

Agenda Item 7–A (Supplemental)

Mapping Progress on Proposed Actions of the Audit Evidence and Risk Response (AE&RR) Project Proposal

Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>	Agenda Item Ref.
<p>Objective A</p> <p>Support the application of professional judgment and professional skepticism exercised by auditors:</p> <p>(i) When making judgments about information intended to be used as audit evidence, and evaluating whether sufficient appropriate audit evidence has been obtained; and</p> <p>(ii) When designing and implementing overall responses or designing and performing further audit procedures in response to assessed risks of material misstatement.</p>	
<p><i>The qualitative standard-setting characteristics of most relevance to the proposed actions relating to Objective A are coherence, comprehensiveness, scalability, ability to be consistently applied and globally operable.</i></p>	
<p>Action: A.1 <i>Issue 1</i></p>	<p>ISA 500, ISA 330 and ISA 520</p> <p>Enhance the consistency of terms that are relevant to obtaining and evaluating the sufficiency and appropriateness of audit evidence, including those related to technology, across ISA 500, ISA 330 and ISA 520.</p>
	<p>CUSP Drafting Principles and Guidelines²</p> <p>Agenda Item 7, Sections II–III</p> <p>Agenda Item 7–C</p>
<p>Action: A.2 <i>Issue 1</i></p>	<p>ISA 500</p> <p>*Clarify the definitions of “appropriateness (of audit evidence)” and of “sufficiency (of audit evidence),” and the relationship of these terms with the notion of persuasiveness.</p>
	N/A
<p>Action: A.3 <i>Issue 1</i></p>	<p>ISA 500</p> <p>Determine whether additional guidance is necessary to explain how the use of ATT affects the auditor’s evaluation of the sufficiency and appropriateness of</p>
	N/A

¹ Further insights obtained throughout the course of the project may indicate that certain of these standard-setting actions can be better addressed:

- In standards other than International Standard on Auditing (ISA) 330, *The Auditor’s Responses to Assessed Risks*, ISA 500, *Audit Evidence* and ISA 520, *Analytical Procedures*; or
- Through other activities that support the IAASB’s standards, such as non-authoritative materials in accordance with the [Framework for Activities](#).

² See the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#).

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Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
	audit evidence obtained.	
Action: A.4 <i>Issue 1</i>	ISA 500 *Clarify whether the sufficiency and appropriateness of audit evidence is to be evaluated differently depending on the purpose for which it has been obtained, including whether it was obtained: <ul style="list-style-type: none"> • From the auditor’s risk assessment procedures or from further audit procedures. • To evaluate the operating effectiveness of a control, or to detect a material misstatement. 	N/A
Action: A.5 <i>Issue 2</i>	ISA 500 *Develop a principles-based approach to considering and making judgments about information intended to be used as audit evidence, including application material that describes attributes that apply in the evaluation of the relevance and reliability of information intended to be used as audit evidence.	N/A
Action: A.6 <i>Issue 2</i>	ISA 500 Explore whether consequential amendments are appropriate to the application material in ISA 200 ³ that indicates that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.	N/A
Action: A.7 <i>Issue 2</i>	ISA 500 *Clarify that the requirements to evaluate the relevance and reliability of information intended to be used as audit evidence apply regardless of the source of information.	N/A
Action: A.8 <i>Issue 2</i>	ISA 500 *Add application material to describe biases that may arise relating to different information sources (e.g., automation bias for information obtained through technological means).	N/A
Action: A.9 <i>Issue 2</i>	ISA 500 *Clarify the requirement relating to the evaluation of the 'appropriateness' of work prepared by a management's expert.	N/A

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

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Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
Action: A.10 <i>Issue 2</i>	ISA 500 *Clarify the application material relating to evaluating the relevance and reliability of information from external information sources.	N/A
Action: A.11 <i>Issue 2</i>	ISA 500 Consider the need for further application material to clarify how the purpose of an audit procedure influences the auditor’s judgments about attributes of relevance and reliability of information.	N/A
Action: A.12 <i>Issue 3</i>	ISA 500 *Clarify that a critical assessment of audit evidence includes designing and performing audit procedures in a manner that is unbiased and evaluating the relevance and reliability of information intended to be used as audit evidence.	N/A
Action: A.13 <i>Issue 3</i>	ISA 500 *Clarify requirements that apply when there is inconsistency in, or doubts over the reliability of, audit evidence.	N/A
Action: A.14 <i>Issue 3</i>	ISA 500 *Clarify the application material that applies if the auditor has doubts about the reliability of information intended to be used as audit evidence.	N/A
Action: A.15 <i>Issue 3</i>	ISA 500 *Develop application material to support auditors in evaluating the relevance and reliability of different sources of information intended to be used as audit evidence.	N/A
Action: A.16 <i>Issue 3</i>	ISA 330 and ISA 520 Building on the application material in ISA 200 and ISA 220 (Revised), ⁴ enhance requirements or application material to support auditors’ professional judgments about the appropriateness of procedures designed in response to assessed risks, and auditors’ exercise of professional skepticism. This may include emphasizing the need to design and perform procedures in an unbiased manner, considering the relevance and reliability of information.	Agenda Item 7, Section VII

⁴ ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
Action: A.17 <i>Issue 4</i>	General Determine how, and to what extent, to integrate and clarify the various subject matter-specific stand-back requirements across the ISAs to increase their effectiveness and be more distinctive. This is also an opportunity to highlight the role of stand-back requirements in the auditor appropriately exercising professional judgment and professional skepticism.	Agenda Item 7, Section I Agenda Item 7–B
Action: A.18 <i>Issue 4</i>	ISA 500 *Develop introductory or application material that explains the relationship of ISA 500 with other ISAs, including the distinction between ISA 500 and ISA 330.	N/A
Action: A.19 <i>Issue 4</i>	ISA 500 Determine whether some requirements in ISA 500, relevant to the design and performance of audit procedures, are to be retained or relocated to another ISA.	N/A
Action: A.20 <i>Issue 4</i>	ISA 330 Determine whether the stand-back requirement in paragraph 26 of ISA 330 needs to be clarified, retained, or relocated to another ISA (e.g., ISA 500 or ISA 700 (Revised)). ⁵	Agenda Item 7, Section I
Objective B: Promote consistent practice and auditor behaviors by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.		
<i>The qualitative standard-setting characteristics of most relevance to the proposed actions relating to Objective B are scalability, relevance, comprehensiveness, implementability and ability of being consistently applied and globally operable, clarity and conciseness, and consistency.</i>		
Auditors' Work on Internal Controls		
Action: B.1 <i>Issue 5</i>	ISA 330 Determine whether tests of controls as defined in ISA 330, can also separately fulfil other purposes, including evaluating the relevance and reliability of information intended to be used as audit evidence, in accordance with ISA 500.	N/A

⁵ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
Action: B.2 <i>Issue 5</i>	ISA 330 Explore enhancements to the standards relating to the design of further audit procedures, to: <ul style="list-style-type: none"> • Determine whether the use of tests of controls is appropriate or needed in response to assessed risks of material misstatement, including: <ul style="list-style-type: none"> ○ Clarifying when the auditor is required to perform tests of controls. ○ Modernizing application material to clarify the attributes of circumstances that indicate that substantive procedures alone may be unable to provide sufficient appropriate audit evidence. • Encourage the auditor to consider the use of tests of controls to respond to assessed risks of material misstatements. 	Agenda Item 7, Section V
Action: B.3 <i>Issue 6</i>	ISA 500 or ISA 330 <ul style="list-style-type: none"> • Develop further application material, examples, or other guidance to support auditors' evaluation of the relevance and reliability of information intended to be used as audit evidence about the operating effectiveness of controls. 	N/A
Action: B.4 <i>Issue 6</i>	ISA 330 Strengthen or clarify, as appropriate, requirements and application material that apply when designing and performing tests of controls, including those related to: <ul style="list-style-type: none"> • Types of audit procedures⁶ that can provide evidence about the operating effectiveness of a control. • The requirement to obtain more persuasive audit evidence about the operating effectiveness of a control, the greater the reliance that the auditor places on the effectiveness of that control. 	N/A
Action: B.5 <i>Issue 6</i>	ISA 330 Strengthen or clarify, as appropriate, requirements and application material that apply when designing and performing tests of controls, including those related to: <ul style="list-style-type: none"> • The influence of different types of controls (direct or indirect controls; manual, automated, or those that depend on other information processing 	N/A

⁶ "Types of audit procedures" are addressed in Appendix 1 to the "Proposed ISA 500 (Revised) Pre-finalization Holding Package."

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	or general information technology (IT) controls) on the design of responses to risks of material misstatement.	
Action: B.6 <i>Issue 6</i>	ISA 330 Strengthen or clarify, as appropriate, requirements and application material that apply when designing and performing tests of controls, including those related to: <ul style="list-style-type: none"> The requirement to determine whether to test the operating effectiveness of indirect controls, including specific clarifications about general IT controls. 	N/A
Action: B.7 <i>Issue 6</i>	ISA 330 Strengthen or clarify, as appropriate, requirements and application material that apply when designing and performing tests of controls, including those related to: <ul style="list-style-type: none"> The use of audit evidence about the operating effectiveness of controls obtained during an interim period. 	N/A
Action: B.8 <i>Issue 6</i>	ISA 330 Strengthen or clarify, as appropriate, requirements and application material that apply when designing and performing tests of controls, including those related to: <ul style="list-style-type: none"> The need to exercise professional skepticism in designing and performing tests of controls. 	N/A
Action: B.9 <i>Issue 7</i>	ISA 330 Determine whether the requirement that enables the auditor, in certain circumstances, to use audit evidence about the operating effectiveness of controls obtained in a previous audit as evidence for the current period engagement remains appropriate, considering the enhanced requirements in ISA 315 (Revised 2019). ⁷	N/A
Action: B.10 <i>Issue 8</i>	ISA 500 Consider enhancing application material about the concepts of sufficiency and appropriateness of audit evidence, by relating them to the evidence obtained	N/A

⁷ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

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Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
	from the design and performance of tests of controls.	
Action: B.11 <i>Issue 8</i>	<p>ISA 330</p> <p>Clarify the impact on the auditor's work effort in responding to assessed risks of material misstatement, of:</p> <ul style="list-style-type: none"> • Indirect controls (including general IT controls), supporting the operation of direct controls, not being designed, implemented, or operating effectively. • Deficiencies in the entity's control environment. • The operation of a control being inconsistently evidenced by an entity, resulting in challenges with evaluating its operating effectiveness. 	N/A
Action: B.12 <i>Issue 8</i>	<p>ISA 330</p> <p>Clarify the requirements and application material relating to evaluating whether misstatements detected by substantive procedures indicate controls may not be operating effectively.</p>	N/A
Action: B.13 <i>Issue 8</i>	<p>ISA 330</p> <p>Clarify application material relating to the impact of identified control deviations on further audit procedures.</p>	N/A
Action: B.14 <i>Issue 8</i>	<p>ISA 330</p> <p>Strengthen the linkages between the outcome of tests of controls and the iterative nature of risk assessment procedures described in ISA 315 (Revised 2019).</p>	N/A
<i>Overarching Matters to Promote Consistent Practice and Auditor Behaviors</i>		
Action: B.15 <i>Issue 9</i>	<p>ISA 330</p> <p>Clarify how the requirements of ISA 330 reflect or are linked to the work effort performed as part of the auditor's risk identification and assessment under ISA 315 (Revised 2019), including the auditor's identification of risks arising from the entity's use of IT.</p>	N/A
Action: B.16 <i>Issue 9</i>	<p>ISA 330</p> <p>Improve the alignment of terms and concepts between these standards to increase the coherence of the suite of ISAs.</p>	CUSP Drafting Principles and Guidelines

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Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
Action: B.17 <i>Issue 10</i>	ISA 330 Explore a way forward with respect to paragraph 18 of ISA 330, taking into account the decisions made with respect to this paragraph when developing ISA 315 (Revised 2019). This may include alternative proposals to achieve the public interest objective of this requirement.	Agenda Item 7, Section IV
Action: B.18 <i>Issue 10</i>	ISA 330 If determined that paragraph 18 of ISA 330 remains appropriate, clarify its intent and rationale.	N/A
Action: B.19 <i>Issue 11</i>	ISA 520 Clarify the principles behind the use of analytical procedures as substantive procedures, to support auditors with making judgments about the effectiveness of the design of SAPs, including: <ul style="list-style-type: none"> • The level of precision of an expectation; and • The accepted amount of difference between expected and recorded amounts. 	N/A
Action: B.20 <i>Issue 11</i>	ISA 520 Develop a definition of SAP which clarifies how this differs from the defined term “analytical procedures.”	N/A
Action: B.21 <i>Issue 11</i>	ISA 520 Consider how to explicitly address biases that specifically arise in the design and performance of SAPs. This may include reordering requirements and enhancing relevant requirements and application material.	N/A
Action: B.22 <i>Issue 11</i>	ISA 520 Clarify the requirement and application material, as appropriate, relating to evaluating the reliability of data from which the auditor’s expectation of recorded amounts or ratios is developed.	N/A
Action: B.23 <i>Issue 12</i>	ISA 330, ISA 500 or ISA 520 Develop application material that establishes linkages to relevant requirements and guidance about the form, content and extent of audit documentation in ISA	N/A

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Ref. Para 28 of the AE&RR <u>Project Proposal</u>		
	230 ⁸ and other ISAs.	
Action: B.24 <i>Issue 12</i>	ISA 330, ISA 500 or ISA 520 Develop requirements or application material about the expected audit documentation: <ul style="list-style-type: none"> When using ATT in designing and performing audit procedures; and 	N/A
Action: B.25 <i>Issue 12</i>	ISA 330, ISA 500 or ISA 520 Develop requirements or application material about the expected audit documentation: <ul style="list-style-type: none"> When designing and performing audit procedures for more than one purpose (i.e., multi-purpose procedures or dual-purpose tests). 	N/A
Objective C		
Facilitate, and where appropriate, encourage auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness.		
<i>The qualitative standard-setting characteristics of most relevance to the proposed actions relating to Objective C are coherence, scalability, timeliness, relevance, implementability and ability of being consistently applied and globally operable.</i>		
Action: C.1 <i>Issue 13</i>	ISA 330, ISA 500 or ISA 520 Consider replacing the term “automated tools and techniques” with a new term, developing a definition or description of the term, and describing what types of technologies are within the scope of that term.	Agenda Item 7, Section III
Action: C.2 <i>Issue 13</i>	ISA 330, ISA 500 or ISA 520 Explore introducing principles-based requirements or relevant application material relating to the use of technology in obtaining sufficient appropriate audit evidence, such that the standards remain fit-for-purpose. This may include: <ul style="list-style-type: none"> Exploring the need for a requirement or application material to determine whether to use ATT in designing and performing further audit procedures (related to the notion that there could be circumstances where the auditor 	N/A

⁸ ISA 230, *Audit Documentation*

Proposed Actions¹		Agenda Item Ref.
Ref. Para 28 of the AE&RR <u>Project Proposal</u>		
	may not be able to obtain sufficient appropriate audit evidence without using ATT).	
Action: C.3 <i>Issue 13</i>	ISA 330, ISA 500 or ISA 520 Explore introducing principles-based requirements or relevant application material relating to the use of technology in obtaining sufficient appropriate audit evidence, such that the standards remain fit-for-purpose. This may include: <ul style="list-style-type: none"> • *Developing a conditional requirement or relevant application material, that applies if the auditor uses ATT to design and perform audit procedures. 	N/A
Action: C.4 <i>Issue 13</i>	ISA 330, ISA 500 or ISA 520 Develop application material that: <ul style="list-style-type: none"> • Enables the auditor to apply the standard(s) in an evolving audit environment with the increasing use of technology. • Highlights instances where the use of ATT may be appropriate. 	N/A
Action: C.5 <i>Issue 14</i>	ISA 330, ISA 500 or ISA 520 Strengthen and clarify, as appropriate: <ul style="list-style-type: none"> • The use of ATT within the constructs of risk assessment procedures and further audit procedures, including exploring where audit procedures performed using ATT fit within the nature of audit procedures described in the ISAs. 	N/A
Action: C.6 <i>Issue 14</i>	ISA 330, ISA 500 or ISA 520 Strengthen and clarify, as appropriate: <ul style="list-style-type: none"> • Planning for and achieving each of the relevant purposes of the procedure, if the auditor uses audit evidence from an audit procedure performed for more than one purpose (i.e., multi-purpose procedures or dual-purpose tests). 	Agenda Item 7, Section II
Action: C.7 <i>Issue 14</i>	ISA 330, ISA 500 or ISA 520 *Develop application material that more robustly addresses the nature of audit procedures, in particular, when using ATT.	N/A

Proposed Actions ¹ Ref. Para 28 of the AE&RR <u>Project Proposal</u>		Agenda Item Ref.
Action: C.8 <i>Issue 15</i>	ISA 330 and ISA 520 Explore whether the distinction between a test of details and an SAP remains appropriate, including considering whether the use of technology to enhance the precision and scope of SAPs could provide sufficient appropriate audit evidence to respond to a significant risk.	Agenda Item 7, Section VI
Action: C.9 <i>Issue 15</i>	ISA 330 and ISA 520 Consider developing a definition or description of the term “tests of details.”	N/A
Action: C.10 <i>Issue 15</i>	ISA 330 and ISA 520 Develop application material that links to guidance in ISA 500 that addresses the level of detail of information relating to meeting the intended purpose(s) of the audit procedure.	N/A
Action: C.11 <i>Issue 16</i>	ISA 330, ISA 500 or ISA 520 *Develop application material on selecting items for testing.	N/A
Action: C.12 <i>Issue 16</i>	ISA 330, ISA 500 or ISA 520 Develop requirements or application material that apply when the auditor designs and performs tests of details and SAPs in accordance with ISA 330 and ISA 520, respectively, and identifies matters for further investigation (e.g., outliers and exceptions or inconsistent fluctuations or relationships). Such requirements or application material may include investigating whether the identified items individually or in the aggregate indicate: <ul style="list-style-type: none"> • Misstatements to be dealt with in accordance with ISA 450.⁹ • Deficiencies in the entity’s internal control over financial reporting to be dealt with in accordance with ISA 265.¹⁰ 	N/A
Action: C.13 <i>Issue 16</i>	ISA 330, ISA 500 or ISA 520 *Develop application material clarifying the auditor’s considerations in addressing outliers and exceptions identified, including whether the testing	N/A

⁹ ISA 450, *Evaluation of Misstatements Identified During the Audit*

¹⁰ ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

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	approach involves the use of manual or automated audit procedures that enables the auditor to interrogate all items in a population.	
Action: C.14 <i>Issue 17</i>	ISA 500 Develop application material that: <ul style="list-style-type: none"> • Provides examples of risks that may affect the relevance and reliability of information intended to be used as audit evidence; and 	N/A
Action: C.15 <i>Issue 17</i>	ISA 500 Develop application material that: <ul style="list-style-type: none"> • *Highlights the possible overreliance on information from certain sources. 	N/A
Action: C.16 <i>Issue 17</i>	ISA 330 Develop application material (recognizing the need to apply a principles-based approach in the standard) that explains that 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, and the nature of such risks.	N/A