

Audit Evidence and Risk Response

Agenda Item 4

IAASB June 2025 meeting



Meet the Team

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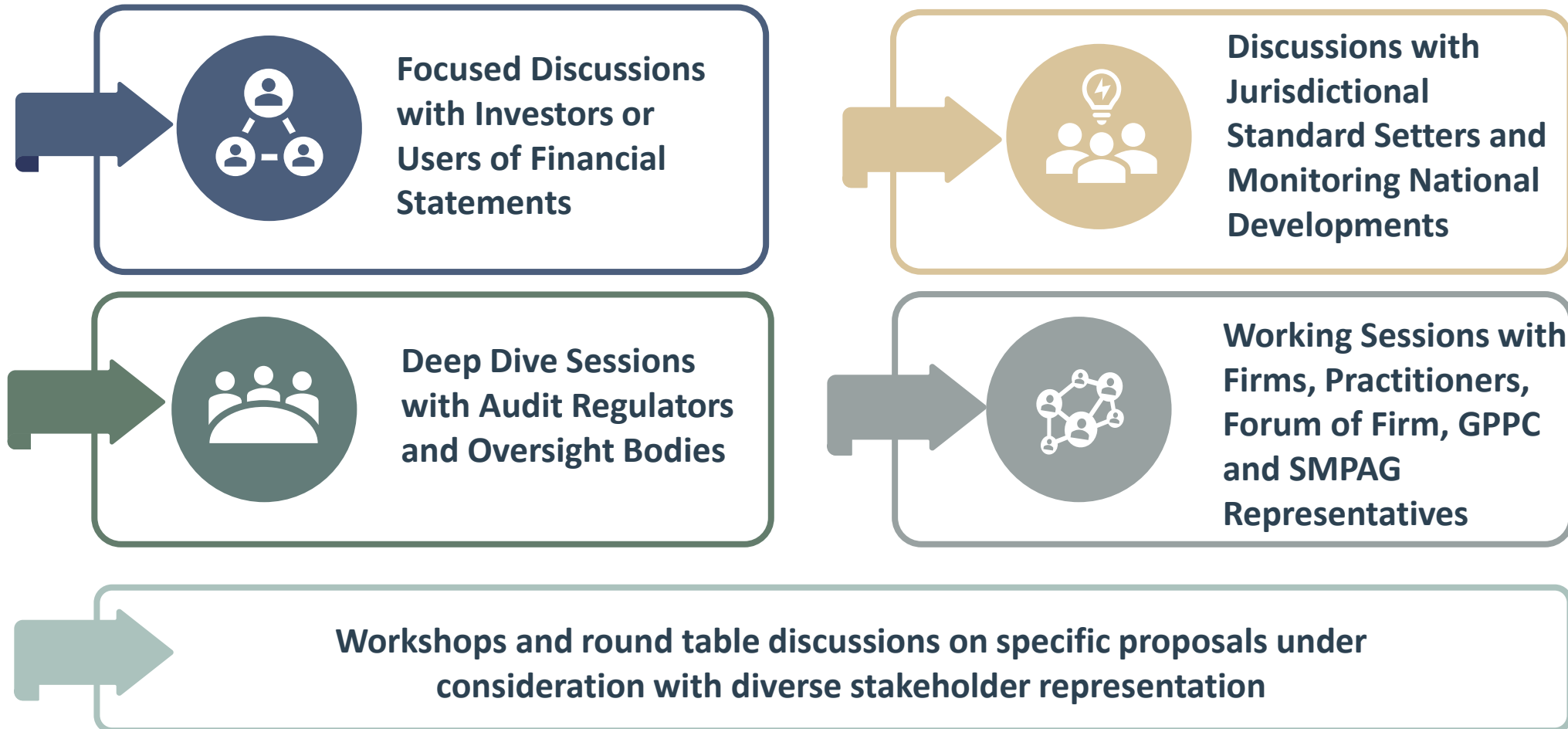


Josephine Jackson
IAASB Vice-Chair



Edo Kienhuis
IAASB Board
Member

Significant Stakeholder Outreach Underway



Defining Tests of Details

Issues identified

- Stakeholders question whether the **distinction** between tests of details and substantive analytical procedures **remains appropriate**

Proposed actions

- Consider developing a **definition or description** of the term ‘tests of details.’

Views and recommendations

Standalone **definition** of ‘tests of details’ in ISA 330



A substantive procedure that involves the application of one or more types of audit procedures to some or all items in a population relevant to a class of transactions, account balance or disclosure.

- Approach to the definition – Leverage the description of ‘test’ in the IAASB Glossary of Terms
- A type of substantive procedure – enables a link to the purpose of the test as defined for a substantive procedure (i.e., to detect material misstatements at the assertion level)
- Refers to ‘items’ broadly and may involve the application of a variety types of audit procedures
- Population is relevant to the COTABD

Matter for IAASB Consideration



Question 1:

The Board is asked whether they agree with, or otherwise have suggestions for, the proposed definition of ‘tests of details’ discussed in paragraph 19 of Agenda Item 4.

Analytical Procedures, Including Substantive Analytical Procedures

DIFFERENTIATING SUBSTANTIVE ANALYTICAL PROCEDURES

Issue identified

- **Inappropriate design and use** of substantive analytical procedures, whether performed manually or when using technology.

Proposed action

- Develop a definition of substantive analytical procedures (SAPs)
- Clarify how SAP differs from the defined term 'analytical procedures'

Distinguishing features of SAPs

Sufficiently precise auditor's expectation of a recorded amount

Plausible and predictable relationship(s) among relevant and reliable data

Views and recommendations

Substantive Analytical Procedures

- **Definition** for 'Substantive Analytical Procedures' in ISA 520.

Analytical Procedures

- Revise definition by removing the '**investigation**' element from the definition



Matter for IAASB Consideration

Question 2:

The Board is asked for its views on:

- a) The proposed definition of ‘substantive analytical procedures’ discussed in paragraph 30 of Agenda Item 4.
- b) Placing the definition of ‘substantive analytical procedures’ in ISA 520 rather than in ISA 330.
- c) The proposed revisions to the definition of ‘analytical procedures’ discussed in paragraph 37 of Agenda Item 4.

Analytical Procedures, Including Substantive Analytical Procedures

SCOPE OF ISA 520, *ANALYTICAL PROCEDURES*

Issue identified

- Various ISAs reference the use of 'analytical procedures' across different stages of an audit
- The scope of ISA 520 refers to:
 - Substantive audit procedures
 - Concluding analytical procedures
- ISA 520 refers to ISA 315 for performing analytical procedures for risk assessment purpose

Proposed action

- Provide clarity in ISA 520 regarding the use of analytical procedures in the ISAs

Views and recommendations

- **Clarify** in ISA 520 regarding the auditor's use of analytical procedures across all stages of an audit
- **Revise** the scope of ISA 520 to:
 - Embed a complete framework when using analytical procedures
 - Clarify the **distinct purposes** of analytical procedures when they are used as risk assessment procedures vs. when they are used as substantive procedures



Matters for IAASB Consideration

Question 3:

The Board is asked for its views on:

- a) The proposed changes to the scope of ISA 520 discussed in paragraph 42 of Agenda Item 4.
- b) Whether there are any other matters that should be considered in relation to the scope of ISA 520.

Analytical Procedures, Including Substantive Analytical Procedures

DESIGNING AND PERFORMING SUBSTANTIVE ANALYTICAL PROCEDURES

Issue identified

- **Lack of clarity** with regards to some elements of designing and performing SAPs

Proposed action

- Clarify the principles in ISA 520 for: (i) the level of precision of an expectation; (ii) the accepted amount of difference between expected and recorded amounts.

Views and recommendations

Level of precision of an expectation

- Enhance the **connectivity** among the precision of the expectation and the reliability of the information on which it is based
- **Emphasize** that the auditor's expectation is based on one or more plausible and predictable relationships among financial and non-financial information.

Accepted amount of difference

- **Elevate** to requirements that the amount of difference is determined at or below performance materiality
- **Enhance** application material by including additional factors for the auditor to consider

Further work for Substantive Analytical Procedures post June 2025: enhancing requirements and application material for investigating the results of analytical procedures in ISA 520.



Matters for IAASB Consideration

Question 4:

The Board is asked for its views on:

- a) The proposed clarifications related to the level of the precision of an auditor's expectation discussed in paragraph 48 of Agenda Item 4.
- b) The proposed clarifications related to the accepted amount of difference between expected and recorded amounts discussed in paragraph 49 of Agenda Item 4.

Using Audit Evidence Obtained in Previous Audits

Issue identified

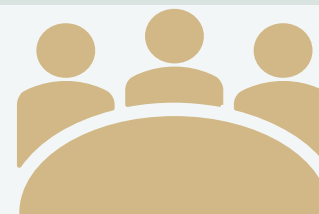
- **Inconsistencies** In ISA 330 relating to use of evidence obtained in previous audits about operating effectiveness of controls.

Proposed action

- Determine whether the requirement in ISA 330 remains appropriate considering the enhanced requirements in ISA 315 (Revised 2019).

Possible Options for a Way Forward

- 1 Retain the extant requirements in paragraphs 13–14 of ISA 330, with limited refinements
- 2 Modify the extant requirements in paragraphs 13–14 of ISA 330 to recognize a rotational strategy that applies for automated controls only
- 3 Remove the extant requirements in paragraphs 13–14 of ISA 330
- 4 Replace paragraphs 13–14 of ISA 330 with a principle-based approach



Matter for IAASB Consideration

Question 5:

With respect to the requirements in paragraphs 13–14 of ISA 330, the Board is asked for its views:

- a) On the possible Options for a way forward discussed in paragraph 62 of Agenda Item 4.
- b) Are there any other Options that should be considered.

Accepting Records and Documents as Genuine

Issue identified

- Feedback from respondents on previous IAASB consultations questioned whether paragraph A24 of ISA 200, which states that an auditor may accept records and documents as **genuine** unless in doubt, is appropriate

Proposed action

- Explore whether a **consequential amendment** to ISA 200 is necessary

IAASB previous deliberation

Audit Evidence

- Introduced “authenticity” as an attribute for reliability
- Some respondents to ED-500 supported removing the concept from ISA 200. Others asked for further clarity.

Fraud

- Removed this concept when ISA 240 (Revised) was approved in 2025
- Auditor will investigate if certain conditions are identified

Views and recommendations

- “Genuine” is used only once in the ISAs. “Authentic” is used more broadly
- Actual or perceived inconsistencies
- Proposed ISA 500 (Revised) introduces a stronger work effort around authenticity compared to ISA 200

Additional outreach with stakeholders to further inform the Board’s judgment on this matter

Matters for IAASB Consideration



Question 6:

The Board is asked for its views on whether there are any other matters that should be considered in relation to paragraph A24 of ISA 200, as discussed in Section IV of Agenda Item 4. This may relate to the technical issues highlighted or how best to approach the additional outreach that the project team plans to undertake.

Alignment with Concepts of ISA 315 (Revised 2019)

Issue identified

- A need to clarify how the revisions of ISA 315 (Revised 2019) are linked to the work effort performed under ISA 330 when designing and implementing responses to ROMM.

Proposed action

- **Improve alignment** of terms and concepts between ISA 315 (Revised 2019) and ISA 330

Views and recommendations

Spectrum of inherent risk

- A frame of reference to the auditor's consideration of likelihood and magnitude of possible misstatements and the influence of inherent risk
- Enhance linkages by introducing the concept in the application material of ISA 330.

Reassessment of ROMM

- Iterative process
- Enhance linkages by removing "before the conclusion of the audit" from paragraph 25 of ISA 330

General IT Controls (GITCs)

- Support Information Processing Controls and the **integrity** of Information
- Opportunity to highlight the auditor's responsibilities regarding testing OE of GITCs in ISA 330.

- New **explicit requirement** in ISA 330 to test the operating effectiveness of GITCs
- Comprehensive Application Material to support the requirement



Matters for IAASB Consideration

Question 7:

The Board is asked for its views on the alignment matters with concepts of ISA 315 (Revised 2019) discussed in Section V of Agenda Item 4. In particular:

- a) Introducing the concept of spectrum of inherent risk in ISA 330 and the illustrative drafting presented in paragraph 88 of Agenda Item 4.
- b) The proposed drafting changes to the reassessment of ROMM discussed in paragraph 90 of Agenda Item 4.
- c) Introducing an explicit requirement to address the auditor's responsibility to test the operating effectiveness of GITCs as discussed in paragraph 100 of Agenda Item 4.
- d) Are there any other matters that should be considered regarding or in addition to the matters in paragraph 101(a)–(c) of Agenda Item 4?

Positioning Paragraph 26 of ISA 330

IAASB Feedback in March 2025

- **Broad support** for option 3: Relocate conclusion to ISA 700 (Revised) supported by two new evaluations of the sufficiency and appropriateness of audit evidence: one in ISA 330 and another in Proposed ISA 500 (Revised)

Input from JSS

- Support for anchoring the overall conclusion in ISA 700 (Revised)

Views and recommendations

Positioning Paragraph 26 of ISA 330 into ISA 700 (Revised)

- New paragraph following the reasonable conclusion
- Application material and appendix integrating the separate evaluations in other ISAs

New Evaluation in isa 330 and no changes proposed to ISA 500 (Revised)

No changes proposed to the objectives

- Objectives in ISA 700 (Revised) and ISA 330 remain appropriate: **no substantial new responsibilities added**

Streamlining in certain ISAs of the proactive considerations from the auditor to consider all audit evidence obtained



Matters for IAASB Consideration

Question 8:

The Board is asked for its views on the preliminary drafting presented in Agenda Item 4–A for positioning of paragraph 26 of ISA 330. In particular, for:

- a) The positioning of the overall conclusion on whether sufficient appropriate audit evidence has been obtained in paragraph 11A of ISA 700 (Revised) and the supporting application material in paragraphs A0–A0C and Appendix 1.
- b) The new evaluation in paragraphs 25A–25B of ISA 330 and not proposing a new evaluation in Proposed ISA 500 (Revised).
- c) Not revising the objectives in ISA 330 and ISA 700 (Revised) as a result of repositioning the overall conclusion on whether sufficient appropriate audit evidence has been obtained.
- d) Streamlining of paragraphs 35 and A231 of ISA 315 (Revised 2029) and paragraph 34 of ISA 540 (Revised), including not pursuing streamlining revisions for paragraph 30 of ISA 570 (Revised 2024).

Automated Tools and Techniques (ATT)

IAASB Feedback in March 2025

- Place the description in the quality management standards, either or both in ISQM 1 or ISA 220 (Revised)
- Further refinements: reconsidering the reference to 'IT applications' in the description, considering principle-based criteria to clarify the attributes of technologies expected to be included within the scope of the term, as well as clarifying the examples of ATT.

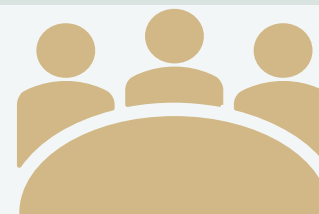
Outreach

- Meetings with TCG, JSS, SMPAG
- Working sessions with firms and regulators

Views and recommendations

- Further Refinements to the Description – see Agenda Item 4-B

Technological resources that are used directly by engagement teams in engagements may serve multiple purposes in planning and performing the engagement. Technological resources include technological tools that facilitate the design or performance of engagement procedures in obtaining sufficient appropriate evidence.



Matters for IAASB Consideration

Question 9:

The Board is asked for its views on:

- a) The preliminary drafting in Agenda Item 4–B for placing the description of ATT into the quality management standards, including for the refinements to the description of ATT in paragraph A99A of ISQM 1 and paragraph A64A of ISA 220 (Revised) in Agenda Item 4–B.
- b) The replacement term for ATT, i.e., ‘Technological tools.’

Professional Skepticism

IAASB Feedback in March 2025

- Support for the introduction of a requirement in ISA 330 to design and perform further audit procedures in an unbiased manner

Views and recommendations

ISA 330

- Placement of newly proposed requirement after paragraph 6 of ISA 330 **remains appropriate**
- Wording extended to capture the auditor's responsibilities to design and implement overall responses in an **unbiased manner**
- Add application material to enhance linkage with ISA 200 and emphasize professional skepticism

ISA 520

Application material:

- To the definition of analytical procedures to highlight the importance of professional skepticism when performing such procedures
- To enhance linkage to ISA 330



Matters for IAASB Consideration

Question 10:

The Board is asked for its views on:

- a) The proposed revisions to the requirement in ISA 330 and related application material discussed in paragraph 137 of Agenda Item 4.
- b) The proposed application material in ISA 520 discussed in paragraph 139 of Agenda Item 4.

Way Forward

