Respondents to previous consultations called for enhancements to ISA 520 to enable more consistency in the judgments made about the significance of variances from expectations, and to support auditors in evaluating the quality of audit evidence obtained from these procedures. Doing so could also minimize diversity in practice in the work effort performed in response to similarly assessed ROMMs.

79. Respondents suggested clarifying:

- (a) The attributes to be used in determining the appropriateness of the threshold selected as the accepted amount of difference from the expectation; and
- (b) Whether this threshold may be permitted to exceed overall materiality.

## **Section C-II – Addressing the Use of Technology in Performing Analytical Procedures**

### *Background*

80. As indicated in paragraphs 35–53 above, respondents to previous consultations recurrently called for the IAASB to consider revisions to ISAs to better incorporate requirements (conditional or otherwise), and application material, for use in situations in which the auditor uses ATT. ISA 520 was identified as a standard that would benefit from such revisions as analytical procedures are often performed with the use of ATT and there is currently an absence of specific material related to the use of technology in this standard.

81. Several technology-related issues that were identified as applying to ISA 330 also impact ISA 520, particularly:

- (a) Issue #10 – Ambiguity relating to whether audit data analytics is a type of audit procedure or a type of ATT;
- (b) Issue #11 – Lack of requirement(s) addressing the use of ATT; and
- (c) Issue #13 – Insufficient guidance addressing exceptions/outliers identified when using ATT.

82. Issues 27–29 focus on how these issues manifest in ISA 520, resulting in stakeholder requests to revise ISA 520 concurrently with any revisions made to ISA 330. As highlighted in paragraph 37 above, the Board's Technology Position will inform the development of the scope of the Integrated Project, including with respect to the approach for addressing technology in ISA 520.

Issue #27: Ambiguity Relating to Whether Audit Data Analytics are a Type of Audit Procedure or a Type of ATT

83. This issue is that described as Issue #10 in paragraphs 42–43 above.

84. While the ambiguity relating to whether audit data analytics are a type of audit procedure or a type of ATT also appears in other standards, the similarity between the definition of analytical procedures and the common usage of the term data analytics supports that it may be more prominent with respect to ISA 520.

Issue #28: Lack of Requirement(s) Addressing the Use of ATT

85. This issue is that described as Issue #11 in paragraphs 44–45 above.
86. The use of ATT to perform analytical procedures is common. For example, ATT may be used to generate or to obtain information to be used when developing expectations for substantive analytical procedures, or to support the evaluation of financial information. However, there are currently no requirements or application material in ISA 520 for an auditor to apply or refer to if they elect to use ATT in performing analytical procedures.

Issue #29: Insufficient Guidance Addressing Exceptions/Outliers Identified When Using ATT

87. This issue is that described as Issue #13 in paragraphs 48–49 above.
88. Respondents to previous consultations noted a conceptual overlap between the auditor's development of expectations when performing substantive analytical procedures under ISA 520, which require the auditor to form a view about the expected value and composition or relationship of an item, and the auditor's development of expectations about the characteristics of 'outliers' or 'exceptions' when using ATT.
89. However, they also noted that there was no application material specifically addressing these matters in ISA 520, so that it remained unclear how the notion of 'outliers' or 'exceptions' identified when using ATT relates to the notion of variances in substantive analytical procedures, if at all.

**Matters for Board Consideration**

5. The Board is asked for their views on whether:
- (a) The issues identified in **Section C** related to drivers for revising ISA 520 are issues that should be explored in a revision of ISA 520; and
  - (b) They are aware of other issues that should be explored related to ISA 520.

**Section D – Way Forward**

90. Staff plans to perform the following information gathering after the March 2024 meeting:

*Review*

- (a) Review responses from members of the Jurisdictional/ National Auditing Standard Setters group (NSS) to Requests for Input that highlight jurisdictional developments for 2019-2023.
- (b) Review guidance, thematic reviews or other materials that have been issued by NSS, Professional Accountancy Organizations or oversight bodies.
- (c) Further review of inspections findings. This involves reviewing inspection finding reports from various jurisdictions, including 2023/2024 reports that will be issued in 2024.

*Outreach*

- (d) Discussion on risk response at the May 2024 IAASB-NSS meeting.
- (e) Outreach with the IFIAR's Standards Coordination Working Group and the CEAOB's standards and inspections subgroups.
- (f) Outreach with IOSCO's Committee on Issuer Accounting, Audit and Disclosure.
- (g) Targeted deep-dive session with the Forum of Firms.
- (h) Outreach with the International Federation of Accountants' Small and Medium Practices Advisory Group.

*Academic Research*

- (i) We have asked the International Association for Accounting Education Research (IAAER) to perform a desktop review for which we expect the results to be available in March 2024. Staff has discussed topics on which to conduct the desktop review, including risk response, internal control, technology and substantive analytical procedure. The desktop review will provide the IAASB a list of articles from relevant journals and academic papers that discussed the aforementioned topics.
- (j) Staff intends to deepen their research on the issues by reviewing and analyzing the content provided by the IAAER.

*Coordination with International Ethics Standards Board for Accountants (IESBA)*

- (k) Coordinate with the IESBA to understand whether their work on Technology, including related guidance, may further inform the IAASB on relevant performance or quality issues in ISA 330 and ISA 520.
91. At the IAASB meeting in September 2024, and based on the information gathering activities to be completed as noted above, the Risk Response Workstream Staff intends to present to the Board a list of key issues as well as strategic actions in response to these issues. The Board will also have the opportunity to reflect on a possible outline of a project proposal for the Integrated Project.

**Matters for Board Consideration**

6. The Board is asked for their views on whether they are aware of any initiatives that may be of interest for the purpose of the information gathering for the Risk Response Workstream.

## Appendix 1

### Staff and Focus Group Members and Activities

#### IAASB Staff Contacts

1. The IAASB contacts consists of the following staff:
  - Ana Espinal-Rae
  - Isabelle Raiche
  - Hankenson Jane L. Talatala
  - Jasper van den Hout

#### Focus Group Members

2. The Focus Group consists of the following members:
  - Julie Corden
  - Vishal Doshi
  - Sachiko Kai
  - Edo Kienhuis
  - Warren Maroun

#### Focus Group Activities

3. The Focus Group held one virtual meeting in February 2024.

## Appendix 2

### Risk Response Private Workshop Session

#### Objective of Private Workshop Session

The objective of this private workshop (breakout) session is to have more in-depth discussions, and obtain deeper insights, on selected issues<sup>12</sup> identified in **Sections B and C**, to contribute to the information gathering phase of the IAASB's project on an integrated approach to audit evidence and risk response.

#### Breakout Group Allocations (In-Person Attendees Only)

Group 1	Group 2	Group 3	Group 4	Group 5
Facilitator: Isabelle Raiche <sup>RR</sup>	Facilitator: Jasper van den Hout <sup>RR</sup>	Facilitator: Ana Espinal-Rae <sup>RR</sup>	Facilitator: Hankenson Jane L. Talatala <sup>RR</sup>	Facilitator: Willie Botha
1. Tom Seidenstein	1. Josephine Jackson	1. Julie Corden <sup>RR</sup>	1. Hernán Casinelli	1. Sue Almond <sup>AE/TCG</sup>
2. Vishal Doshi <sup>RR</sup>	2. Sachiko Kai <sup>RR</sup>	2. Robert Koethner	2. Bill Edge	2. Sami Alshorafa
3. Neil Morris	3. Chrystelle Richard	3. Wendy Stevens <sup>TCG</sup>	3. Edo Kienhuis <sup>AE/RR</sup>	3. Greg Schollum <sup>AE</sup>
4. Kai Morten Hagen	4. Eric Turner <sup>AE</sup>	4. Rene Herman	4. Susan Jones	4. Thokozani Nkosi
5. Amy Groves	5. Helene Agélii	5. Claire Revenig	5. Johanna Field <sup>TCG</sup>	5. Brian Wilson
6. Jamie Shannon	6. Wolf Böhm	6. Kazuko Yoshimura	6. Misha Pieters	6. Antoine Boitard
7. Kalina Shukarova Savovska <sup>AE</sup>	7. Ida Diu <sup>AE</sup>	7. Fadi Mansour <sup>TP</sup>	7. Angelo Giardina <sup>TP</sup>	7. Fernando Zanet

<sup>12</sup> The issues identified in **Section B-II** (Issues #4 to #7) will be further informed by the Board's feedback on the proposals of the AETF to update proposed ISA 500 (Revised) in March 2024 (see **Agenda Item 5**). These issues have not been selected for discussion during the breakout session.

Notes:

AE – Audit Evidence Task Force Member or Staff

RR – Risk Response Focus Group Member or Staff

TCG – Technology Consultation Group Members

TP – Technology Position Project Staff

**Matters for Consideration by Breakout Groups**

**Groups 1 and 2**

*Specific Questions Related to Aligning ISA 330 with ISA 315 (Revised 2019)*

1. What further information, including examples, can you provide about how the ambiguity related to the operationalization of paragraph 18 of ISA 330 manifests in practice (i.e., challenges in carrying out the requirement)? See Issue #1 in **Section B-I**.
2. In relation to Issue #2 in **Section B-I** (i.e., the impact of the separate assessment of inherent risk and control risk), do you have feedback on matters for further consideration related to the nature of any challenges in this regard?

*Specific Questions Related to Internal Controls*

3. In your view, what are the root causes preventing auditors from testing relevant controls in instances where substantive procedures alone cannot provide sufficient appropriate audit evidence (see Issue #16 in **Section B-IV**)?
4. Beyond the requirements in ISA 330, paragraph 8, in your view, are there situations or circumstances where testing the operating effectiveness of controls should be required (also see Issue #16 in **Section B-IV**)?
5. The issues identified in relation to the nature, timing and extent of testing controls (Issues #17–#22 in **Section B-IV**) relate to the auditor's work effort, most of which arising from inspection findings. In your view, which of these issues, or elements of issues, may be more prominently related to:
  - (a) Deficiencies in complying with the requirements of ISA 330 in the performance of audits of financial statements (i.e., audit performance issues); or
  - (b) Issues relating to the clarity and conciseness of ISA 330 which diminish understandability and increase the likelihood of differing interpretations?

**Groups 3, 4 and 5**

*Specific Questions Related to ISA 520*

6. In your view, would the issues related to ISA 520 in **Section C** (Issues #24–#29) warrant a revision of the standard, and if so, how (e.g., concurrently with ISA 330 or as a standalone project)? Please explain why.

7. In relation to Issues #24, #25 and #26 in **Section C**, do you have feedback on matters for further consideration related to the nature or root cause(s) of any of these issues?

*Specific Questions Related to the Use of Technology*

8. In your view, can the auditor obtain sufficient appropriate audit evidence through designing and implementing responses to assessed ROMMs that are not specifically tied to or fit within the types of further audit procedures or substantive procedures in ISA 330? See Issue #9 in **Section B-III** (you may also wish to reflect more broadly on the effect of ATT on the 'types of procedures' as discussed in Issues #8 and #10).
9. Can you provide examples of instances where the auditor cannot obtain sufficient appropriate audit evidence without using ATT or by using a 'traditional' audit approach only? See Issue #15 in **Section B-III**.
10. In your view, what are the obstacles preventing the use of ATT by auditors when performing audit procedures? Please provide details and explain why.