Agenda Item 5

Audit Evidence and Risk Response – Issues Paper

Objective:

The objective of the IAASB discussion in December 2024 is to approve a proposed project proposal for the revision of ISA 330,[1] ISA 500[2] and ISA 520,[3] and related conforming and consequential amendments to other International Standards on Auditing (ISAs) (the Audit Evidence and Risk Response project) set out in **Agenda Item 5-A**.

Request for Board Comments in Advance of Meeting

Prior to the December 2024 meeting, Board members are requested to communicate significant or editorial matters in the proposed project proposal to the project team by **December 5, 2024**. This is to assist the project team to provide a final turnaround of the proposed project proposal by 17:30 on **Wednesday**, **December 11, 2024**, for Board approval on **Thursday**, **December 12, 2024**. All significant matters should still be raised and discussed on public record during the Board plenary session.

Approach to the Board Discussion

The project team will walk through the proposed project proposal set out in **Agenda Item 5-A** and the relevant "Matters for IAASB Consideration" included in **Section II** of this paper, taking comments on matters in the order outlined in **Appendix 2** to this paper.

Materials Presented

Agenda Item 5-A	Proposed Project Proposal on Audit Evidence and Risk Response (Clean)
Agenda Item 5-B	Proposed Project Proposal on Audit Evidence and Risk Response (Marked from September 2024)

Appendices

Appendix 1	Project Team and Focus Group Members and Activities
Appendix 2	Approach for the Walkthrough of the Proposed Project Proposal
Appendix 3	Summary of Significant Changes Made in the Proposed Project Proposal Since September 2024

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[1]   ISA 330, *The Auditor's Responses to Assessed Risks*

[2]   ISA 500, *Audit Evidence*

[3]   ISA 520, *Analytical Procedures*

Appendix 4	Reconciliation of Issues in the Technology Gap Analysis to Relevant Matters in the Proposed Project Proposal

Introduction

1. In September 2024, the project team presented to the Board a draft proposed project proposal for a project on Audit Evidence and Risk Response. The Board agreed that the information-gathering activities performed provided a sufficient basis to support the proposed project proposal without further public consultation. For more information about the Board's decisions and directions, see the draft minutes presented in **Agenda Item 1**.

2. Based on the Board's input, further information gathering and coordination activities, and the insights of a group of designated IAASB members (the "Focus Group"), the project team has further updated the proposed project proposal. See **Appendix 1** for details about the project team and the Focus Group members supporting this project.

I.   Information-Gathering and Coordination Activities

Information-Gathering Activities

Review of Additional Inspection Reports

3. In response to a Board direction in September 2024, the project team reviewed the following additional inspection reports from jurisdictions outside of Europe and North America:

    (a)   Accounting and Corporate Regulatory Authority – Singapore, Audit Regulatory Report 2023 (November 2023);

    (b)   Audit Oversight Board of the Securities Commission – Malaysia, Audit Oversight Board Annual Inspection Report 2023 (2024);

    (c)   Capital Market Authority – Saudi Arabia, The Most Prominent Observations of the Supervision on Registered Accounting Firms for the Years 2020 and 2021 (April 2023);

    (d)   Certified Public Accountants and Auditing Oversight Board – Japan, Case Report from Audit Firm Inspection Results - Program Year 2023 (July 2023); and

    (e)   National Financial Reporting Authority – India, 2022 Inspection Report (December 2023).

4. The results of the review reaffirmed the project team's understanding of the issues relating to a project on Audit Evidence and Risk Response and did not identify any new issues that need to be included in the proposed project proposal.

International Association for Accounting Education and Research (IAAER)

5. The project team continued collaborating with the IAAER on their research study, which includes interviews with auditors at the senior manager level and above. This research study is anticipated to be performed in Q1 of 2025 and is expected to inform the development of an exposure draft of the proposed standards to revise ISA 330, ISA 500 and ISA 520.

Coordination Activities

Technology Consultation Group

6.   The project team continued coordinating with staff working on the next iteration of the gap analysis under Component 2 of the [IAASB's Technology Position](#) (the "technology team"). This coordination activity focused on enhancing the alignment between the technology-related matters in the proposed project proposal, and the catalogue of issues and possible actions identified by the technology team included in **Agenda Item 4-A**.

Audit Evidence Task Force

7.   The project team held discussions with, and considered feedback provided by, the Staff Lead and the Chair of the Audit Evidence Task Force, on matters in the proposed project proposal relevant to the revisions to ISA 500.

Professional Skepticism Consultation Group

8.   The project team consulted with the Professional Skepticism Consultation Group on professional skepticism-related matters in the proposed project proposal and considered their input in further refining the proposed project proposal.

The International Ethics Standards Board of Accountants (IESBA)

9.   The project team circulated the proposed project proposal and consulted with senior staff of the IESBA to identify matters requiring coordination, or of possible relevance to the project.[4] Updated topics identified as requiring ongoing coordination include:

(a)   [Technology-related revisions to the Code](#)[5] and

(b)   [Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants](#).

II.   Additional Considerations in the Development of the Proposed Project Proposal

10.   This section describes additional considerations by the project team in the development of the proposed project proposal since September 2024. See **Appendix 3** for a summary of significant changes made.

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[4]   The proposed Due Process and Public Interest Framework Operating Procedures requires that a project proposal of a standards-setting board (SSB) be circulated to the senior staff of the other SSB to identify matters requiring coordination, or of possible relevance to the project.

[5]   *IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code)

IAASB's Technology Position

11. Component 2 of the IAASB's Technology Position involves operationalizing the Technology Position Statement. In doing so, the IAASB is undertaking a range of activities, including a gap analysis,[6] to identify potential standard-setting activities and other related activities to deliver on its commitment to actively facilitate and, where appropriate, encourage the appropriate use of technology by firms and practitioners. A preliminary gap analysis[7] was presented and discussed with the Board at the September 2024 meeting and an updated gap analysis is presented in **Agenda Item 4-A**.

12. The updated gap analysis presents a catalogue of issues and possible actions for the IAASB to consider, categorized as either standard setting activities, non-authoritative guidance, or further information gathering. These proposed actions are intended to inform the IAASB's work plan decisions as well as current or future standard-setting projects or related activities. Project teams, including the Audit Evidence and Risk Response project team, are expected to use the gap analysis to extract relevant information and insights to inform their projects: executing on the actions occurs at the project level.

13. Accordingly, the changes made in paragraphs 22–23 of the proposed project proposal clarify that the gap analysis performed to date identifies issues and possible actions, including matters relating to ISA 330, ISA 500 and ISA 520. Those matters are consistent with the outcome of information-gathering activities described in Appendix 1 to the proposed project proposal, including the in-depth analysis of technology-related issues performed as part of the original Audit Evidence project, and has informed the development of the proposed project proposal. The changes in the proposed project proposal also clarify that the IAASB's continued work to operationalize the Technology Position Statement and to monitor emerging technologies will further inform the development of the revisions to ISA 330, ISA 500 and ISA 520 throughout the project.

14. As noted in paragraph 6, the project team and the technology team have closely liaised on the technology-related issues and are of the view that the issues included in the gap analysis and the proposed project proposal are aligned even though the presentation of the issues in the documents is different given the different purposes of each document. To clarify the alignment between the proposed project proposal and the gap analysis, **Appendix 4** to this issues paper shows a reconciliation of the issues identified in **Agenda Item 4-A** to the relevant matters that capture those issues in the proposed project proposal.

Proposed Due Process and Public Interest Framework Operating Procedures

15. Ahead of the scheduled approval of the proposed Due Process and Public Interest Framework Operating Procedures in 2025, the project team is taking preliminary steps to align the development of the proposed project proposal with the relevant recommendations for amending due process. It is

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[6] The gap analysis involves a phased review of the IAASB's standards, starting with the International Standards on Quality Management (ISQMs) and the ISAs.

[7] The preliminary gap analysis presented at the September 2024 meeting focused on: ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*; ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*; ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*; ISA 330; and ISA 500.

anticipated that future standard-setting projects (including the Audit Evidence and Risk Response project) will be required to comply with the proposed Due Process and Public Interest Framework Operating Procedures.

16. In developing the proposed project proposal, the project team considered the proposed Public Interest Framework Operating Procedures that apply at project commencement. In doing so, the project team:

(a) Identified and considered the varying perspectives and needs of stakeholders with legitimate interests in relation to revising ISA 330, ISA 500 and ISA 520. The project team also added a separate section in the proposed project proposal that identifies the broad stakeholder groups impacted by a project on Audit Evidence and Risk Response (see Section IV of the proposed project proposal).

(b) Defined the desired goal of the project in terms of the project objectives that support the public interest (see Section III of the proposed project proposal). Such goal is also defined in terms of the desired outcome of reinforcing key principles and considerations that support the consistent performance of high-quality audits (see paragraph 27 of the proposed project proposal).

(c) Identified the qualitative standard-setting characteristics, set out in the Public Interest Framework, of most relevance to the proposed revisions to ISA 330, ISA 500 and ISA 520 as criteria to assess the standards' responsiveness to the public interest (see the qualitative standard-setting characteristics identified in Section V of the proposed project proposal).

Using More Definitive Language in the Proposed Actions

17. Given the comments received at the September 2024 Board meeting and based on internal discussions, the project team reconsidered whether the use of the terms "explore" or "consider" are appropriate in each instance that these were used in describing a proposed action in the proposed project proposal. The goal of this exercise was to use more definitive language in the proposed actions to clarify for our stakeholders what we will action. Where it was appropriate to do so, the project team replaced the verbs with more definitive actions (e.g., develop, determine, or enhance). **Appendix 3** to this issues paper includes descriptions of significant changes made in the proposed project proposal.

18. The project team also clarified the intended meaning of the term "explore" as used in the proposed project proposal (see footnote 12 of the proposed project proposal). Like the clarification for the use of this term in the project proposal for the Fraud project, certain proposed actions will require further consideration by the project team and the Board before more definitive actions can be proposed.

Matters for IAASB Consideration

1. The Board is asked for its views on the proposed project proposal set out in **Agenda Item 5-A**, including with respect to the matters discussed in paragraphs 11–18 above (the project team seeks the Board's views on the individual elements of the proposed project proposal in the order set out in **Appendix 2**).

2.   The Board is asked whether there are any other matters that the project team should consider in finalizing the proposed project proposal.

3.   The Board is asked to approve the proposed project proposal on Audit Evidence and Risk Response. (This question will be addressed on Thursday, December 12, 2024).

III.   Way Forward

19.   Subject to the Board's approval of the proposed project proposal on Audit Evidence and Risk Response, the project team will progress the proposed activities of the project.

20.   For the next IAASB meeting in March 2025, the project team intends to present to, and discuss with, the Board certain proposed actions included in the approved project proposal.

Appendix 1

Project Team and Focus Group Members and Activities

IAASB Staff Contacts

1. The IAASB contacts consists of the following staff (the project team):

    *   Ana Espinal-Rae

    *   Megan Leicht

    *   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. Staff and Focus Group members met three times virtually, in September, October and November 2024.

Appendix 2

Approach for the Walkthrough of the Proposed Project Proposal

> The table below describes the approach for the walkthrough of the proposed project proposal set out in **Agenda Item 5-A**, including the matters discussed in **Section II** of this paper. The project team will take comments on matters in the order outlined below.

Section of the Proposed Project Proposal	Paragraphs in Agenda Item 5-A	Relevant Paragraphs in Section II of This Issues Paper
Sections I-II	• Paragraphs 1–23	Paragraphs 11–14
Sections III-IV	• Paragraphs 24–27	Paragraphs 15–16
Section V		
• Issues and proposed actions relating to Objective A	• Paragraph 28 • Items #1–4 in the scope table	
• Issues and proposed actions relating to Objective B – auditors' work on internal controls	• Items #5–8 in the scope table	
• Issues and proposed actions relating to Objective B – overarching matters to promote consistent practice and auditor behaviors	• Items #9–12 in the scope table	
• Issues and proposed actions relating to Objective C	• Items #13–17 in the scope table	
• Basis of Proposed Actions • Non-Authoritative Guidance and Other Actions • Coordination Activities	• Paragraphs 29–39	
Sections VI-VII and Appendix	• Paragraphs 40–48	

Appendix 3

Summary of Significant Changes Made in the Proposed Project Proposal Since September 2024

The table below summarizes significant changes, and the rationale for those changes, made in the proposed project proposal since the September 2024 IAASB meeting, as reflected in the marked draft in **Agenda Item 5-B**. Unless otherwise indicated, references to "paragraph(s)" within the table below refer to paragraph(s) in the proposed project proposal.

Reference	Significant Changes and Rationale for Those Changes
Sections I–III: Subject, Introduction, and Project Objectives that Support the Public Interest	
Paragraph 2	• Added a new paragraph that highlights upfront stakeholders' needs and the responsiveness of the project to calls to revise ISA 330, ISA 500 and ISA 520. This change was meant to provide context of the public interest needs, which the project intends to respond to.
Paragraphs 4–5	• Deleted paragraphs 3–5 of Agenda Item 6-A of the September 2024 meeting based on the feedback that it was too generic. These were replaced with paragraphs 4–5, which describe the environmental factors that triggered the identification of a potential standard-setting project.
Paragraph 6	• Updated paragraph 6 given the addition of paragraphs 4–5. • Moved the diagram for the timeline of activities to paragraph 21 to improve the flow of the document.
Paragraph 18	• To provide a more fulsome background about the identification of the technology-related issues, updated paragraph 18 to highlight an in-depth analysis of technology-related issues performed as part of the original Audit Evidence project.
Paragraph 20	• Deleted the summary of information-gathering activities enumerated in paragraph 20 as these are already described in the Appendix to the proposed project proposal.
Paragraph 21	• Updated the diagram for the 'timeline of activities' to reflect the project activities in September and December 2024, and the accompanying introductory text to highlight Board discussions held in reaching the key milestones described in the diagram.

Reference	Significant Changes and Rationale for Those Changes
Paragraphs 22–23	• The changes to these paragraphs are explained in paragraphs 11–14 of this paper. These changes were made in response to a Board direction to enhance the description of the relationship between the IAASB's Technology Position and the proposed project proposal, which describes a focus on technology.
Paragraph 24	• Bifurcated the project objective relating to technology from Objective B and presented it as a stand-alone objective (Objective C) to avoid unintentionally limiting the objective to facilitating, and where appropriate, encouraging, auditors' use of technology when responding to risks of material misstatement only. This change clarifies that the project aims to respond to technology-related issues related to audit evidence and risk response.
	• Removed the words after "reflecting" for Objectives B and C, as the rationale for the project objectives is clearly articulated in the preceding paragraphs of the introduction, so does not need repeating. This also aligns Objectives B and C with how Objective A is written.
	• Deleted paragraph 25 of Agenda Item 6-A of the September 2024 meeting because it was duplicative of the matters already covered in Section IV of the proposed project proposal.
Section IV: Stakeholders Impacted by a Project on Audit Evidence and Risk Response	
Paragraphs 25–27	• The changes to these paragraphs are explained in paragraphs 15–16 of this paper. These changes were made to reflect the impact of the proposed Due Process and Public Interest Framework Operating Procedures at project commencement.
Section V: Scope – Issues and Proposed Actions	
Paragraph 28	• Updated the heading of Section V and paragraph 28 to clarify that the issues identified from the information-gathering activities performed and the proposed actions to respond to them are both covered in Section V of the proposed project proposal.
Footnote 7	• Added a new footnote that describes flexibility in how certain of the identified issues may be addressed through standard-setting actions in standards other than ISA 330, ISA 500 and ISA 520, or through other IAASB activities (e.g., non-authoritative guidance). This was in response to Board feedback, which indicated that developing non-authoritative material may be a more appropriate response to some of the matters raised.

Reference	Significant Changes and Rationale for Those Changes
Item #1	*Description of Proposed Action(s)* • Fourth proposed action (ISA 500): Based on Board feedback to clarify or streamline issues and actions, edited the description of the action for clarity and conciseness. • Moved a proposed action relating to ISA 330 initially included here to the proposed actions that respond to Issue #3.
Item #2	*Description of Proposed Action(s)* • First proposed action (ISA 500): Based on Board feedback to ensure actions were clearly responsive to issues, updated the word "factors" to "attributes" for consistency with the issue description. • Sixth proposed action (ISA 500): Simplified the description of the sixth proposed action for clarity.

Item #3	*Description of Issue*
	
	 • Based on Board feedback to consider refinements to the description of issues for accuracy and clarity:
	
	     o Added the words "relevance and" and "intended" to enhance the understanding of the issue.
	
	     o Disaggregated part of the issue related to ISA 520, creating a new standalone Issue #11.
	
	 Description of Proposed Action(s)
	
	 • Second proposed action (ISA 500): Edited to include a reference to "doubts over the reliability" of audit evidence, to enhance the clarity of the proposed action.
	
	 • Fourth proposed action (ISA 500): Used more definitive language by changing "consider" to "develop" and deleting the word "additional." (See paragraph 17 of this paper.)
	
	 • Fifth proposed action (ISA 330): Incorporated a proposed action previously included as a response to Issue #1 into this proposed action, as it related to enhancing auditors' professional skepticism and professional judgments when designing and performing audit procedures. The revised action is more clearly responsive to Issue #3, considering that this issue is about challenges with exercising professional skepticism. This change was in response to input received from the Professional Skepticism Consultation Group. Also used more

Reference	Significant Changes and Rationale for Those Changes
	definitive language by changing "explore" to "enhance." (See paragraph 17 of this paper.) • All proposed actions relating to ISA 520: Moved to newly created standalone Issue #11, as a result of the disaggregation of this aspect of the issue.
Item #4	*Description of Issue* • Removed the perceived bias when referring to the "proliferation" of various stand-back requirements. This change was in response to a Board direction to consider refining the description of certain issues to remove any perceived bias in how they are described. *Description of Proposed Action(s)* • First, third and last proposed actions (General/ISA 500/ISA 330): Used more definitive language in the proposed actions by replacing the verb "consider/reconsider" with "determine." (See paragraph 17 of this paper.) • First proposed action (General): Clarified that stand-back requirements provide a means for the auditor to exercise professional judgment and professional skepticism. This change was in response to input received from the Professional Skepticism Consultation Group. • Fourth proposed action (ISA 330): Deleted aspects of the proposed action that did not directly address the issue, which is explicitly focused on stand-back requirements. This change was in response to a Board direction to consider streamlining the proposed actions such that they are appropriately responsive to the issues described.
Item #5	*Description of Proposed Action(s)* • First proposed action (ISA 330): Replaced the words "consider clarifying" with "determine whether" to enhance the specificity of the issue, based on Board feedback. • Second proposed action (ISA 330): Replaced the word "encourage" with the words "determine whether" to address possible concerns about the scalability of the outcome of a more directive action. This is also responsive to the Board's feedback to ensure that scalability is appropriately considered across the proposed actions. • Second proposed action (ISA 330): Added footnote #12 to describe how the term "explore" has been used in the proposed actions. (See paragraph 18 of this paper.)

Reference	Significant Changes and Rationale for Those Changes
Item #6	*Description of Issue* • Responding to Board feedback to ensure issues are clear, clarified the issue description to highlight the practical challenges that the proposed project proposal seeks to address. *Description of Proposed Action(s)* • First proposed action (ISA 500): Used more definitive language in the proposed action (by changing "explore" to "develop," and clarified its scope, including that it may be better positioned as application material to ISA 330. This change is responsive to Board feedback to ensure that actions are clearly articulated. (See paragraph 17 of this paper.) • Second proposed action (ISA 330): In response to Board feedback, revised language of the proposed action to minimize the perception that it would result in the creation of requirements akin to methodology, and added a bullet point to highlight the importance of professional skepticism in the context of this proposed action. The latter change was in response to input received from the Professional Skepticism Consultation Group.
Item #7	*Description of Issue* • Responding to Board feedback to ensure that the issues clearly described the challenge to be solved, clarified the issue description. *Description of Proposed Action(s)* • First proposed action (ISA 330): Changed the verb "revisit" to "determine whether" for clarity, based on Board feedback to ensure the clarity of actions.
Item #8	*Description of Issue* • Based on Board feedback to ensure that the issues clearly described the challenge to be solved, clarified the issue description. *Description of Proposed Action(s)* • Second proposed action (ISA 330): Used more definitive language in the proposed action by changing "explore" to "clarify" because based on information gathering, the underlying issue that contributes to the practical challenges described appears to be largely one of clarity. Therefore, ensuring that the proposed action focused on "clarifying" rather than "exploring enhancements" was deemed more appropriate. Improving the alignment

Reference	Significant Changes and Rationale for Those Changes
	between issues and proposed actions is also responsive to Board feedback. (See paragraph 17 of this paper.)
Items #9, 10 and 12	*Description of Issue and Proposed Action(s)* • Moved up section on "overarching matters to promote consistent practice and auditor behaviors" to Objective B. These were presented as Items #14–16 of Agenda Item 6-A of the September 2024 meeting. This change was intended to align with the changes to Section III of the proposed project proposal.
Item #10	*Description of Proposed Action(s)* • All proposed actions relating to ISA 330: Revised the order of, and clarified, the proposed actions to enhance their logical flow.

Item #11	*Description of Issue*
	
	• Created a new standalone issue relating to challenges with the consistent application of ISA 520, to ensure that it could be appropriately addressed.
	
	• Placed the issue and proposed actions under Objective B because the proposed actions in response to this issue are intended to facilitate consistent practice and auditor behaviors when obtaining and evaluating audit evidence.
	
	• As a result of the disaggregation of this matter from Issue #3, streamlined the language used to describe the issue.
	
	Description of Proposed Action(s)
	
	• All proposed actions (ISA 520): Reordered the actions to reflect a more logical flow of the actions.
	
	• In response to Board feedback to clarify proposed actions to avoid the perception of methodology being developed in the standards:
	
	    o First proposed action (ISA 520): Introduced a clear reference to the intention to clarify relevant principles and find mechanisms to support auditors "making judgments about" two matters rather than prescriptively adding requirements or guidance about those matters.
	
	    o Fourth proposed action (ISA 520): Deleted proposed action as it was unclear how it was responsive to the issues identified.
	
	• Second proposed action (ISA 520): Used more accurate language, changing the words "clarify the definition" to "develop a definition," to reflect the current lack of definition of the term "substantive analytical procedure" (SAP).

Reference	Significant Changes and Rationale for Those Changes
	• Third proposed action (ISA 520): In response to Board feedback, and consistent with information-gathering activities performed, added a new proposed action to consider how biases may specifically threaten the auditor's exercise of professional skepticism when designing and performing SAPs. • Fifth proposed action (ISA 520): Clarified the scope of the proposed action, to address Board feedback to refine actions to ensure they are drafted at the appropriate level.
Item #12	*Description of Proposed Action(s)* • All proposed actions relating to relevant standards: Changed the heading for all proposed actions to clarify that documentation requirements or application material may be developed in relevant standards, as applicable. This change is intended to avoid unintentionally implying that the proposed actions are limited only to developing requirements or application material in ISA 330, ISA 500 or ISA 520 that link to ISA 230.[8]
Items #13–17	*Description of Issue and Proposed Action(s)* • Moved down section on "auditors' use of technology" to standalone Objective C. These were presented as Items #9–13 of Agenda Item 6-A of the September 2024 meeting. This change was intended to align with the changes to Section III of the proposed project proposal to have a standalone objective addressing the technology-related aspects of the project.
Item #13	*Description of Issue* • Swapped the order of the bullet points in the issue description to align the identified issues with the proposed actions. *Description of Proposed Action(s)* • First proposed action relating to relevant standards: Added a new proposed action to consider replacing the term "automated tools and techniques" in response to issues identified in the gap analysis relating to the lack of clarity, or the inconsistency, in the use of technology-related terms in the standards. • Second proposed action relating to relevant standards: Clarified that the proposed action involves exploring the introduction of "principle-based" requirements or application material, such that the standards "remain fit-for-purpose." This change is intended to align with the language used in Guiding

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[8]   ISA 230, *Audit Documentation*

Reference	Significant Changes and Rationale for Those Changes
	Action 3 of the Technology Position Statement, and to clarify that the proposed actions would not make the standards redundant or easily out of date. • Third proposed action relating to relevant standards: Deleted the proposed action to describe the term "automated tools and techniques" in view of the new proposed action to replace this term.
Item #15	*Description of Proposed Action(s)* • All proposed actions (ISA 330 and ISA 520): Added "ISA 520" to the heading to clarify that the proposed actions may include matters to be dealt in ISA 520 considering that the issue also relates to SAPs. • Second and third proposed actions (ISA 330 and ISA 520): Bifurcated a proposed action into two. The second proposed action deals with developing a definition or description. The third proposed action deals with developing application material. • Third proposed action (ISA 330 and ISA 520): Aligned the description of the proposed action with language used in the "Proposed ISA 500 (Revised) Pre-finalization Holding Package" (i.e., detail of information needed to meet the intended purpose(s) of the audit procedure).
Item #16	*Description of Proposed Action(s)* • All proposed actions relating to relevant standards: Clarified that the proposed actions may include matters to be dealt in standards other than ISA 330, ISA 500 or ISA 520 considering that the issues relating to investigating exceptions and outliers may also apply to other standards (e.g., ISA 315 (Revised 2019)).[9] • Third proposed action relating to relevant standards: Clarified that the "testing approach" described in the proposed action relates to the selection of items for testing in designing and performing an audit procedure.
Paragraphs 29–30	• Streamlined paragraph 29 based on revisions to paragraphs 25–27 that referred to the Public Interest Framework. • Enhanced paragraph 30 to better reflect the intention of how the Complexity, Understandability, Scalability and Proportionality Drafting Principles and Guidelines will be used in revising the standards.
Paragraph 35	• In response to Board feedback to consider whether certain issues may be better addressed through non-authoritative guidance rather than standard-setting

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[9] ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Reference	Significant Changes and Rationale for Those Changes
	actions, added a new paragraph to explicitly highlight that certain issues may be addressed through non-authoritative guidance and other materials.
Paragraph 36	• Clarified the nature of potential coordination activities with the Technology Consultation Group and the Professional Skepticism Consultation Group.
Paragraph 39	• Updated the topics identified as requiring ongoing coordination based on input received from senior staff of the IESBA.
Section VI: Project Timeline, Project Priorities and Resources	
Paragraph 41	• Updated the proposed timetable in paragraph 41 based on the most recent IAASB Forward Agenda for 2024–2026.
Footnote 22	• As a result of Board feedback, added a clarifying footnote describing relevant provisions in current Due Process and Working Procedures that address the matter of re-exposure.
Section VII: Project Output and Impact	
Paragraph 42	• Revised the description of "project resources" to no longer refer to a Focus Group of Board members, based on recent discussions about the evolving operational model of the IAASB.
Paragraphs 46–47	• In anticipation of revisions to the Due Process and Public Interest Framework Operating Procedures, clarified in paragraphs 46–47 how the IAASB will evaluate the impact of the project, based on whether the revised standards have met the qualitative standard-setting characteristics of most relevance, and on whether the project objectives that support the public interest have been achieved.
Appendix: Sources of Information for this Project Proposal	
Paragraph 3	• Reordered the list of further information-gathering activities in paragraph 3 to give more emphasis to input obtained from prior IAASB consultations and targeted stakeholder outreach. • Supplemented the review of inspection reports described in paragraph 3(d) by including inspection reports from jurisdictions outside of Europe and North America (i.e., Singapore, Malaysia, Saudi Arabia, Japan and India). (See paragraphs 3–4 of this paper.)

Appendix 4

Reconciliation of Issues in the Technology Gap Analysis to Relevant Matters in the Proposed Project Proposal

The table below reconciles the issues identified in the Technology Gap Analysis set out in **Agenda Item 4-A** to relevant matters in the proposed project proposal set out in **Agenda Item 5-A**.

Issue Reference in the Technology Gap Analysis	Relevant Issues in the Proposed Project Proposal	Notes
Issue #1(a): More Clarity Needed in Technology-Related Terminology	**Issue #13:** The increased use of technology by entities and by auditors have highlighted the need for authoritative material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence.	The proposed project proposal does not include any issues that specifically relate to ensuring consistent terminology, because "consistency" and "coherence" are two qualitative standard-setting characteristics of standards that should result from the project. Therefore, matters relating to enhancing or revising terminology are captured within proposed responses to issues, rather than as standalone issues. The first proposed action in response to **Issue #13** of the proposed project proposal would address this matter.
Issue #4(a): Exploring introducing requirements and application material about determining whether technology-enabled procedures are required to achieve engagement objectives	**Issue #13:** The increased use of technology by entities and by auditors have highlighted the need for authoritative material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence, including requirements that: • Address instances where the auditor cannot obtain sufficient appropriate audit	Both issues refer to the same matter of introducing requirements and application material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence.

Issue Reference in the Technology Gap Analysis	Relevant Issues in the Proposed Project Proposal	Notes
	evidence without using technology. • …	
Issue #4(b): Barriers to using technology-enabled procedures that arise because of how data is produced and maintained by entities	**Issue #2:** The increase in volume and sources of information available that could be used as audit evidence has highlighted a lack of consistency in the attributes or criteria that auditors apply to make judgments about the relevance and reliability of information to be used as audit evidence.	The barriers described in **Issue #4(b)** of the gap analysis refer to challenges faced by auditors which arise from entities' use of IT; in particular, challenges relating to governance issues that affect the quality and therefore the reliability of information provided to auditors when that information is generated from entities' technological resources. **Issue #2** of the proposed project proposal relates to challenges experienced by auditors having access to larger volumes of information from a wider range of sources (including different technological resources used by entities they audit). **Issue #2** focuses specifically on the challenges with evaluating the relevance and reliability of these sources of information, which is consistent with the underlying substance of **Issue #4(b)** in the gap analysis.
Issue #5(a): Identifying, assessing, and responding to risks arising from the use of IT by entities	**Issue #9:** Challenges arising from an apparent lack of alignment of concepts and requirements between ISA 315 (Revised 2019) and ISA 330. **Issue #17:** The use of new or emerging technologies by	**Issue #5(a)** of the gap analysis highlights the challenges with responding to identified risks arising from the use of IT and the challenges expected to arise from entities' increasing use of emerging technologies.

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	management in their financial reporting processes or by auditors in performing audit procedures, introduces new or changing audit risks, which stakeholders view as not sufficiently addressed in the ISAs.	**Issue #9** of the proposed project proposal relates to the alignment of concepts between ISA 315 (Revised 2019) and ISA 330, including aligning possible responses to risks arising from the use of IT. **Issue #17** of the proposed project proposal includes the need to consider the impact on auditors of risks arising from the use of emerging technologies by entities, including identifying, assessing and responding to those risks.
Issue #6(a): Exploring introducing requirements and application material about considerations for the appropriate use of technology-enabled procedures	**Issue #13:** The increased use of technology by entities and by auditors have highlighted the need for authoritative material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence, including requirements that: • … • Apply if the auditor uses technology in designing and performing audit procedures. **Issue #17**: The use of new or emerging technologies by management in their financial reporting processes or by auditors in performing audit procedures, introduces new or changing audit risks, which stakeholders view as not sufficiently addressed in the ISAs.	**Issue #6(a)** of the gap analysis and **Issue #13** of the proposed project proposal refer to the same matter, despite the linguistic difference ("technology-enabled procedures" compared to "use of technology in designing and performing audit procedures"), as they are focusing on the lack of requirements and application material (authoritative material) related to the auditor's use of technology. In addition, **Issue #17** of the proposed project proposal addresses considerations relating to the use of new or emerging technologies by auditors in performing audit procedures (so it is a subset of **Issue #6(a)** of the gap analysis).

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Issue #6(b): Interpretability or explainability associated with how a technology-enabled procedure arrives at its outputs	**Issue #13**: The increased use of technology by entities and by auditors have highlighted the need for authoritative material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence, including requirements that: • … • Apply if the auditor uses technology in designing and performing audit procedures. **Issue #17**: The use of new or emerging technologies by management in their financial reporting processes or by auditors in performing audit procedures, introduces new or changing audit risks, which stakeholders view as not sufficiently addressed in the ISAs.	**Issue #6(b)** of the gap analysis refers to a challenge arising more frequently with the use of emerging technologies: an auditor may use a technology to design or perform an audit procedure, and yet how the technology arrives at its outputs is not explainable. This issue describes a specific issue arising from the auditor's use of emerging technologies (as described in **Issue #17** of the proposed project proposal), which requires consideration as part of addressing **Issue #13** of the proposed project proposal. This is because that issue describes the lack of authoritative material that would apply when an auditor uses technological resources (including emerging technologies, which may be unexplainable) in designing and performing audit procedures.
Issue #6(c): Categorization of technology-enabled procedures	**Issue #14**: Questions have been raised about where audit procedures performed using ATT fit within the nature of audit procedures as described in the ISAs, which refers to its purpose (i.e., risk assessment procedures, tests of controls or substantive procedures) and its type (i.e., inspection, observation, inquiry, confirmation, recalculation, reperformance, or analytical	**Issue #6(c)** of the gap analysis relates to the challenge expressed by stakeholders of determining how to categorize the kind of procedure performed on an engagement when using technological resources to perform audit procedures. **Issues #14** and **#15** of the proposed project proposal deal with the same issue and separately highlighting

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	procedure). The use of sophisticated ATT by auditors have also magnified challenges with appropriately designing and performing audit procedures that are used for more than one purpose. **Issue #15**: The increased use of technology in performing substantive procedures has highlighted a lack of clear distinction between a test of details and an SAP, and challenged whether such a distinction remains appropriate.	challenges with determining whether procedures performed with the use of technological resources are either: • Risk assessment or further audit procedures; and if they are further audit procedures, whether they are tests of controls or substantive procedures (**Issue #14**); or • If they are substantive procedures, whether they are tests of details or SAPs (**Issue #15**).
Issue #6(d): Using technological resources to perform SAPs	**Issue #11**: Designing and performing effective SAPs to obtain audit evidence remains a challenging area in practice. **Issue #15**: The increased use of technology in performing substantive procedures has highlighted a lack of clear distinction between a test of details and an SAP, and challenged whether such a distinction remains appropriate.	**Issue #6(d)** of the gap analysis describes the challenges faced by auditors in performing SAPs using technological resources. **Issues #11** and **#15** of the proposed project proposal reflect these challenges, though i**ssue #11** is a bit broader as it also includes additional aspects that were not prompted by technology.
Issue #6(e): Testing outliers and exceptions in the output of a technology-enabled procedure	**Issue #16**: Insufficient clarity regarding the design and performance of audit procedures using ATT, including when selecting items for testing, and addressing outliers and exceptions identified.	Both issues deal with challenges with understanding how to deal with the output of procedures performed using technological resources. **Issue #6(e)** of the gap analysis is specifically focused on the need to clarify questions about "outliers and exceptions." **Issue #16** in the proposed project

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		proposal includes that issue, as well as a broader issue: the underlying lack of clarity in practice about how to think about the role of a technological resource when designing and performing audit procedures.
Issue #6(g): Documentation requirements when performing technology-enabled procedures	**Issue #12**: Insufficient clarity about the expected audit documentation when using ATT in designing and performing audit procedures, as well as when designing and performing audit procedures for more than one purpose (i.e., multi-purpose procedures or dual-purpose tests).	Both issues relate to documentation challenges arising from the use of technological resources to perform audit procedures on engagements.
Issue #7(b): Evaluating the work of a management expert	**Issue #2**: The increase in volume and sources of information available that could be used as audit evidence has highlighted a lack of consistency in the attributes or criteria that auditors apply to make judgments about the relevance and reliability of information to be used as audit evidence. **Issue #13:** The increased use of technology by entities and by auditors have highlighted the need for authoritative material relating to the auditor's use of technology in obtaining sufficient appropriate audit evidence, including requirements that: • Address instances where the auditor cannot obtain sufficient appropriate audit	**Issue #7(b)** of the gap analysis describes the potential impact on the auditor, of management's expert using emerging technologies. This includes the impact on the auditor's evaluation of the relevance and reliability of the information produced by management's expert, because the process by which the expert has produced their output may not be explainable. In the proposed project proposal, these challenges are reflected in: • **Issue #2**, which relates to challenges with evaluating the relevance and

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	evidence without using technology. • … **Issue #17**: The use of new or emerging technologies by management in their financial reporting processes or by auditors in performing audit procedures, introduces new or changing audit risks, which stakeholders view as not sufficiently addressed in the ISAs.	reliability of information, regardless of its source; • **Issue #13**, which highlights that there may be circumstances in which an auditor cannot obtain sufficient appropriate audit evidence without using technology; and • **Issue #17,** which highlights that the use of new emerging technologies by management in their financial reporting processes (which may include their use of an expert, and thus the expert's use of emerging technologies), may give rise to new risks that need addressing in the ISAs.
Issue #8(a): The impact of using technology-enabled procedures on the exercise of professional skepticism	**Issue #2**: The increase in volume and sources of information available that could be used as audit evidence has highlighted a lack of consistency in the attributes or criteria that auditors apply to make judgments about the relevance and reliability of information to be used as audit evidence. **Issue #3:** Concerns about the appropriateness of professional skepticism exercised by auditors: • When considering the relevance and reliability of	**Issue #8(a)** of the gap analysis highlights the need for the relationship between the use of technological resources to perform audit procedures, and the exercise of professional skepticism, to be considered in the ISAs. This is considered within **Issues #2** and **#3** of the proposed project proposal, which relate to challenges with auditors making consistent judgments about information intended to be used as audit evidence (**Issue #2**), and with the consistent

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	information to be used as audit evidence; • …	application of professional skepticism when technological resources are used to design and perform procedures.