

Audit Evidence & Risk Response – Issues Paper

Objective:

The objective of the IAASB discussion in March 2025 is to obtain the Board's input on the project team's views and recommendations for addressing selected topics on Audit Evidence and Risk Response (AE&RR).

Introduction

Background

- At the December 2024 IAASB meeting, the Board discussed and approved a [project proposal](#) for concurrent revision of ISA 330,¹ ISA 500,² and ISA 520³ ('in-scope standards') and related confirming and consequential amendments to other relevant ISAs. The draft December 2024 IAASB meeting minutes are available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – March 18-21, 2025* webpage.

Materials Presented

- The issues addressed in this Agenda Item are presented in the following sections:

Section	Description
I	<i>'Stand-Back' Requirements</i>
II	<i>An Audit Procedure Used for More than One Purpose</i>
III	<i>Automated Tools and Techniques (ATT)</i>
IV	<i>Material Classes of Transactions, Account Balances, and Disclosures (COTABDs)</i>
V	<i>Tests of Controls</i>
VI	<i>Substantive Procedures</i>
VII	<i>Professional Skepticism</i>

¹ International Standard on Auditing (ISA) 330, *The Auditor's Responses to Assessed Risks*

² Extant ISA 500, *Audit Evidence* was previously progressed to a ['Proposed ISA 500 \(Revised\) Pre-finalization Holding Package'](#) stage under the Audit Evidence project (see Agenda Item 5). Proposed ISA 500 (Revised) encapsulates the Board's decisions on key aspects addressed in [ED-500](#), including the IAASB's deliberations of proposals and options based on the feedback received on ED-500. Accordingly, the project team's work for the in-scope standards is based on Proposed ISA 500 (Revised) as encapsulated in the Pre-finalization Holding Package, rather than on extant ISA 500 or ED-500.

³ ISA 520, *Analytical Procedures*

Section	Description
VIII	<i>Way Forward</i>

3. This Agenda Item includes the following appendices and other agenda items:

Appendix 1	Project Team Assignments and Activities
Appendix 2	Comparing a Test of Details with Substantive Analytical Procedures
Agenda Item 7–A (Supplemental)	Mapping Progress on Proposed Actions of the AE&RR Project Proposal
Agenda Item 7–B (Supplemental)	Analysis of Paragraphs in the ISAs Referred to as ‘Stand Back’ Requirements
Agenda Item 7–C (Supplemental)	Analysis of Paragraphs in the ISAs that Refer to ATT and Related Terms

Interactions with the Board

4. Since December 2024, the project team held 5 virtual meetings with the Project Board Members to receive input and advice in the development of the issues presented in this Agenda Item.
5. In March 2025, the project team will brief incoming Board members on the project activities to date and provide them with an overview of the key issues discussed in this Agenda Item.

Coordination Activities

Technology Consultation Group

6. In February 2025, the AE&RR project Staff met with Staff and members of the IAASB’s Technology Consultation Group (TGC) to receive their views and inputs relevant to assessing the adequacy of the term ATT and its description (see **Section III**).

Experts Narrow Scope Amendments

7. In February 2025, Staff of the AE&RR and the Experts Narrow Scope Amendments (ENSA) projects met to discuss whether any amendments to the in-scope standards may be needed as a result of the IAASB’s ENSA project. At the meeting it was discussed that because the new IESBA Code⁴ provisions do not apply to the use of the work of an expert employed or engaged by the entity to assist in preparing financial or non-financial information (i.e., such work is deemed to be information provided by management),⁵ the definition of a management’s expert, and related requirements, in

⁴ *International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards)*

⁵ See the approved changes to Section 390 of the IESBA Code, paragraph 390.4 A4 in [Agenda Item 3-A](#).

Proposed ISA 500 (Revised) are not within the scope of the project. Post March 2025, Staff intend to engage in coordination activities with IESBA Staff, including on this matter.

Approach to Addressing the Proposed Actions in the Project Proposal

8. **Agenda Item 7–A** sets out a table mapping the progress of the standard-setting actions in paragraph 28 of the AE&RR project proposal. In addition, the table highlights the qualitative standard-setting characteristics set out in the project proposal and those included in the Public Interest Framework (PIF)⁶ that are to be used to assess the responsiveness of the proposed revisions for the in-scope standards to the public interest.
9. Certain actions in **Agenda Item 7–A** have been *greyed out*. These relate to proposals previously deliberated by the IAASB in the course of the Audit Evidence project (i.e., proposed actions marked with an asterisk (*) in the project proposal). While such actions are also tracked in **Agenda Item 7–A**, as articulated in paragraph 34 of the project proposal, they will only be reconsidered if new information arises in the course of the AE&RR project which indicates that those decisions may no longer be appropriate. It is intended for the Board to deliberate on these matters post March 2025.
10. In addition, given that actions A.1 and B.16 of **Agenda Item 7–A** are stated broadly,⁷ the project team will follow the CUSP Drafting Principles and Guidelines when addressing these actions.⁸ To facilitate progressing these actions, Staff have compiled an inventory of relevant terms to the in-scope standards, intended to be monitored, supplemented (as appropriate) and evaluated for consistency or enhancement as the project progresses, including for any conforming and consequential amendments that may arise as a result of the revisions. It is intended that in the course of the project, the Board is presented with any resulting changes relating to terminology, together with the specific issues identified. In addition, paragraphs 61–63 and **Section III** of this Agenda Item also address specific matters relevant to terminology.

Section I – ‘Stand-Back’ Requirements

Introduction

The Issue Identified in Information Gathering

11. Collectively, the feedback received on several standard-setting projects, as discussed below, has emphasized the need for a common understanding among the Board for the intended purpose of certain paragraphs in the ISAs, colloquially referred to as ‘stand-back’ requirements.
12. Clarifying the meaning and scope of such paragraphs would allow project teams and the Board to consider ‘stand-back’ requirements on a consistent basis for current and future standard-setting projects, including the AE&RR project. This will also help respond to stakeholder concerns about the perceived proliferation of such paragraphs in the ISAs, while ensuring necessary robustness for the

⁶ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

⁷ Action A1 of the project proposal envisages enhancing the consistency of terms that are relevant to obtaining and evaluating the sufficiency and appropriateness of audit evidence for the in-scope standards and action B16 foresees improving the alignment of terms and concepts between ISA 330 and ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, to increase the coherence of the suite of ISAs.

⁸ See the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#).

standards to continue their inclusion when appropriate to do so.

IAASB Previous Deliberations

Professional Skepticism Working Group's (PSWG)

13. As part of the PSWG recommendations to enhance the application of professional skepticism in response to feedback received on the topic,⁹ a number of enhancement opportunities were identified. This included enhancing the exercise of professional skepticism in particular circumstances by introducing 'stand-back' requirements in the new or revised standards addressing quality management at both the firm and engagement levels, risk assessment, auditing accounting estimates and related disclosures, going concern and for group audits. In identifying such opportunities, the IAASB noted that foundational standards (e.g., ISA 330) include paragraphs that may be considered to be in nature a 'stand-back' provision.

Audit Evidence Project

14. Proposed ISA 500 (Revised) introduced a new requirement, referred to as a 'stand-back,' for the auditor to evaluate the audit evidence obtained from the audit procedures performed as a basis for concluding whether sufficient appropriate audit evidence has been obtained in accordance with ISA 330.¹⁰
15. On exposure, respondents expressed concerns that the proposed requirement was insufficiently distinct from what ISA 330 already requires. In addition, stakeholder feedback indicated there was insufficient clarity about how various paragraphs referred to as 'stand-back' requirements across the ISAs work together, including their coherence as a set in the suite of ISAs. Certain respondents also noted proliferation of such paragraphs as a result of IAASB decisions on recent projects and expressed concerns about their continued effectiveness, in view of perceived overlaps around the work effort required and related documentation implications.
16. In March 2024, the Audit Evidence Task Force (AETF) proposed to remove the 'stand-back' requirement from Proposed ISA 500 (Revised). In forming its view, the AETF considered respondents feedback about perceived duplication with, and lack of distinction from, the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained required by ISA 330. In addition, on the basis of an analysis of requirements in ISA 330 and Proposed ISA 500 (Revised), the AETF believed that there are no gaps identified that should be addressed.¹¹ To further inform the IAASB work in this area, the AETF also proposed an alternative model for the placement of paragraph 26 of ISA 330 in the current architecture of the ISAs (see paragraph 45).

Fraud Project

17. In the course of the fraud project, the IAASB considered adding a separate 'stand-back' requirement

⁹ See the [IAASB's Invitation to Comment: Enhancing Audit Quality in the Public Interest, A Focus on Professional Skepticism, Quality Control and Group Audits](#) (ITC) and the June and September 2016 IAASB agenda papers on professional skepticism and accounting estimates.

¹⁰ See the [ED-500](#), paragraphs 57–61.

¹¹ See [Agenda Item 5](#) discussed at the March 2024 IAASB quarterly meeting.

in Proposed ISA 240 (Revised)¹² to evaluate whether sufficient appropriate audit evidence has been obtained in responding to the assessed risks of material misstatement due to fraud. However, on exposure, the IAASB formed the view that adding such a requirement is not needed because the new overarching requirement for the auditor to remain alert throughout the audit engagement for information that is indicative of fraud or suspected fraud provides a robust overall check for responses to the assessed risks of material misstatement (ROMM) due to fraud.

18. In forming its view, the IAASB also considered that the existing requirements and guidance in other ISAs¹³ also apply to the audit evidence obtained from audit procedures performed in accordance with Proposed ISA 240 (Revised). In addition, the IAASB was also mindful of stakeholder concerns about the proliferation of paragraphs referred to as ‘stand-backs’ in the ISAs received in the course of the Audit Evidence project.
19. There have been different views expressed by IAASB members of whether the proposed standard should (or should not) introduce the requirement discussed in paragraph 17.¹⁴ On balance, the Board agreed to further consult on this matter. For this purpose, a specific question for respondents was included in the explanatory memorandum accompanying the exposure draft for Proposed ISA 240 (Revised) seeking respondents’ views whether they agreed with the IAASB’s decision not to introduce such a requirement.
20. In December 2024, the IAASB deliberated respondents feedback, including the range of views on this matter, and the Fraud Task Force reaffirming its position not to include a separate ‘stand-back’ requirement because of the intent and impact of existing ‘stand-back’ requirements in other ISAs.¹⁵ The Board supported the Fraud Task Force determination on this matter.¹⁶ The Fraud Task Force also noted that it is important for the IAASB to determine, under the AE&RR project, how to integrate and clarify the various subject matter-specific ‘stand-back’ requirements across the ISAs to increase their effectiveness and be more distinctive as well as to ensure a coherent approach across the suite of ISAs.

Key Observations from Staff’s Analysis

Scope and Purpose of Analysis

21. **Agenda Item 7–B** provides an analysis of the existing requirements in the ISAs commonly referred to as ‘stand-back’ requirements, either by the Board (e.g., in recent deliberations, exposure drafts or in Basis for Conclusions documents) or from respondent’s feedback. However, the analysis does not extend to all requirements of the ISAs.

¹² See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements](#), paragraphs 107–109.

¹³ See ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*, paragraphs 32, A90–A94; ISA 315 (Revised 2019), paragraphs 35, A230–A232; ISA 330, paragraphs 25–27, A60–A62; and ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs 33–35, A12–A13, A137–A144.

¹⁴ See the [approved minutes](#) of the December 2023 IAASB quarterly meeting.

¹⁵ See [Agenda Item 10](#) paragraphs 42-51 of the December 2024 IAASB quarterly meeting.

¹⁶ See the draft minutes of the December 2024 IAASB quarterly meeting.

22. The purpose of the analysis is to help understand how these requirements are structured, how they work together across the suite of ISAs, and whether any recommendations need to be made to the Board for clarifying them. The analysis is also used to inform a possible alternative model for the placement of the core requirement in paragraph 26 of ISA 330 to conclude on whether sufficient appropriate audit evidence has been obtained (see paragraphs 39–53).

Differentiating Features of the Requirements Analyzed

23. In substance, the paragraphs analyzed differ in the following fundamental way:
- (a) *Reevaluation ‘Stand-Back’ Requirements.* Only a few requirements are explicit in setting an expectation for the auditor to reevaluate a judgment previously made (or matter previously determined) in the course of the audit. For example, paragraph 25 of ISA 330 is explicit that the auditor reevaluates whether the assessments of ROMM at the assertion level remain appropriate. On the other hand, the conclusion required by paragraph 26 of ISA 330 although based on all audit evidence obtained during the audit, does not explicitly require the auditor to reevaluate such audit evidence previously obtained.
 - (b) *Checkpoint ‘Stand-Back’ Requirements.* Most of the requirements are set up as ‘checkpoints’ for the auditor to conclude or evaluate whether they have enough to move forward in the audit. Although the auditor may reconsider previous judgments or decisions made at these points, this is implicit in such paragraphs. For example, paragraph 35 of ISA 315 (Revised 2019) requires an evaluation whether the audit evidence obtained from risk assessment procedures provides an appropriate basis for the identification and assessment of ROMM. If so, the auditor moves ahead to design and perform further audit procedures. If not, the auditor performs additional risk assessment procedures.
 - (c) Two requirements are of a slightly different nature. Both support an explicit conclusion (e.g., by accumulating knowledge previously obtained in the audit) while being implicit that the auditor may reconsider a judgment previously made (or matter determined) in the audit, as follows:
 - The requirement in paragraph 11 of ISA 700 (Revised),¹⁷ is an important point in the audit where the auditor concludes whether reasonable assurance has been obtained. The reasonable assurance conclusion brings together knowledge gained previously in the audit, and among other matters, the auditor is required to ‘take into account’ the auditor’s conclusion of whether sufficient appropriate audit evidence has been obtained. Then the auditor proceeds to form an opinion on the financial statements. In a simplified manner and from a drafting conventions perspective, the requirement is a ‘signpost’ for the auditor that points to conclusions and evaluations elsewhere made (i.e., either placed in other ISAs or in ISA 700 (Revised) itself).
 - The requirement in paragraph 30 of ISA 570 (Revised 2024)¹⁸ is an important point in the audit when the auditor brings together knowledge previously gained to conclude whether sufficient appropriate audit evidence has been obtained for matters pertaining

¹⁷ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁸ ISA 570 (Revised 2024), *Going Concern*

to going concern. Then the auditor proceeds to conclude on the appropriateness of management's use of the going concern basis of accounting. If sufficient appropriate audit evidence has not been obtained, it appropriately refers the auditor to consider the implications for the audit in accordance with ISA 705 (Revised).¹⁹ If yes, then ISA 570 (Revised 2024), rather than ISA 700 (Revised), sets out the implications for the auditor's report when an unmodified opinion is provided with respect to going concern. In a simplified manner and from a drafting conventions perspective, it is a 'signpost' that tells the auditor the direction ahead (i.e., which ISA to follow and where to go).

Distinguishing these requirements as a separate subcategory has been informative to Staff, both in terms of identifying opportunities to enhance the coherence of how these requirements interact, as well as because their substance is discrete.

Staff Views and Recommendations

Criteria to Determine the Purpose of the 'Stand-Back' Requirements

24. Staff have identified the following two criteria for the Board's consideration to use when determining the purpose of a 'stand-back' requirement:
 - (a) Criteria 1: A requirement that sets an explicit expectation for the auditor to reevaluate a judgment previously made (or matter previously determined) in the course of the audit.
 - (b) Criteria 2: A requirement that is a 'checkpoint' for the auditor to conclude or evaluate whether they have enough to move forward in the audit.
25. As explained in paragraph 21, the analysis of the requirements in **Agenda Item 7–B** is focused on some existing requirements of the ISAs referred to as 'stand-backs.' A thorough identification of all requirements of the ISAs, and whether they meet the identifying criteria of a 'stand-back' requirement that is yet to be determined by the Board, has not been performed. Undertaking such an analysis exceeds the scope of the AE&RR project. However, such identification and cataloguing could be considered by the Board at a future time, for example, as part of an update of the CUSP Drafting Principles and Guidelines.

Criteria 1

26. Staff acknowledges that there may be other requirements in the ISAs, not identified in **Agenda Item 7–B**, that meet the criteria, but which are not being referred to as 'stand-back' requirements at this time. For example, paragraph 6 of ISA 450²⁰ sets an obligation for the auditor to determine whether the overall audit strategy and audit plan need to be revised as a result of consideration of identified misstatements as a result of the audit. Benchmarked against paragraph 24(a), it could meet the criteria to be referred to as a reevaluation 'stand-back' given it explicitly requires the auditor to reconsider a matter previously determined in the course of the audit.²¹ At the same time, this

¹⁹ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

²⁰ ISA 405, *Evaluation of Misstatements Identified During the Audit*

²¹ Example of other requirements that may require further consideration whether they meet or do not meet the criteria of a 'stand-back' requirement yet to be determined by the Board may include: ISA 315 (Revised 2019), paragraph 37; ISA 320, *Materiality in Planning and Performing an Audit*, paragraphs 12–13 and ISA 450, paragraph 10.

requirement is also a conditional requirement within a relevant ISA.²²

Criteria 2

27. Staff is of the view that the checkpoint ‘stand-back’ requirements continue to add value for the IAASB’s body of standards. This is because, being set up as ‘checkpoints,’ they provide the audit opportunities to evaluate whether the audit should proceed to the next phase, require adjustments, or even paused if necessary.
28. However, Staff is of the view that there is less clarity in terms of the requirements discussed in paragraph 23(c) that require the auditor to conclude on a matter, but in drawing that conclusion, they implicitly require the auditor to reconsider previous judgments or decisions made. For these instances, clarification is necessary both in terms of how distinct they are from other core requirements in the ISAs where the auditor is required to form a conclusion or make a determination based on evidence obtained, as well as whether they reflect the Board’s view if they are (or are not) in substance a ‘stand-back’ provision. Staff also believes that it is questionable whether such requirements meet Criteria 2. This is because they exist only once in an audit (e.g., being set up as a ‘final checkpoint’) rather than as a checkpoint for the auditor to conclude or evaluate whether they have enough to move forward in and audit.
29. As discussed in paragraphs 39–53 below, there is also an opportunity to enhance the coherence of how the requirements relate among each other. Addressing this matter could respond to stakeholder expectations for improving their effectiveness as a set and add to the perceived value they provide in an audit.

Scope of the ‘Stand-Back’ Requirements

30. Staff acknowledges that the coverage of the paragraphs in foundational ISAs do comprehensively, but broadly, address the areas of their thematical focus. For example, the conclusion in accordance with paragraph 26 of ISA 330 applies to *all* audit evidence obtained, so its coverage is broad. Accordingly, there is certain overlap at the performance level when a subject matter-specific evaluation is being introduced that is grounded in a core requirement of a foundational ISA.
31. Previous IAASB decisions have recognized the value of introducing specificity through subject matter-specific evaluations where increased auditor scrutiny can be justified from a public interest benefit perspective. Consequently, subject matter-specific evaluations are only considered for specific circumstances, which are not mutually exclusive, such as:
 - (a) More complex areas of the audit (e.g., for accounting estimates and related disclosures where inherent risk is not low and the reasons for the assessed ROMM include complexity, use of judgment by management, or estimation uncertainty).
 - (b) When addressing special considerations (e.g., for group audit engagements given the need to ensure that the auditor’s evaluations or conclusions made extend to work performed by

²² Paragraph A80 of ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, explains that a conditional requirement is relevant when the circumstances envisioned in the requirement apply and the condition exists. In addition, the conditionality of a requirement can also be explicit or implicit (also see Section 9: ‘Requirements of an ISA’ of the [CUSP Drafting Principles and Guidelines](#)).

component auditors).

- (c) When addressing matters that are pervasive to the financial statements as a whole (e.g., management’s use of the going concern basis of accounting or for fraud).
32. Staff is of the view that this remains an appropriate and reasonable approach in current and future standard setting given that by providing specificity through subject matter-specific evaluations, when appropriate to do so, such work effort also supports performance (and related documentation) of the core requirement in a foundational ISA that must irrespectively be complied with.
33. The checkpoints also provide opportunities to remind the auditor of certain core principles of an audit. For example, the principle to consider all audit evidence obtained (including consistent or inconsistent, and regardless of whether corroborative or contradictory). Past IAASB rationale has also recognized the value of doing so.
34. At the same time, Staff also believes that not every topical ISA justifies a subject matter-specific evaluation nor that it is appropriate to proliferate such paragraphs in too many foundational ISAs. Doing so questions whether they remain sufficiently distinct from each other at the performance level to drive appropriate auditor behavior that enhances the quality of an audit.

Other Considerations

Work Effort

35. Staff recommends retaining a stronger work effort on the spectrum²³ (e.g., to ‘evaluate’, ‘determine’ or ‘conclude’) for the requirements analyzed in **Agenda Item 7–B**, including for the related documentation expectation, given the importance of the matters they address.

Opportunities for Enhancement

36. Staff believes there are also opportunities for enhancements of the checkpoint ‘stand-back’ requirements, such as to improve the consistency as well as to streamline the accompanying proactive considerations required from the auditor when performing the required evaluations, determinations or conclusions. For example:
- (a) Enhancing the consistency of terminology used when reminding the auditor to apply professional skepticism and reinforcing the principle to consider all audit evidence.²⁴ The benefit of doing so to render a more effective critical assessment of the audit evidence obtained has already been discussed and agreed by the Board in the course of the Audit Evidence project.
 - (b) Exploring whether it is duplicative (or not) to remind the auditor, through requirements rather than in application material, in every instance when a subject matter-specific evaluation is being performed of the need to proactively consider all audit evidence obtained (including consistent or inconsistent, and regardless of whether corroborative or contradictory). Such exploration would benefit from the input of the IAASB’s Professional Skepticism Consultation

²³ See Appendix 2: ‘Work Effort Verbs’ of the [CUSP Drafting Principles and Guidelines](#).

²⁴ For example, different work effort verbs are used across (e.g., ‘to consider’ versus ‘take into account’) and there is also inconsistency in the way requirements refer to ‘all audit evidence’ versus ‘all relevant audit evidence,’ as well as incorporating the notion of ‘audit evidence that is consistent or inconsistent with other audit evidence.’

Group (PSCG). In addition, such exploration is contingent on which Option is determined by the Board as optimal for the placement of paragraph 26 of ISA 330 (see paragraphs 39-53 below). This is because each Option integrates the various subject matter-specific evaluations to a different extent.

37. Staff is of the view that the enhancements of a consistency nature discussed in paragraph 36 above could be pursued in the scope of the AE&RR project to the extent that their scope does not extend beyond those of a conforming and consequential amendments nature.²⁵

Non-Authoritative Guidance

38. There are also opportunities for developing non-authoritative guidance in this area to highlight the purpose and role of ‘stand-back’ requirements for the auditor in appropriately exercising professional skepticism. Through its collaboration and coordination activities with the PSCG, Staff intends to discuss such opportunity further post March 2025.

Matters for IAASB Consideration:

1. The Board is asked for its views on Staff’s recommendations discussed in **Section I** above. In particular:
 - (a) Does the Board agree that the identifying criteria set out in paragraph 24(a)–(b) are appropriate to use in determining the need for a ‘stand-back’ requirement in the ISAs?
 - (b) Does the Board believe that it is necessary to identify other criteria for determining the need for a ‘stand-back’ requirement to address the requirements set out in paragraph 23(c).
 - (c) The scope of ‘stand-back’ requirements, including the identified circumstances when it may be appropriate to consider including subject matter-specific ‘stand-back’ requirements in the ISAs (see paragraphs 30–34).
 - (d) The other considerations discussed in paragraphs 35–38 above.

Alternative Placement for Paragraph 26 in ISA 330

The Issue Identified in Information-Gathering

39. Paragraph 1 of ISA 330 addresses the scope of the standard. It explains that ISA 330 deals with the auditor’s responsibility to design and implement responses to the ROMM identified and assessed by the auditor in accordance with ISA 315 (Revised 2019). The objective of ISA 330 as stated in paragraph 3 indicates the intended outcome of the auditor’s work effort in applying the standard. The objective is focused on the auditor obtaining sufficient appropriate audit evidence regarding the assessed ROMM, through designing and implementing appropriate responses to those risks. Both paragraphs 1 and 3 of ISA 330 establish a close link between assessed ROMM (as per ISA 315 (Revised 2019)) and the auditor’s responses to those risks, which is the focus of ISA 330.
40. One of the sections in ISA 330 where questions have been raised about whether the requirements are aligned with achieving the objective of the standard, is when *evaluating the sufficiency and*

²⁵ See Section 14: ‘Conforming and Consequential Amendments to ISAs’ of the [CUSP Drafting Principles and Guidelines](#).

appropriateness of audit evidence addressed in paragraphs 25–27. In particular, paragraph 26 of ISA 330 has been highlighted as being misaligned, since it is stated at a broader level. It requires the auditor to consider all relevant audit evidence obtained when forming an opinion. Paragraph A14D of Proposed ISA 500 (Revised) is important in this context, which is application material to the base requirement relating to designing and performing audit procedures for the purpose of obtaining sufficient appropriate audit evidence in paragraph 8 of the standard.

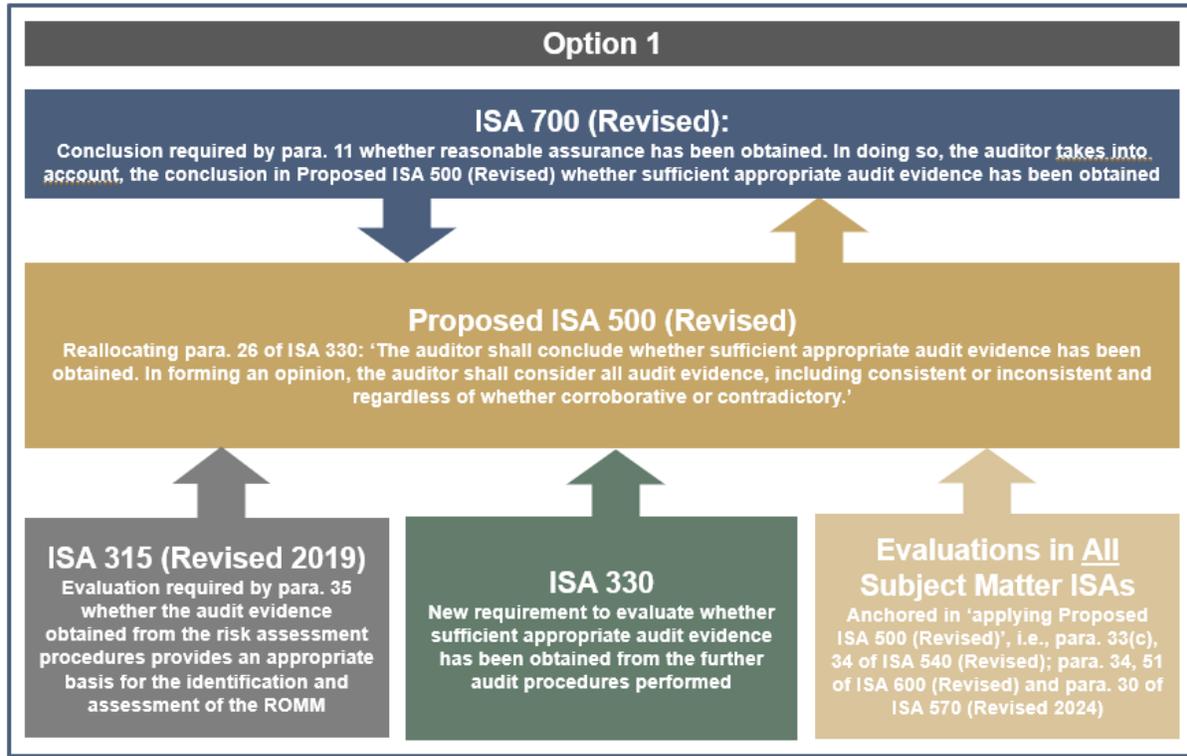
41. Paragraph A14D clarifies that procedures to obtain audit evidence include risk assessment procedures in accordance with ISA 315 (Revised 2019), further audit procedures performed in accordance with ISA 330 (as well as in accordance with other ISAs that expand on how ISA 315 (Revised 2019) and ISA 330 apply to a specific topic, respectively), and other audit procedures to comply with the ISAs, including procedures to evaluate the relevance and reliability of information intended to be used as audit evidence. This misalignment has caused certain stakeholders to question whether there is a need to revise the objectives in ISA 330 to address such misalignment or to clarify or relocate paragraph 26 of ISA 330 (i.e., to another ISA).

Staff Views and Recommendations

42. Staff is of the view that there are opportunities to clarify the objective of ISA 330 and consider alternative placement for paragraph 26 of ISA 330 within the current architecture of the ISAs.
43. Irrespective where paragraph 26 of ISA 330 ends up being placed (i.e., remaining in ISA 330 or being reallocated to another ISA), the objectives of the affected standards would require further consideration given that there is an interrelationship between the requirements addressed by a standard and its objectives. It is intended that this matter would be considered under the project at a later time, once the Board has determined the appropriate placement.
44. Staff have considered three Options as possible alternative locations for the placement of paragraph 26 of ISA 330 discussed below. Graphs are also provided to illustrate the architecture for the Options, in a simplified manner.

Option 1: Anchoring the conclusion on whether sufficient appropriate audit evidence has been obtained into Proposed ISA 500 (Revised).

45. This Option reflects the model presented by the AETF in March 2024 and allows to embed a complete framework in Proposed ISA 500 (Revised) for the auditor when making judgments about audit evidence, extending to both the ‘inputs’ and the ‘outputs.’

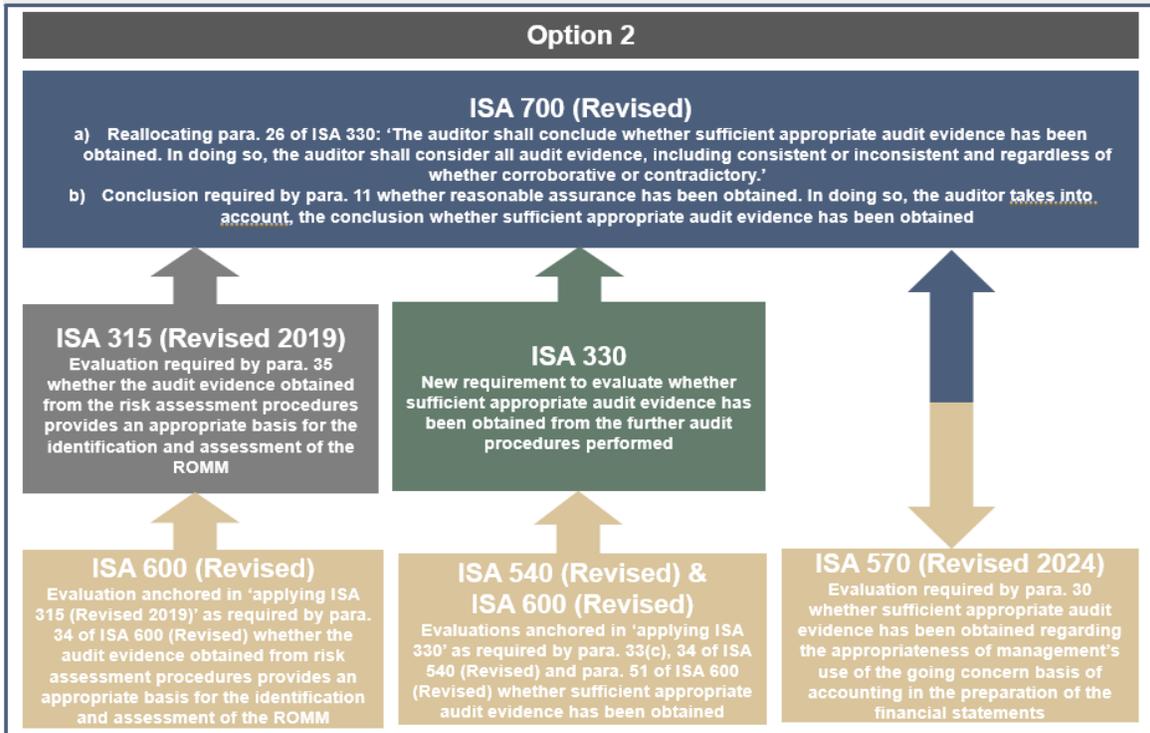


Option 2: Anchoring the conclusion on whether sufficient appropriate audit evidence has been obtained into ISA 700 (Revised).

46. This Option mirrors the logic followed by more recent IAASB standards (e.g., the ISA for LCE²⁶ and ISSA 5000²⁷) where from a 'flow of the audit' perspective there is logic to anchor the conclusion on whether sufficient appropriate audit evidence has been obtained closer to the concluding activities in an audit and may support more effective embedding into methodologies and related tools.

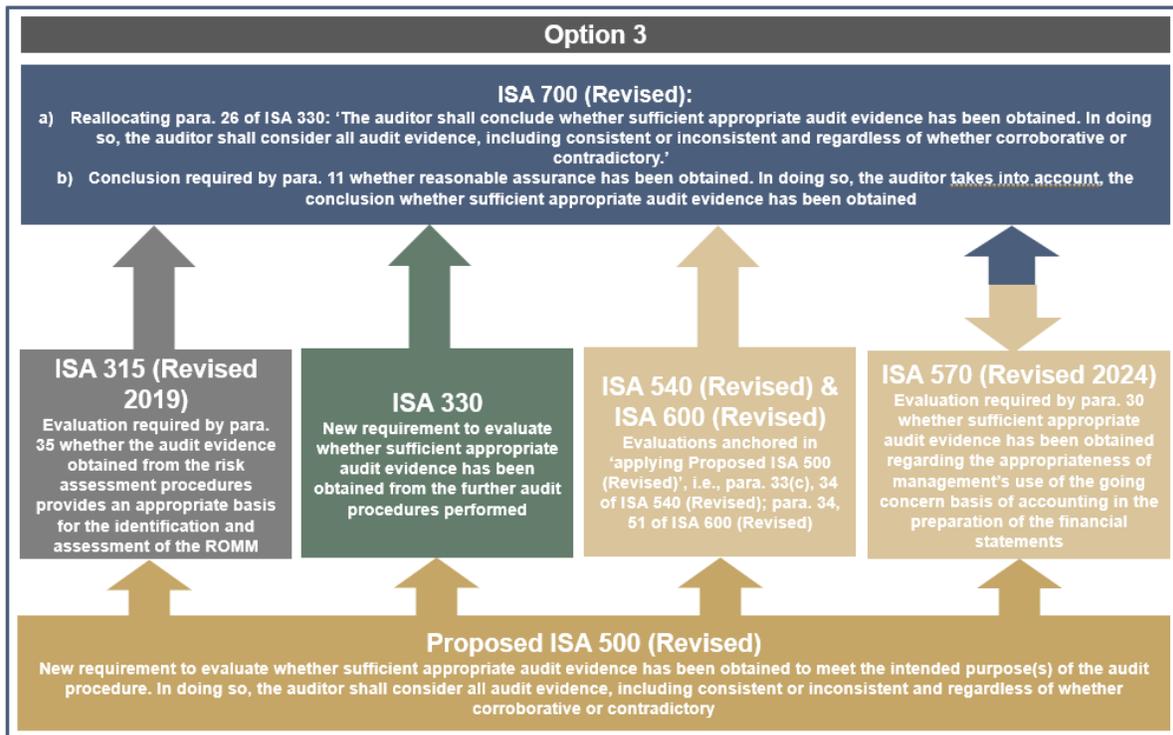
²⁶ *The International Standard on Auditing for Audits of Financial Statements of Less Complex Entities*

²⁷ *International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements*



Option 3: Anchoring the conclusion on whether sufficient appropriate audit evidence has been obtained into ISA 700 (Revised), supported by an evaluation of the sufficiency and appropriateness of audit evidence obtained at the audit procedure(s) level in Proposed ISA 500 (Revised).

47. This Option sits in between Options 1 and 2.



48. All Options envision relocating paragraph 26 of ISA 330 into another ISA (i.e., either in Proposed ISA 500 (Revised) or ISA 700 (Revised)). In doing so, all Options assume adding a new evaluation in ISA 330 addressing the sufficiency and appropriateness of the audit evidence obtained from further audit procedures (see illustrative drafting in the box below). Also, under all Options, the reassessment of ROMM required by paragraph 25 remains in ISA 330 where it thematically belongs.

New evaluation in ISA 330:

The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained from the further audit procedures.

49. Staff is of the view that Options 1 and 3 are more favorable, relative to Option 2, in terms of improving the coherence for the ISAs. This is because they allow for improved linkages (and integration) of the foundational and subject matter-specific evaluations with the overall conclusion on whether sufficient appropriate audit evidence has been obtained. They also allow to embed a complete framework in Proposed ISA 500 (Revised) for the auditor when making judgments about audit evidence, extending to both the ‘inputs’ and the ‘outputs.’
50. Both Options 2 and 3 allow to establish a more intuitive link from the ‘flow of an audit’ perspective between paragraph 30 of ISA 570 (Revised 2024) with the overall conclusion proposed to be reallocated into ISA 700 (Revised). Option 3 does so by introducing an additional evaluation of the sufficiency and appropriateness of the audit evidence obtained in Proposed ISA 500 (Revised) at the intended audit procedure(s) level (see illustrative drafting in the box below).

New evaluation in Proposed ISA 500 (Revised):

The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained that meets the intended purpose(s) of the audit procedures.

51. Staff notes that a similar requirement was exposed in the course of the Audit Evidence project. As discussed in paragraphs 14–16, feedback on exposure previously perceived such evaluation as not adding the intended value on the basis that it is not sufficiently distinct from the overall conclusion whether sufficient appropriate audit evidence has been obtained. At the same time, Staff cannot determine whether stakeholder perceptions would remain the same (or would change) by the enhanced model offered by Option 3 (i.e., to elevate the overall conclusion on whether sufficient appropriate audit evidence has been obtained into ISA 700 (Revised) as well as by improving the coherence among the foundational and subject-matter specific evaluations).
52. Under all Options proposed, Staff notes that the Board may consider application material (or educational material) to clarify the linkages among ISA 570 (Revised 2024) and ISA 700 (Revised). Staff acknowledge however that this is a less effective approach than the opportunity at hand to improve the linkages among how these ISAs interact.
53. While all options provide a framework that could be consistently applied to ongoing and future standard-setting projects (i.e., a consistent roadmap that can be followed), Options 2 and 3 require revisions to ISA 700 (Revised) which is not an in-scope standard for the AE&RR project. Should the Board determine to proceed with Options 2 or 3, Staff note that there could be a need for more substantial revisions to ISA 700 (Revised), which may extend beyond the nature of conforming and

consequential amendments. In addition, as discussed in paragraph 43, this would require further consideration whether the objectives of the affected standards remain appropriate, including for ISA 700 (Revised).

Matter for IAASB Consideration:

2. The Board is asked to determine which Option is optimal to proceed with as placement for paragraph 26 of ISA 330.

Section II – An Audit Procedure Used for More Than One Purpose

Introduction

The Issue Identified in Information-Gathering

54. The use of sophisticated ATT by auditors in practice have magnified challenges with appropriately designing and performing audit procedures that are used for more than one purpose. Questions have arisen about where audit procedures performed using ATT fit within the nature of the audit procedures as contemplated in the ISAs. Some also question whether the categorization of procedures by their purpose and type is too restrictive, given views that the auditor’s response to an assessed ROMM could be agnostic to the category of audit procedure it belongs to, and that the focus should rather be on the ultimate outcome achieved.

Background Information

55. The ISAs categorize the nature of audit procedures based on their purpose (e.g., risk assessment procedures and further audit procedures which includes test of controls or substantive procedures) and type (i.e., inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry).²⁸ The table below summarizes the defined purpose of audit procedures:²⁹

	Risk Assessment Procedures	Further Audit Procedures	
		Test of Controls Procedure	Substantive Procedures
Purpose	To identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels. <i>ISA 315 (Revised 2019), para. 12(j)</i>	To evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level. <i>ISA 330, para. 4(b)</i>	To detect material misstatements at the assertion level. Substantive procedures comprise: (i) tests of details and (ii) substantive analytical procedures. <i>ISA 330, para. 4(a)</i>

²⁸ See ISA 330, paragraph A5.

²⁹ The table only addresses the categories of audit procedures that are defined in the ISAs. As clarified in paragraph A14D of Proposed ISA 500 (Revised), audit procedures to obtain audit evidence encompass risk assessment procedures, further audit procedures and other audit procedures to comply with the ISAs, including procedures to evaluate the relevance and reliability of information intended to be used as audit evidence

56. The ISAs allow for the possibility that an audit procedure may achieve more than one purpose, which is addressed for two specific circumstances: a dual-purpose test and a ‘multi-purpose procedure.’

Dual-Purpose Test

57. A dual-purpose test is addressed in the application material of ISA 330,³⁰ as concurrently performing a test of controls and a test of details on the same transaction. The application material explains that, because the purpose of a test of controls is different from the purpose of a test of details, such tests are designed and evaluated by considering each purpose of the test separately.
58. Other IAASB non-authoritative pronouncements also discuss a dual-purpose test,³¹ in a similar manner, noting that it may be efficient to perform both a test of controls and a test of details at the same time. Examples are provided to illustrate how this can be achieved.

‘Multi-Purpose Procedure’

59. The colloquial term ‘multi-purpose procedure,’ is not used authoritatively in the ISAs. Application material in ISA 315 (Revised 2019),³² ISA 330³³ and Proposed ISA 500 (Revised)³⁴ provide guidance (application material and examples) discussing such circumstances. A ‘multi-purpose procedure’ is often described as a combination of a risk assessment and a further audit procedure, but broadly may include any possible combination of an audit procedure required by the ISAs. The standards explain that when an audit procedure is a ‘multi-purpose procedure’ the auditor is required to comply with the requirements of the relevant ISAs that deal with the design and performance of such audit procedures.
60. Other IAASB’s non-authoritative support material also addresses instances where an audit procedure can serve as both a risk assessment procedure and a further audit procedure, particularly when using ATT.³⁵

Staff Views and Recommendations

Consolidating Terminology

61. Staff performed an analysis of paragraphs that refer to, or describe, a dual-purpose test and a ‘multi-purpose procedure’ to determine if there were any circumstances or meaningful attributes that would require a clear differentiation of these phrases. Staff noted that the description of a dual-purpose test does imply concurrent performance, intentional design and the use of the same inputs, and that this may or may not be always the case in the descriptions provided for a ‘multi-purpose procedure.’ However, Staff is of the view that these circumstances are not sufficiently distinct from each other to warrant separate descriptions and terminology to be used. Importantly, it is emphasized that the evaluation of the results is by considering the purpose of the procedure separately (for a dual-purpose

³⁰ See ISA 330, paragraph A23.

³¹ See IAPN 1000, *Special Considerations in Auditing Financial Instruments*, paragraph 98.

³² See ISA 315 (Revised 2019), paragraph A19.

³³ See ISA 330, paragraph A22.

³⁴ See Proposed ISA 500 (Revised), paragraphs A18, A65E and 1C of Appendix 1.

³⁵ See the non-authoritative support material [Using Automated Tools & Techniques in Performing Audit Procedures](#).

test) and by complying with the requirements of the relevant ISAs (for a ‘multi-purpose procedure’).

62. Staff is recommending that a dual-purpose test and a ‘multi-purpose procedure’ should be consolidated under a single description of the broader notion: *an audit procedure used for more than one purpose*, with supporting examples of the circumstances this entails. In addition, to reduce complexity associated with the use of different terminology, a broad and general description accompanied with examples allows for sufficient flexibility in this area as practice evolves.
63. The box below provides illustrative drafting. In terms of placement, Staff is of the view that such description would best fit in Proposed ISA 500 (Revised), rather than ISA 330, as the former applies broadly to all audit procedures performed in accordance with the ISAs.

An Audit Procedure Used for More Than One Purpose

The auditor may perform an audit procedure that achieves more than one purpose. For example, the auditor may:

- Inspect an invoice to determine it has been approved to achieve the purpose of a test of controls, and to obtain substantive evidence of quantity and value of the item sold to achieve the purpose of a test of details.
- Recalculate the total of a sales order to obtain substantive evidence of the mathematical accuracy of the recorded revenue transaction to achieve the purpose of a test of details, and to determine the operating effectiveness of the control over sales transaction processing to achieve the purpose of a test of control

To achieve the purpose of such audit procedures, the auditor is required to comply with the requirements of the relevant ISAs that deal with the design and performance of such audit procedures, including the requirements of this ISA, ISA 315 (Revised 2019), ISA 330, and any other relevant ISAs.

Strengthening Requirements When Using Audit Evidence from a ‘Multi-Purpose Procedure’

64. The IAASB’s work to establish a Technology Position indicate a landscape of growing use of ATT by auditors. Such tools allow for performing different audit procedures at the same time or consecutively in an automated manner that achieve more than one purpose. While the extant standards address the notion that an audit procedure may be used to achieve more than one purpose, they do so only through application material.
65. Staff is aware of other recent standard setting initiatives that have introduced requirements to specify the auditor’s responsibilities when using an audit procedure for more than one purpose on the basis that this would facilitate the auditor’s design and performance of audit procedures that provide sufficient appropriate audit evidence.³⁶
66. Staff is of the view that the in-scope standards could be strengthened by introducing a requirement addressing instances when the auditor obtains audit evidence from an audit procedure that is used for more than one purpose. The box below provides illustrative drafting. In terms of placement, as

³⁶ See the Public Company Accounting Oversight Board (PCAOB) [Amendments Related to Aspects of Designing and Performing Audit Procedures That Involve Technology-Assisted Analysis of Information in Electronic Form](#).

with the description discussed in paragraph 63, Staff is of the view that the requirement would best be placed in Proposed ISA 500 (Revised).

If the auditor uses an audit procedure for more than one purpose, the auditor shall evaluate separately whether the audit evidence obtained meets each intended purpose of the audit procedure.

Matters for IAASB Consideration:

3. The Board is asked for its views on Staff’s recommendations discussed in **Section II** above. In particular:
 - (a) Consolidating extant terminology and descriptions under a broad notion of an audit procedure used for more than one purpose.
 - (b) Introducing a requirement to specify the auditor’s responsibilities when using an audit procedure for more than one purpose.

Section III – Automated Tools and Techniques (ATT)

Introduction

Description of ATT in Proposed ISA 500 (Revised)

67. The revisions for Proposed ISA 500 (Revised) included replacing the term Computer-Assisted Audit Techniques (CAATs) across the suite of ISAs with the term ATT, and exploring a description for ATT in paragraph A2A of the application material in the standard, as follows:

Automated tools and techniques (a subset of technological resources)³⁷ is a broad term that describes information technology enabled processes used by the auditor for the purpose of planning or performing the audit that involve the automation of methodologies and procedures, for example the analysis of data using modelling and visualization, or drone technology to observe or inspect assets. Other examples of automated tools and techniques are artificial intelligence and robotic process automation. The term is deliberately broad because technologies and related audit applications continue to evolve.

68. In developing the description, the AETF considered various available IAASB sources, such as the description of ATT in paragraph 2.3 of the ISA for LCEs and non-authoritative materials of the TCG.

The Issue Identified in Information-Gathering

69. The IAASB’s work to establish a Technology Position and the preliminary gap analysis to operationalize such position, indicated that more clarity is needed for the technology-related terminology used in the IAASB Standards.
70. For the term ATT, in particular, questions arose whether:

³⁷ See International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraphs 32(f), A98–A101 and ISA 220 (Revised), paragraphs A63–A67

- The phrase ‘automated tools and techniques’ is appropriate to use (e.g., in relation to its adequacy as a term, and its consistency with terms used in similar context by other standard setters, including the IESBA).
- The description for the term is sufficiently clear to articulate as to what it applies to. A related consideration extends to the question whether there is a need to define, rather than to describe the term, and if so, where should such definition or description be placed.

Key Observations from Staff’s Analysis

Approach to Technology Related Terminology in Other Standard-Setting Initiatives

71. Analysis of more recent technology-related standard-setting initiatives indicates the following approaches with respect to terminology:
- (a) The IESBA Code authoritatively uses a broad, all-inclusive term *technology*, either as standalone term, or used within another term, such as *using the output of technology*. The IESBA has explained that it is meant to encompass *all* technologies, including ATT as used in the auditing standards, artificial intelligence and machine learning, blockchain, and other future technologies not yet known.³⁸
 - (b) In its release accompanying the technology-related amendments to analogous ISA 330 and ISA 500 auditing standards,³⁹ the PCAOB non-authoritatively uses the term *technology-based tools*. The PCOAB’s *technology-based tools* description is specific, referring to specialized software to perform specified tasks to transactions and information intended to be used as audit evidence (i.e., to examine, sort, filter and analyze transactions or information) or which otherwise generates information that aids auditor judgment in the performance of audit procedures. It goes on to explain further what it excludes (e.g., unprogrammed spreadsheet software lacking advanced functionalities on the basis that they do not embody the technological sophistication associated with the description).

Key Attributes of the Extant Description of ATT

72. The table below sets out an analysis of the key attributes of the extant description of ATT in Proposed ISA 500 (Revised):

Attribute	Observations
Scope	<p><i>Tools <u>and</u> Techniques</i></p> <ul style="list-style-type: none"> • The description refers broadly (as acknowledged) to both tools and techniques and is not specific about the types of tools and techniques that are encompassed within the scope of the term, other than by example.

³⁸ See the [Basis for Conclusions: Technology-related Revisions to the Code](#), paragraphs 116–118

³⁹ See the Public Company Accounting Oversight Board (PCAOB) [Amendments Related to Aspects of Designing and Performing Audit Procedures That Involve Technology-Assisted Analysis of Information in Electronic Form](#).

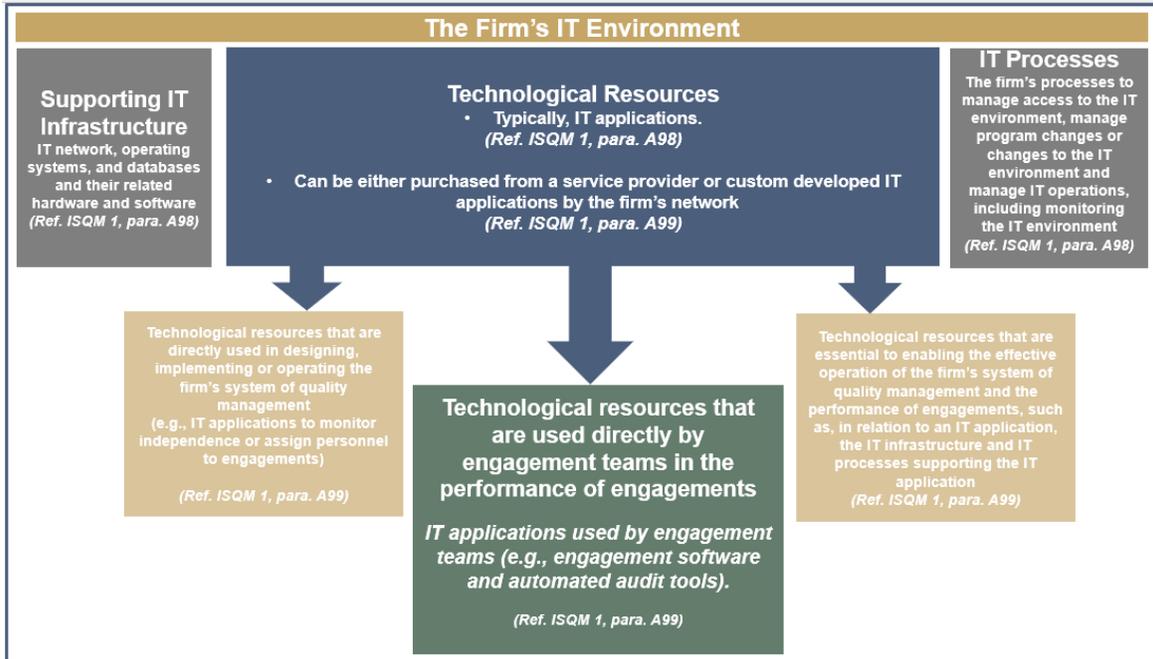
Attribute	Observations
Purpose	<p><i>Assists in Planning and Performing the Audit</i></p> <ul style="list-style-type: none"> The description indicates that ATT may be used broadly in an audit. It encapsulates tools and techniques to facilitate the performance of audit procedures, ('technology-enabled procedures' as referenced in the Technology Position) but may also be used for other purposes when planning and executing audits.
Function	<p><i>Automates Methodologies and Procedures</i></p> <ul style="list-style-type: none"> The description implies automation but is not specific about the degree of automation or sophistication (i.e., whether it is fully autonomous or requiring minimal human intervention or semi-automate or requiring oversight or input from the auditor).
Subsets	<p><i>ISQM 1 Technological Resources</i></p> <ul style="list-style-type: none"> The application material in ISQM 1 indicates that ATT is a subset of technological resources of ISQM and places it in the category of IT applications used by engagement teams. It goes further to separate ATT from engagement software. <p><i>Data Analytics</i></p> <ul style="list-style-type: none"> The description implies (by example) that analysis of data using modelling and visualization is a type of ATT.

Context in Which the Term ATT is Used in the Quality Management Standards

ISQM 1

73. At the firm level, ISQM 1 sets a requirement in paragraph 32(f) to establish quality objectives that address the appropriateness of technological resources obtained or developed, implemented, maintained, and used, to enable the operation of the firm's system of quality management and the performance of engagements.
74. Application material in paragraph A98–A99 of ISQM 1 explains that technological resources form part of the firm's IT environment and are typically IT applications.⁴⁰ It also provides examples of the categories of technological resources that are relevant for the purpose of ISQM 1, noting that automated audit tools and engagement software are subsets of technological resources that are used directly by engagement teams in the performance of engagements. The diagram below illustrates further:

⁴⁰ Paragraph A98 of ISQM 1 explains that an IT application is a program or a set of programs that is designed to perform a specific function directly for the user or, in some cases, for another application program.



ISA 220 (Revised)

75. At the engagement level, paragraph 25 of ISA 220 (Revised) sets an obligation for the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. The standard explains that while resources for an audit engagement are primarily assigned or made available by the firm, there may be circumstances when the engagement team directly obtains resources for the audit engagement.⁴¹
76. Application material also provides guidance and examples relevant to the use of technological resources. In doing so, various technology-related terms are used (e.g., 'technological tools,' 'automated tools and techniques' and 'IT applications').⁴²
77. The application material discusses that on an audit engagement, the use of technological resources may:
- Assist the auditor in obtaining sufficient appropriate audit evidence.
 - Allow the auditor to more effectively and efficiently manage the audit.
 - Allow the auditor to evaluate large amounts of data more easily which enhances the ability of the auditor to exercise professional skepticism (e.g., provide deeper insights, identify unusual trends or more effectively challenge management's assertions).
 - To conduct meetings and provide communication tools to the engagement team.
 - To perform audit procedures.

⁴¹ See ISA 220 (Revised), paragraph A61.

⁴² See ISA 220 (Revised), paragraphs A64–A68.

- Require the involvement of individuals with specialized skills or expertise in evaluating or analyzing the output.
78. In addition, the application material discusses that the firm policies or procedures may specifically prohibit the use of certain IT applications (or features of IT applications) or may require the engagement team to take certain actions before using an IT application that is not firm approved to determine it is appropriate to use.

Context in Which the Term ATT is Used in Other ISAs

79. Various other ISAs, including Proposed ISA 500 (Revised), refer to ATT in the application material and through examples. **Agenda Item 7–C** provides an analysis of such paragraphs referring to ATT and related terms (i.e., CAATs or variations of the term ATT that are used).⁴³
80. The analysis indicates that ATT is referred to in varying contexts. Most often, the context in which the term is in relation to broader technology or a specific software. In small number of cases, it is referred to in the context of a machine or tangible automated device (e.g. a drone).

Staff Views and Recommendations

Placement of the Description of ATT

81. The extant description refers to the use of ATT: *‘for the purpose of planning or performing the audit.’* On the other hand, Proposed ISA 500 (Revised) references the use of ATT in the context of facilitating the design or performance of audit procedures or using technology to perform audit procedures. For example, in paragraph A65A: *‘[ATT] facilitate the auditor to perform audit procedures manually or by use of [ATT], individually or in combination with each other,’* in paragraph A4: *‘the auditor uses [ATT] to design and perform audit procedures’* or in paragraph 10A: *‘If the auditor uses [ATT] to design and perform audit procedures.’*
82. Analysis of current use of the term in the context of other ISAs (see paragraphs 79–80), indicates that ATT has a broader use on audit engagements, that includes uses beyond designing and performing audit procedures. This aligns with the approach of ISA 220 (Revised) that also refers to the use of technological resources on an audit engagement in a broader context (see paragraph 77).
83. Given that ISA 220 (Revised), rather than Proposed ISA 500 (Revised), sets out the specific responsibilities of the auditor at the engagement level regarding quality management when planning or performing an audit, and the related responsibilities of the engagement partner, Staff is of the view that the description (or definition) for ATT should sit in ISA 220 (Revised).
84. Staff also believes that it is appropriate for the Board to continue describing, rather than defining the term. The description would form part of the application material of ISA 220 (Revised) and also be accessible in the IAASB Glossary of Terms.

TCG General Observations

85. As discussed in paragraph 6, Staff sought views from Staff and members of the TCG on the

⁴³ For example, ‘automated tools or techniques’; ‘automated audit tools’; ‘automated procedures’; ‘automated techniques’; ‘electronic audit tools’ and other variations.

description of ATT in Proposed ISA 500 (Revised), including the key attributes it should address. Views were also sought on whether they had suggestions for a replacement term to use for ATT.

86. The paragraphs below incorporate the general observations provided. In addition, Staff will share the refinements to the description of ATT presented in paragraph 101 below and seek input from Staff and members of the TCG. Staff intends to consider the feedback provided in further depth post March 2025 (e.g., together with the feedback provided by the Board).

Broad versus Narrow Approach

87. There was recognition by the TCG that technology is a broad term and ever evolving. However, the TCG in general supported more specificity when describing ATT given concern that a too general approach could drive onerous requirements.
88. The actions specified by the project proposal call for a narrower approach to the description for ATT, including for explaining what types of technologies are within the scope of this term. In doing so, Staff believe that it is relevant for the IAASB not to:
- Refer to specific technologies, other than by example, that may easily become redundant or out of date given the need for the IAASB standards to remain fit-for-purpose.
 - Overly focus on matters that are specific for a particular tool or technology and rather could apply to a broad range of ATT.
89. In addition, Staff is also of the view that there is value in retaining the notion that the term ATT is deliberately broad, in view of the rapidly evolving technological landscape.

Inclusion versus Exclusion

90. The TCG broadly supported that the focus should remain on technology that could introduce audit risks (e.g., aspects such as complexity, explainability, traceability of a tool) as well as how such tools facilitate the performance of audit engagements or audit procedures. In addition, some views included that it is important to exclude tools with 'basic' level of automation or that lack sophistication.
91. Staff acknowledge that the extant description of ATT is not specific about the degree of automation or sophistication which creates ambiguity whether certain basic tools (e.g., a calculator) are expected to be included or excluded from the scope of the term.
92. In the refinements to the description in paragraph 101, Staff propose to encapsulate an example of a specific exclusion (e.g., an excel spreadsheet without programming, such as macros). The aim is to facilitate understanding that basic tools that do not embody the level of automation or technological sophistication associated with the description are excluded from the scope of ATT.
93. On this basis, the term would not necessarily include an audit platform as a digital repository of audit workpapers itself. However, if an audit platform is built to manage audit workflows and assist auditors in developing audit plans, performing audit procedures, analyzing audit evidence and reaching conclusions, it is included within the scope of this term.

Substitute Term for ATT

94. The TCG noted that the term ATT is too passive; an archaic term that should be modernized. In addition, comments included that the term 'automated' is misleading as there will always be a human

factor, either before, during or after using a tool or technique.

95. The TCG also supported alignment of technology related terminology used by the IAASB as well as to use ‘technology’ in the title of the replacement term.
96. The IAASB Technology Position uses the term ‘technology-enabled procedures.’ This term is referred to in the context of *audit procedures that are facilitated by the auditor’s use of technology*.⁴⁴ Also, when using this term, the Technology Position does not imply distinct technologies (e.g., a software, tool or device), which ATT by title implies.
97. Staff is of the view that there is recognizable value for the Board to align (to the extent possible) terminology as used in the Technology Position with its authoritative standards. However, in doing so, it is also important to provide clarity in the title of the substitute term itself that ATT is the means by which an audit procedure is being facilitated. This would guard against inadvertently implying that ATT is a distinct type of audit procedure.
98. The refinements to the description in paragraph 101 below continue to use the term ‘automated tools and techniques.’ The use of the current term is for illustrative purposes only. Staff recognize that there are other viable alternatives for the Board to further consider post March 2025. In terms of priorities, however, Staff believe that the Board should first focus on establishing the adequacy of the description, as discussed below.

Varying Technology-Related Terminology

99. The TCG inquired about how the term ATT is used in extant standards, as well as whether there is a need to define or describe more than one technology-related term for the purpose of the ISAs.
100. Staff recognize that the varying technology-related terminology that has been identified across the ISAs would need to be further considered (and addressed) in the context of conforming and consequential amendments as a result of the revisions for the in-scope standards. It is intended for the Board to consider such amendments that reconcile actual or perceived inconsistencies post March 2025.

Refinements to the Description [ATT]

101. The box below provides illustrative drafting for a proposed revised description of [ATT]. As discussed in paragraph 83 above, Staff proposes for the Board to place the description of [ATT] in proposed ISA 220 (Revised).

[Automated tools and techniques] (a subset of technological resources used directly in performance of engagements) is a broad term that ~~describes information technology enabled processes~~ refers to IT applications used by the auditor in for the purpose of planning (e.g., in the design of audit procedures) or and performing the audit, that involve the automation of methodologies and procedures. ~~For example, IT applications that facilitate the analysis of data using modelling and visualization, or drone technology to observe or inspect assets.~~ Other examples of [automated tools and techniques] are those developed using artificial intelligence and robotic process automation.

⁴⁴ For example, ‘adopting technology-enabled procedures;’ ‘appropriate application of technology-enabled procedures;’ ‘use of technology-enabled procedures in engagements;’ and in related contexts.

General-purpose spreadsheet software without specific programming is not an *[automated tool and technique]*, but a spreadsheet may be built to perform audit related functions (e.g., to sort, filter, examine, analyze or generate information intended to be used as audit evidence), in which case it is included within the scope of this term.

The term is deliberately broad because technologies and related audit applications continue to evolve.

Matters for IAASB Consideration:

4. The Board is asked for its views on Staff's recommendations discussed in **Section III** above. In particular:
 - (a) The proposed placement of the description for the term ATT in ISA 220 (Revised).
 - (b) The proposed refinements to the description of ATT discussed in paragraph 101 above.

Section IV – Material COTABDs

Introduction

The Requirement in Paragraph 18 of ISA 330

102. Paragraph 18 of ISA 330 requires the auditor to design and perform substantive procedures for each material COTABD, irrespective of the assessed ROMM. The requirement applies in two circumstances, as follows:
 - (a) When the auditor has determined that a material COTABD is not a significant COTABD.⁴⁵
 - (b) When further audit procedures for a significant COTABD do not include substantive procedures (i.e., when they include only tests of controls).

Application material explains that the requirement reflects the fact that: (i) the auditor's assessment of risk is judgmental and so may not identify all ROMM, and (ii) there are inherent limitations to controls, including management override.

The Issue Identified in Information-Gathering

103. There are varying stakeholder perspectives regarding paragraph 18 of ISA 330, as follows:
 - (a) Regulators and Audit Oversight Authorities note instances where either insufficient or inappropriate work has been performed for a material COTABD, irrespective of whether there is an identified ROMM at the assertion level related to the material COTABD.
 - (b) Practitioners and some stakeholders from Jurisdictional and National Auditing Standard Setters (NSS) have challenged the extent to which the requirement is consistent with the core concepts of a risk-based audit, in which the reasons for, and the outcome of, the assessment

⁴⁵ A significant COTABD is one for which there is one or more relevant assertions. A relevant assertion is an assertion about a COTABD which has an identified ROMM. Thus, while a significant COTABD is always material, there may be a material COTABD for which no relevant assertions have been identified (i.e., a material COTABD that is not determined to be a significant COTABD).

of ROMM, informs the design of further audit procedures. In addition, these stakeholder groups have questioned the need for auditors to perform substantive procedures on a COTABD for which they have already obtained audit evidence from risk assessment procedures that a particular COTABD is not a significant COTABD in the circumstances of the engagement.

104. Irrespective of the range of views on this matter, all stakeholder groups noted similar issues with either consistently applying, or enforcing, respectively, the requirement. These include: (i) applying the concept of materiality to the circumstances; (ii) determining the appropriateness of the assertion or assertions selected for the substantive procedures required; and (iii) determining whether the type and extent of substantive procedures designed and performed are appropriate to meet the purpose of this requirement.

Previous IAASB Decisions and Rationale

105. During the ISA 315 (Revised 2019) project, a 'stand-back' requirement was introduced in paragraph 36, requiring the auditor to reevaluate, for a material COTABD, that has not been determined to be a significant COTABD, whether that determination remains appropriate. The rationale for this requirement included to drive the completeness of the identification and assessment of ROMM, including the determination of significant COTABDs. Related application material indicates that paragraph 18 of ISA 330 addresses audit procedures that apply to a material COTABD that are not determined to be significant.⁴⁶
106. In developing ISA 315 (Revised 2019), the IAASB recognized that both paragraph 36 of ISA 315 (Revised 2019) and paragraph 18 of ISA 330 serve a similar purpose: to safeguard against imperfect risk identification and assessment (i.e., a 'safety net'). However, the IAASB noted that paragraph 18 of ISA 330 has an additional purpose: to safeguard against an approach to further audit procedures that includes only tests of controls.⁴⁷
107. At that time, different views were expressed by IAASB members about the 'stand-back' requirement in paragraph 36 of ISA 315 (Revised 2019) and paragraph 18 of ISA 330, as follows:
- Some members had the view that paragraph 18 of ISA 330 should no longer be necessary as the more robust risk assessment, including the 'stand-back' requirement, would adequately cover all material COTABD.
 - Some members had the view that paragraph 18 of ISA 330 is necessary to prevent situations in which further audit procedures for a material COTABD would only include test of controls.
 - Some members took the view that the 'stand-back' requirement in paragraph 36 of ISA 315 (Revised 2019) should not be necessary, as the enhanced risk assessment requirements in the revised standard were sufficiently robust, and paragraph 18 of ISA 330 could still serve its current purpose as an appropriate safeguard.
108. On balance, the Board agreed to further consult and to seek respondents' views on this matter at exposure. For this purpose, a specific question for respondents was included in the explanatory memorandum accompanying the exposure draft for Proposed ISA 315 (Revised 2019) seeking

⁴⁶ See ISA 315 (Revised 2019), paragraph A235.

⁴⁷ See the [Exposure Draft, ISA 315 \(Revised\), Identifying and Assessing the Risks of Material Misstatement](#), paragraph 66.

stakeholder views about the value of the ‘stand-back’ requirement in paragraph 36 of ISA 315 (Revised 2019) and paragraph 18 of ISA 330 to determine whether to retain one, or both, requirements.

109. Deliberations post-exposure, based on the analysis of respondents’ comments, did not find a compelling reason for the Board to make changes to what had been exposed.⁴⁸ Accordingly, at approval, both the ‘stand-back’ requirement in paragraph 36 of ISA 315 (Revised 2019), and the ‘safety net’ in paragraph 18 of ISA 330 were retained.

Staff Views and Recommendations

The ‘Safety Net’ Rationale

110. The standards explain that a COTABD is deemed to be material if omitting, misstating or obscuring information about them could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements as a whole.⁴⁹
111. On this basis, the performance of substantive procedures over a material COTABD to guard against imperfect risk identification and assessment (i.e., a ‘safety net’), is not an assumption unique to ISA 330 nor is it inconsistent with requirements established by other ISAs where the auditor is required to perform procedures based on the materiality, rather than the significance, of a COTABD. For example, ISA 501⁵⁰ requires attendance at inventory counts, and other procedures to obtain audit evidence about the existence and condition of the inventory, when inventory balances are *material*, rather than *significant*.
112. The ‘safety net’ rationale, applies broadly, to address the needs of a range of stakeholder groups which rely on the IAASB standards, as follows:
- (a) Users of financial statements, who may have an expectation that auditors perform procedures to substantiate all material COTABD in the financial statements on which they rely to make resource allocation decisions. Substantiating all material COTABD provides users with a level of confidence that the risks of material omissions, misstatements or obscured information in those COTABD have been adequately addressed.
 - (b) Auditors, whose judgments are focused on matters being persuasive rather than conclusive, and who may therefore not identify all relevant ROMM or assess ROMM appropriately, and therefore not design and perform appropriate further audit procedures. The ‘safety net’ helps reduce the risk that auditors may conclude that they have achieved the objective of an audit, without having reduced audit risk to an appropriately low level (recognizing the implicit balance in drawing conclusions based on audit evidence that is persuasive rather than conclusive).⁵¹
 - (c) Those responsible for enforcement of standards, and regulation, by retaining in the standards a baseline level of substantive work to guard against insufficient or inappropriate work for

⁴⁸ See the [Basis for Conclusions, ISA 315 \(Revised 2019\), Identifying and Assessing the Risks of Material Misstatement](#), paragraph 69 and the [minutes from IAASB March 2019 meeting](#).

⁴⁹ See ISA 315 (Revised 2019), paragraph A233.

⁵⁰ ISA 501, *Audit Evidence – Specific Considerations for Selected Items*

⁵¹ See ISA 200, paragraphs 5 and A53–A55.

material COTABDs that are of importance to users.

'Likely Rare'

113. In developing ISA 315 (Revised 2019), it was discussed that circumstances where a material COTABD that is not determined to be a significant COTABD would be *likely rare*. Anecdotal evidence indicates that in practice a material COTABD that is not a significant COTABD are being identified and while these are not plentiful on audit engagements, they do surface. Representative examples being equity accounts in absence of complex transactions, land balances without year-to-year changes, prepayment balances or certain disclosures determined as qualitatively material. Through its project specific stakeholder outreach, the project team will continue to endeavor to obtain further information about the frequency and nature of material COTABDs not determined to be significant, as well as update the Board should relevant information in this respect become available.

A Deeper Dive in the Practical Challenges

Concept of a Material COTABD

114. There is an interaction between the concept of a 'material COTABD' with the concept of *material misstatements* (misstatements that could reasonably be expected to influence economic decisions of users).⁵² ISA 320 explains that misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
115. In the course of the ISA 315 (Revised 2019) project, the Board deliberated that because the concept of materiality in the ISAs is described in the context of misstatements, and not in the context of financial statement line items, the concept of a material COTABD is difficult to interpret. As a result, ISA 315 (Revised 2019) clarified that a COTABD is material if omitting, misstating or obscuring information about them could reasonably be expected to influence the economic decisions of users, taken on the basis of the financial statements as a whole.⁵³
116. ISA 315 (Revised 2019) also introduced the concept of a *significant* COTABD. A significant COTABD is one for which the auditor has determined, on the basis of performing risk assessment procedures, that there is one or more relevant assertions. On this basis, a significant COTABD is one for which there is one or more assertions for which the auditor has identified a ROMM.
117. A ROMM exists when there is a reasonable possibility of a misstatement occurring and being material if it were to occur.⁵⁴ Because of their susceptibility to a *material misstatement*, a significant COTABD is also a material COTABD.⁵⁵ Therefore, all significant COTABDs are material COTABDs (all significant COTABDs may *influence users' decisions*), but not all material COTABDs are significant COTABDs (not all material COTABDs have a *risk of material misstatement*).
118. This continues to be an area that causes confusion, which may also be contributing to the challenges

⁵² See ISA 320, *Materiality in Planning and Performing an Audit*, paragraphs 2–3.

⁵³ See ISA 315 (Revised 2019), paragraph A233.

⁵⁴ See ISA 200, paragraphs A16.

⁵⁵ See ISA 315 (Revised 2019), paragraph A233–A234.

with practical operationalization of the requirement.

Detecting Material Misstatements at the Assertion Level

119. The requirement in paragraph 18 of ISA 330 requires that substantive procedures be performed for a COTABD for which the auditor has not identified ROMM at the assertion level, but which nevertheless are material.⁵⁶ However, a substantive procedure, as defined, is an audit procedure designed to detect material misstatements at the assertion level.
120. To comply with paragraph 18 of ISA 330, and in following the related application material in paragraph A44, auditors consider which assertion or assertions to focus on (i.e., those in which if a misstatement were to occur, there is a reasonable possibility of the misstatement being material), the type of procedure to perform and the extent of procedures to perform.
121. This continues to be an area where there is diversity in practice reported by a range of stakeholder groups.

The User Perspective

122. Staff intends to undertake additional outreach with investors and other users of financial statements to further inform the Board's judgment on the merits of the varying perspectives expressed by stakeholders discussed in paragraph 103 above. In Staff's view, taking additional steps to gather information from this particular stakeholder group would provide comfort to the Board that reasonable efforts have been made to ensure the adequacy of the consultation.
123. The outreach would explore users' viewpoints on the 'safety net' requirement in paragraph 18 of ISA 330 that aims to guard against imperfect risk identification and assessment. In addition, perspectives from this stakeholder group will be sought to understand whether substantive procedures are the only means to provide a level of comfort sought for material COTABDs. It is intended for such feedback to be presented to the Board post March 2025 when deliberating a way forward for the requirement in paragraph 18 of ISA 330.

Matter for IAASB Consideration:

5. The Board is asked for its views on whether there are any other matters that should be considered in relation to the requirement in paragraph 18 of ISA 330, as discussed in **Section IV** above. This may relate to the technical issues highlighted or how best to approach the additional outreach that the project team plans to undertake.

Section V – Tests of Controls

Introduction

The Issue Identified in Information-Gathering

124. Information-gathering identified an overarching issue with the auditor's work on internal control, including challenges with the appropriateness of auditor decisions about whether to design and perform tests of controls as part of a response to assessed ROMM and the inconsistent identification

⁵⁶ See ISA 330, paragraph A43(b).

of circumstances where substantive procedures alone are unable to provide sufficient appropriate audit evidence.

Stakeholder Advisory Council (SAC) Feedback

125. In scoping the project, views were sought from the SAC about what is the auditor’s role with respect to internal controls broadly, in light of the public interest in entities having an appropriate system of internal control. SAC members acknowledged the benefits to entities when auditors test the operating effectiveness of controls and report to management on their findings. In addition, SAC members also emphasized that the standards should remain principles-based to enable auditors to make appropriate judgments about whether to test controls.⁵⁷

Tests of Controls Alone as a Means to Provide Sufficient Appropriate Audit Evidence at the Assertion Level

126. Stakeholders have questioned whether the ISAs allow for relevant assertions of a significant COTABD to be addressed through tests of controls alone (i.e., whether tests of controls alone are able to provide sufficient appropriate evidence that a significant COTABD is free of ROMM in relation to a relevant assertion), and if so to what circumstances this applies to.

127. The ISAs are not explicit whether such approach is appropriate. The following paragraphs are also important to understand the context in which stakeholders raise questions:

- (a) Paragraph A43 of ISA 200 explains that internal control, no matter how well designed and operated, can only reduce, but not eliminate ROMM in the financial statements because of the inherent limitations of controls. Accordingly, some control risk will always exist. Nevertheless, this does not exclude the possibility that, after consideration of controls, the testing of the operating effectiveness of internal controls may reduce the ROMM at the assertion level to an acceptably low level, such that there would not be a need to perform substantive procedures.
- (b) Paragraph A43 of ISA 330 explains that when further audit procedures for a significant COTABD do not include substantive procedures (i.e., when they only include test of controls), in complying with paragraph 18 of ISA 330 the auditor designs and performs substantive procedures for each material COTABD (see paragraph 102 above). However, because the requirement applies at the COTABD level, rather than at the assertion level, it does not require substantive procedures to be performed to address each relevant assertion of each significant COTABD.

Staff Views and Recommendations

Example of Circumstances Where Tests of Controls Alone Could be Appropriate

128. The paragraphs below discuss examples of circumstances that are relevant to whether or not a test of controls alone could be appropriate to provide sufficient appropriate audit evidence at the assertion level:

- (a) *The combination of the level of assessed inherent risk, and the reason(s) given for the assessment.* When inherent risk is assessed at the lower end of the spectrum, evidence that controls are operating effectively may be sufficient to address the reason(s) given for the

⁵⁷ See [Meeting Highlights](#) and [Agenda Item 2](#) of November 2024 SAC meeting.

assessment (i.e., related to the effect of relevant inhering risk factors on the susceptibility to misstatement at the assertion level). On the other hand, obtaining audit evidence at the assertion level from tests of controls alone would not be appropriate when the auditor's assessment is that, even if controls operated effectively, the ROMM would not be reduced to an acceptable low level.

- (b) *Characteristics of the entity's control environment or of those controls that the auditor has determined to test.* The overall strength of the entity's control environment can have an effect on the reliability of tests of controls. This is because the control environment provides an overall foundation for the operation of the other components of the system of internal control and sets the tone of an organization, influencing the entity's control consciousness.⁵⁸ Therefore, entity-level controls and monitoring activities can influence the determination of whether obtaining audit evidence from tests of controls alone may be appropriate. Similarly, characteristics of the controls being tested, including whether they are automated or manual, or preventative or detective, may affect the auditor's assessment of their effectiveness, thereby affecting the expected persuasiveness of evidence that may be obtained from tests of controls.
- (c) *The responsiveness and precision of controls.* Controls that are highly responsive to specific inherent risk factors, or highly precise in the risk they address, may be more effective than other controls. If controls are designed with high precision, they may provide audit evidence to reduce the ROMM to an acceptably low level, such that substantive procedures are not needed. In other instances, such controls may significantly reduce but not eliminate the need for substantive procedures to reduce the ROMM to an acceptably low level.
- (d) *The nature of assertions and their susceptibility to misstatements.* Some significant COTABDs and assertions may be more appropriately addressed through substantive procedures, irrespective of the operating effectiveness of controls. This may be because of the information sources used by the entity, or because evidence that controls are operating effectively would not be sufficient to address the reason(s) given for the assessed risk (i.e., related to the effect of relevant inherent risk factors on the susceptibility to misstatement at the assertion level).

Opportunities for Enhancement

129. Staff is of the view that there are circumstances in which tests of controls alone may provide sufficient appropriate audit evidence that a ROMM at the assertion level does not need to be further addressed with substantive procedures. Staff is also of the view that there is a need to explicitly articulate this principle in the standards, including identifying features of circumstances in which such an approach could be appropriate. This would include enhancements to requirements, on a conditional basis, and related application material.

Further Work on Tests of Controls

130. To date, Staff have also discussed opportunities to enhance the in-scope standards for circumstances when test of controls are required to obtain sufficient appropriate audit evidence (i.e., where the auditor cannot obtain sufficient appropriate audit evidence without performing tests of controls), including revisions to enhance the robustness of auditor's identification and consideration

⁵⁸ See ISA 315 (Revised 2019), paragraph A97–A98, and Appendix 3.

of such circumstances. In addition, Staff there are considering opportunities to clarify whether tests of controls could also separately fulfil other purposes (e.g., evaluating the relevance and reliability of information intended to be used as audit evidence). Staff will continue to progress its work relating to these matters post March 2025, and will in due course present this to the Board along with recommendations and insights from stakeholder feedback undertaken to inform such recommendations.

Matters for IAASB Consideration:

6. The Board is asked for its views on Staff's recommendations discussed in **Section V** above. In particular:
 - (a) Does the Board agree that tests of controls alone may in certain circumstances provide sufficient appropriate audit evidence at the assertion level.
 - (b) Any specific matters that Staff should consider in undertaking the further work on tests of controls highlighted in paragraph 130.

Section VI – Substantive Procedures

Introduction

Background

131. As discussed in the table in paragraph 55, the purpose of a substantive procedure is to detect material misstatements at the assertion level. Substantive procedures comprise tests of details (of a COTABD), and substantive analytical procedures. While both are encapsulated in the definition of substantive procedures,⁵⁹ they are not separately described or defined.
132. ISA 330 explains that the nature and extent of substantive procedures depends on the circumstances and that the auditor may decide, among other approaches, to perform only substantive analytical procedures as sufficient to reduce audit risk to an acceptably low level (e.g., where the auditor's assessment of risk is supported by audit evidence from tests of controls).⁶⁰ However, paragraph 21 of ISA 330 requires that when the approach to a significant risk only consists of substantive procedures, those procedures to include tests of details.
133. ISA 520 deals with the auditor's use of analytical procedures as substantive procedures, and the auditor's responsibility to perform analytical procedures near the end of the audit when forming an overall conclusion on the financial statements. This standard also provides a definition for analytical procedures.⁶¹

The Issue Identified in Information-Gathering

134. During the information-gathering activities, stakeholders identified recurring challenges with appropriately designing and performing effective substantive analytical procedures to obtain audit evidence. Specific challenges that were noted included issues with the level of precision of

⁵⁹ See ISA 330, paragraph 4(a)

⁶⁰ See ISA 330, paragraph A45

⁶¹ See ISA 520, paragraphs 4, A1–A3

expectations developed when designing substantive analytical procedures, and the appropriateness of the amount of difference between expected and recorded amounts.

135. In addition, as discussed in paragraph 64, the IAASB's work to establish a Technology Position indicate a landscape of growing use of ATT by auditors. Such tools may facilitate the use of more disaggregated information when performing substantive analytical procedures. This has raised questions whether the distinction between a test of details and substantive analytical procedures in the standards remains appropriate, and whether the requirement in paragraph 21 of ISA 330 remains necessary.

Other Standard-Setting Initiatives

136. The PCAOB technology-related amendments to analogous ISA 330 and ISA 500 auditing standards included describing that a test of details involves performing audit procedures with respect to items included in an account or disclosure (e.g., the date, amount, or contractual terms of a transaction). In addition, the revisions specified that when performing a test of details, the auditor should apply audit procedures that are appropriate to the particular audit objectives to each item selected for testing.
137. Also, in June 2024, the PCAOB released an exposure draft to replace and retitle its ISA 520 analogous auditing standard.⁶² Among other matters, the exposure draft proposes to distinguish substantive analytical procedures from analytical procedures by separately describing substantive analytical procedures as a procedure that involves comparing a recorded amount or an amount derived from recorded amounts (i.e., as applicable, the 'company's amount') to an expectation of that amount developed by the auditor to determine whether there is a misstatement. The proposed description also explains that the auditor's expectation when performing substantive analytical procedures is based on one or more plausible and predictable relationships among financial or non-financial data.
138. In their exposure draft, the PCAOB have considered, but have not proposed, eliminating the requirement to perform tests of details that are specifically responsive to assessed significant risks. This was because the PCAOB Staff research did not identify examples of substantive analytical procedures that could by themselves provide a response to a significant ROMM. The PCAOB also sought comments from respondents on this matter.⁶³

Comparing a Test of Details with Substantive Analytical Procedures

139. The project proposal includes an action to explore whether the distinction between a test of details and substantive analytical procedures remain appropriate, including considering whether substantive analytical procedures could provide sufficient appropriate audit evidence to respond to a significant risk.⁶⁴

⁶² See the PCAOB: [Proposed Auditing Standard – Designing and Performing Substantive Analytical Procedures and Amendments to Other PCAOB Standards](#).

⁶³ See [Comment Letters](#) to PCAOB's *Proposed Auditing Standard – Designing and Performing Substantive Analytical Procedures and Amendments to Other PCAOB Standard*

⁶⁴ See Action C.8 of **Agenda Item 7–A**.

140. To facilitate such exploration, Staff performed a comparative analysis of the key features of tests of details and substantive analytical procedures, which is presented in **Appendix 2**. In performing the analysis, Staff have considered the features of each procedure by referencing to relevant requirements and application material of the ISAs.

Staff Views and Recommendations

141. Staff is of the view that there remains a distinction between a test of details and substantive analytical procedures. Based on the analysis in **Appendix 2**, the key difference between a test of details and substantive analytical procedures is that for the latter the auditor develops an expectation to be used as a ‘reference point’ in designing and performing the procedure. This remains true irrespective of whether the auditor uses (or not) technology to perform substantive analytical procedures.
142. Performing a procedure that enables the auditor to evaluate the reasonableness of a recorded amount by comparing it to a precise expectation of that amount (i.e., a substantive analytical procedure) is different in substance to a procedure from which confirming or disconfirming audit evidence can be obtained relating to items selected from the population making up that recorded amount (i.e., a test of details).
143. It remains valid that both a test of details and substantive analytical procedures can provide persuasive audit evidence and that the degree of precision of an expectation is positively related to the persuasiveness of audit evidence that the auditor is able to obtain from substantive analytical procedures. However, the substantive difference among these procedures appears to support that substantive analytical procedures are insufficient by themselves to provide sufficient appropriate evidence to respond to a significant risk.⁶⁵
144. Additionally, Staff have not become aware of any new information that would support an assessment that substantive analytical procedures could, alone, be sufficient and appropriate to respond to a significant ROMM and have found no compelling argument for such principle be to be revised by the Board. This is based on the characteristics of a substantive analytical procedure, as discussed above, and the circumstances that result in an auditor’s assessment for a ROMM as significant.

Further Work for Substantive Procedures

145. Post March 2025, based on the Board’s feedback, Staff will continue to progress the work for substantive procedures for the in-scope standards. It is intended that the Board will be presented recommendations to address actions of the project proposal related to this topic, such as defining or describing the terms ‘test of detail’ and substantive analytical procedures, and other proposed enhancements to ISA 520 to support auditor’s judgments about the effectiveness of the design of substantive analytical procedures.

⁶⁵ For identified ROMMs at the assertion level, ISA 315 (Revised 2019) requires that the auditor assesses inherent risk on a spectrum, from lower to higher. The judgment about where inherent risk is assessed varies, depending on the degree to which inherent risk factors affect the susceptibility to misstatement of an assertion. Inherent risk factors include complexity, subjectivity, change, uncertainty, management bias and fraud. Other inherent risk factors that affect susceptibility to misstatement of an assertion include ‘the volume or a lack of uniformity in the composition of the items to be processed through the class of transactions or account balance, or to be reflected in the disclosure.’

Matters for IAASB Consideration:

7. The Board is asked for its views on Staff's recommendations discussed in **Section VI** above. In particular:
- (a) The recommendation that the distinction between a test of details and substantive analytical procedures remains appropriate, irrespective of whether technology is used to perform the procedures.
 - (b) The recommendation that substantive analytical procedures alone could not provide sufficient appropriate audit evidence to respond to a significant risk.

Section VII – Professional Skepticism

Introduction

The Issue Identified in Information-Gathering

146. Stakeholders highlighted the need to strengthen and enhance the in-scope standards to support the appropriate exercise of professional skepticism by auditor's when evaluating the relevance and reliability of information intended to be used as audit evidence, in designing and performing further audit procedures and when evaluating and concluding on the sufficiency and appropriateness of the audit evidence obtained.

Enhancements for Professional Skepticism in Proposed ISA 500 (Revised)

147. In the course of the Audit Evidence project, a number of enhancements were made to Proposed ISA 500 (Revised) to support fostering the appropriate exercise of professional skepticism by the auditor when making judgments about audit evidence. The approach included a blend of actions, including explicitly addressing professional skepticism in the requirements, the introductory material and the application material of the standard.
148. Broadly, the key enhancements for professional skepticism include:
- (a) New requirements to design and perform audit procedures in a manner that is not biased and to evaluate the relevance and reliability of information intended to be used as audit evidence (see Proposed ISA 500 (Revised), paragraphs 8–9).
 - (b) Providing introductory material to emphasize the linkages with the core requirement of ISA 200 to plan and perform the audit with professional skepticism. Such contextual material aims to set the tone when reading the standard and provide prominence for this core concept in the proposed standard (see Proposed ISA 500 (Revised), paragraphs 4–4A).
 - (c) Enhanced application material to support maintaining professional skepticism when making judgments about audit evidence, including guidance and examples on conscious and unconscious biases and how the awareness of such biases may help mitigate impediments to the auditor's application of professional skepticism (see Proposed ISA 500 (Revised), paragraphs A4A, A19–A21A and A65K–A65M).
149. At exposure, there was broad support from respondents for the enhancements made in Proposed

ISA 500 (Revised) for professional skepticism.⁶⁶

Staff Views and Recommendations

Approach to Addressing Professional Skepticism in ISA 330 and ISA 520

150. Both ISA 330 and ISA 520 are yet to benefit from IAASB's more deliberate approach for emphasizing professional skepticism in requirements, introductory material paragraphs and application material, as demonstrated in other recent standard-setting projects.
151. However, Staff is of the view that the approach to enhancement would not necessarily be the same for ISA 330 and ISA 520. For example, Staff believes that it would be appropriate to provide contextual introductory material in ISA 330 to emphasize professional skepticism as a foundational concept in responding to assessed risks. On the other hand, this would likely not be an effective approach for ISA 520.

Designing and Performing Further Audit Procedures in an Unbiased Manner

152. Proposed ISA 500 (Revised) introduced a requirement in paragraph 8, that applies broadly when the auditor designs and performs all audit procedures for the purpose of obtaining sufficient appropriate audit evidence, to design and perform such procedures in an unbiased manner. Paragraph 13 of ISA 315 (Revised 2019) also includes a requirement that is specific to designing and performing risk assessment procedures, to do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.
153. By analogy, Staff propose to introduce a similar requirement in ISA 330 when designing and performing further audit procedures, as illustrated in the box below. However, Staff is of the view that it would not be necessary to repeat such requirement in ISA 520, given that ISA 330 as a foundational standard applies broadly to the design and performance of further audit procedures, which may include substantive analytical procedures. To enhance the linkages among the standards in this respect, Staff believe that a reminder or a cross reference from application material in ISA 520 to the proposed requirement in ISA 330 is appropriate in this case.

In designing and performing the further audit procedures required by paragraph 6, the auditor shall do so in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.

Evaluating the Sufficiency and Appropriateness of Audit Evidence

154. As discussed in paragraph 48 and as illustrated in the box below, all of the proposed Options 1–3 for an alternative placement of paragraph 26 of ISA 330 into another ISA, include adding a new evaluation in ISA 330 addressing the sufficiency and appropriateness of the audit evidence obtained from the further audit procedures.
155. There is also an opportunity to explore, either a requirement (as illustrated in the box below) or application material, to emphasize that in making such evaluation the auditor proactively considers all audit evidence obtained, including consistent or inconsistent, and regardless of whether

⁶⁶ See [Agenda Item 4](#) discussed at the September 2023 IAASB quarterly meeting .

corroborative or contradictory.

The auditor shall evaluate whether sufficient appropriate audit evidence has been obtained from the further audit procedures.

In making the evaluation required by paragraph [XY], the auditor shall consider all audit evidence obtained from further audit procedures, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.

Further Work for Professional Skepticism

156. Post March 2025, Staff will continue to progress the work on addressing the appropriate application of professional skepticism for the in-scope standards. This work, including Staff recommendations, will be presented to the Board in due course.

Matters for IAASB Consideration:

8. The Board is asked for its views on Staff's recommendations for addressing professional skepticism discussed in **Section VII** above. In particular, introducing:
- (a) A requirement in ISA 330 as discussed in paragraph 153 to design and perform further audit procedures in an unbiased manner.
 - (b) Requirements in ISA 330 as discussed in paragraphs 154–155 to evaluate whether sufficient appropriate audit evidence has been obtained and to consider all evidence obtained, including consistent or inconsistent, and regardless of whether corroborative or contradictory.

Section VIII – Way Forward

157. Based on the Board's feedback in March 2025, the AE&RR Staff and Project Board Members will continue to discuss the issues included in this Agenda Item. Also, in June 2025, the Board will consider Staff's analysis, views and recommendations in relation to certain other proposed actions of the project proposal to address key issues for technology-related matters and the auditor's work on internal controls.
158. In addition, Staff will continue to engage in coordination activities with other IAASB projects, Consultation Groups and IESBA, as appropriate, seek advice from IAASB members in the development of issues, undertake outreach with investors and other users of financial statements, and engage with other stakeholders, including regulators or oversight bodies and NSS as part of project-specific outreach or the IAASB general outreach program.

AE&RR Project Assignments and Activities

IAASB Staff Contacts

1. The IAASB Staff contacts for the project:
 - Kalina Shukarova Savovska
 - Megan Leicht
 - Fadi Mansour
 - Ana Espinal-Rae
 - Hankenson Jane L. Talatala
 - Kristie Zhang

Project Boards Members

2. The Project Board Member contacts for this project are:
 - Josephine Jackson
 - Edo Kienhuis
3. Information about the project can be found [here](#).

Project Activities Since December 2024

Interactions with the Board and Coordination Activities

4. Paragraphs 4–7 provide information about interactions with the Board and coordination activities undertaken with other IAASB projects and Consultation Groups.

Project Specific Meetings

5. In January 2025, Staff of the IAASB met with representatives of the Institute of Chartered Accountants of England and Wales (ICAEW) to discuss matters related to their ongoing research for update of the ICAEW 2016 publication [Data Analytics for External Auditors](#). In particular, Staff of the AE&RR project updated ICAEW representatives about the anticipated activities of the project related to technology.

Research Initiatives

6. The International Association for Accounting Education and Research (IAAER) has facilitated a research project involving interviews with practitioners that may inform the AE&RR project. The project is seeking to understand the drivers of their decisions about factors that influence the nature, extent and timing of audit procedures to address ROMM (including the use of substantive analytical procedures), use technology-enabled audit procedures, and challenges with auditing internal control over financial reporting.

Appendix 2

Comparing a Test of Details with Substantive Analytical Procedures

	Test of Details	Substantive Analytical Procedures
Description of the Procedure	The performance of one or more types of procedures on information relating to items selected from a population relating to a COTABD, such that the auditor has a reasonable basis for concluding on whether the items (or the population they are selected from ⁶⁷) are materially misstated in relation to a relevant assertion of the COTABD.	<p>A procedure that involves developing an expectation of recorded amounts or ratios, based on reliable data, comparing that expectation with the recorded amounts or ratios; and the further investigations required when recorded amounts differ from expected values by a significant amount.</p> <p>As an analytical procedure, it is an evaluation of plausible relationships such that the procedure enables the auditor to conclude on the reasonableness of a reported value.</p>
Level of Disaggregation	<p>Performed on each item selected from a population.⁶⁸</p> <p>An ‘item’ may be more or less aggregated, depending on the circumstances of the procedure (e.g., each customer account in a receivables listing may be an ‘item’ but so could each sales invoice that is outstanding at the reporting date) including the assertion being tested.</p>	<p>There is no specific level of aggregation at which the procedure is performed,⁶⁹ though it is often performed at the COTABD level.</p> <p>In those circumstances, an expectation may be developed by aggregating expectations formed at a lower level of aggregation (e.g., developing an expectation for the value of a COTABD representing 12 months’ worth of transactions).</p> <p>Alternatively, the substantive analytical procedures may be performed at a disaggregated level, including at the item level (e.g., performing 12 substantive analytical procedures – one per month, for the example above; or for each lease in a lease portfolio).</p> <p>The evaluation of the difference between expected value and recorded amount, is</p>

⁶⁷ In a test of details, the auditor selects items related to a COTABD and performs procedures on information about those items to obtain audit evidence. While the auditor may select the items using audit sampling methods under ISA 530, *Audit Sampling*, this is not a defining feature of a test of details. Proposed ISA 500 (Revised), Appendix 2, discusses methods of selecting items for testing. When procedures are performed on 100 percent of the items in a population, or on a representative sample of the population selected through sampling, the results of a test of details can provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected.

⁶⁸ ISA 530, *Audit Sampling*

⁶⁹ ISA 520, paragraph A3

	Test of Details	Substantive Analytical Procedures
		performed at the level at which the procedure was performed.
Reference Point	The entity's recorded amounts for each item selected (or, for tests of details over completeness, the amount recorded on each item selected from a population of potentially unrecorded items) are the 'reference point' for which the auditor seeks (confirming or disconfirming) information.	The auditor's expectation is the 'reference point' against which the 'reasonableness of recorded amounts' ⁷⁰ are evaluated.
Information Used	Evidence is ordinarily obtained from performing procedures on the same information sources management has used to record the COTABD in the preparation of the financial statements, whether obtained directly by the auditor from third parties (e.g., bank confirmations relating to the entity's bank accounts) or from the entity's information processing systems (e.g., purchase invoices, leasing contracts).	<p>Evidence is obtained by developing an expectation independent from the specific information that management has used to record the COTABD, by using financial or non-financial information from sources outside of the entity or from within the entity's information processing systems, or a combination, and evaluating the reasonableness of the entity's amount(s) in comparison to the expectation.</p> <p>When information sources internal to the entity are used in developing an expectation, the auditor does not use those same sources that were directly used by the entity in producing the recorded amounts.</p> <p>Audit evidence also results from the further investigation of differences, which includes using the same information sources that management used to record the COTABD in the preparation of the financial statements (e.g., invoices, contracts).</p>
Evaluating the Results	<p>A misstatement is identified in relation to each item that is tested, being the difference between the amount that management has recorded for each item, and the amount that the auditor has determined to be the appropriate amount based on the audit evidence obtained.</p> <p>When the items have been selected for</p>	In evaluating the results, the auditor first focuses on the amount of difference between the entity's recorded amount and the expected value that the auditor developed. If the difference exceeds what the auditor has determined as 'the amount of difference from the expectation that can be accepted without

⁷⁰ ISA 520, paragraph A7

	Test of Details	Substantive Analytical Procedures
	testing using audit sampling, Misstatements are projected from the sample to the whole population. ⁷¹	further investigation, ⁷² the difference may represent a misstatement. Additional procedures are necessary to investigate the difference, to either explain why it does not represent a misstatement, or to quantify and evaluate a misstatement

⁷¹ See ISA 530, paragraph 14.

⁷² See ISA 520, paragraph A16.