

Audit Evidence & Risk Response – Issues Paper

Objective:

The objective of the IAASB discussion in June 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

1. At the March 2025 IAASB meeting, the Board discussed several key issues and related actions¹ of the AE&RR [project proposal](#) relevant to the concurrent revision of ISA 330,² ISA 500,³ and ISA 520⁴ ('in-scope standards').
2. The IAASB provided directional input and specific comments for the topics discussed to be considered further in the development of the exposure draft for the in-scope standards, as outlined in the December 2024 IAASB meeting minutes available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – June 16-18, 2025* webpage.

Materials Presented

3. This paper sets out the following:
 - (a) **Part A:** Staff's views and recommendations for several key issues and the related proposed actions identified in the project proposal, in the following Sections:

Section	Description
I	<i>Defining Tests of Details</i>
II	<i>Analytical Procedures, Including Substantive Analytical Procedures</i>
III	<i>Using Audit Evidence Obtained in Previous Audits</i>

¹ The topics discussed during the March 2025 IAASB meeting included: (i) 'stand-back' requirements, (ii) an audit procedure used for more than one purpose, (iii) automated tools and techniques, (iv) material classes of transactions, account balances and disclosures, (v) test of controls and (vi) substantive procedures.

² International Standard on Auditing (ISA) 330, *The Auditor's Responses to Assessed Risks*

³ The work for the in-scope standards is based on '[Proposed ISA 500 \(Revised\) Pre-finalization Holding Package](#)' that encapsulates the Board's decisions on key aspects addressed in the [Exposure Draft for Proposed ISA 500 \(Revised\)](#), [Audit Evidence \(ED-500\)](#), including the IAASB's deliberations of proposals and options based on the feedback received on ED-500 (see [Agenda Item 5](#) discussed by the IAASB at the March 2024 quarterly meeting).

⁴ ISA 520, *Analytical Procedures*

Section	Description
IV	<i>Accepting Records and Documents as Genuine</i>
V	<i>Alignment with Concepts of ISA 315 (Revised 2019)⁵</i>

- (b) **Part B:** Further matters and recommendations in response to the Board's feedback for selected topics that were deliberated at the March 2025 IAASB meeting, in the following Sections:

Section	Description
I	<i>Positioning Paragraph 26 of ISA 330</i>
II	<i>Automated Tools and Techniques (ATT)</i>
III	<i>Professional Skepticism</i>

- (c) **Part C:** Way forward.

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

Appendix 1	AE&RR Project Team Assignments and Activities
Agenda Item 4–A	Preliminary Drafting for the Positioning of Paragraph 26 of ISA 330
Agenda Item 4–B	Preliminary Drafting for Placing the Description of ATT in the Quality Management Standards ⁶
Agenda Item 4–C (Supplemental)	Mapping Progress on Proposed Actions of the AE&RR Project Proposal

Interactions with the Board

5. Since March 2025, the project team has held a number of meetings with the Project Board Members to receive input and advice in the development of the issues presented in this Agenda Item, as well as for the ongoing outreach activities that inform the further work of the project.
6. In addition, since March 2025, the project team held 3 meetings with individual Board members to progress work on certain issues discussed in this Agenda Item.

⁵ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁶ The 'quality management standards' refer to 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*, ISQM 2, *Engagement Quality Reviews* and ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*.

Coordination Activities

Technology Consultation Group (TCG)

7. In May 2025, the AE&RR project Staff met with Staff and members of the IAASB's Technology Consultation Group (TCG) to receive their views and input relevant to a replacement term for ATT (see paragraph 126).

Professional Skepticism Consultation Group (PSCG)

8. Staff sought input from the PSCG on the proposed streamlining for the 'stand-back' requirements, including aligning terminology used in the various paragraphs requiring the auditor to proactively consider all audit evidence obtained, including consistent or inconsistent, and regardless of whether corroborative or contradictory (see paragraph 109).

Technology Quality Management Workstream

9. In April 2025, Staff of the AE&RR project and the Technology Quality Management Workstream met to discuss stakeholder feedback received to date on technology-related matters being considered by the AE&RR project.

Outreach Activities

10. The AE&RR project is currently undertaking outreach activities with a broad range of stakeholders to gather feedback and insights that will inform the IAASB's deliberations of issues in the development of an exposure draft for the in-scope standards. Broadly, the project outreach program encompasses:
 - (a) Focused discussions with users of financial statements, including consultations with members of the Stakeholder Advisory Council (SAC), to explore their viewpoints on the auditor's work for material classes of transactions, account balances and disclosures (COTABDs).
 - (b) Meetings with Monitoring Group members (MG) and deep-dive sessions with audit regulators and oversight bodies and with individual firms addressing a broad range of topics relevant to the in-scope standards.
 - (c) Initial engagement with the Forum of Firms (FoF) at their meeting in Amsterdam on April 2, 2025, and planned deep-dive engagement at the June 2025 FoF meeting in New York.
 - (d) Discussion with the Standards Setting Working Group (SSWG) of the Global Public Policy Committee (GPPC) on May 9, 2025.
 - (e) Discussion with Jurisdictional Standard Setters (JSS) at the annual IAASB-JSS Liaison Group meeting in New York on May 7–9, 2025, to receive input and views on certain topics discussed by the Board in March 2025.
 - (f) Meetings with individual JSS and Professional Accountancy Organizations, including with the American Institute of Certified Public Accountants (AICPA) Staff and Auditing Standards Board (ASB) members in May 2025 and planned discussion with representatives from the Institute of Chartered Accountants of England and Wales (ICAEW) in August 2025.
 - (g) Engagement with the International Federation of Accountants (IFAC) Small and Medium Practices Advisory Group (SMPAG) at their meeting in New York on May 12–13, 2025.

- (h) Planned virtual roundtable with diverse stakeholder representation in July 2025. This IAASB-facilitated roundtable aims to convene representatives from the audit oversight and regulatory community and the auditing profession to discuss varying stakeholder perspectives for selected topics being considered under the project and to inform future actions by the IAASB.
- 11. Given that the project outreach activities will continue after June 2025 and the timing of finalizing papers for the June 2025 IAASB meeting, Staff intend to provide the Board with a comprehensive summary of the key insights and takeaways from the collective stakeholder outreach undertaken in September 2025.

Approach to Addressing the Proposed Actions in the Project Proposal

- 12. **Agenda Item 4–C** 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)⁷ that are to be used to assess the responsiveness of the proposed revisions for the in-scope standards to the public interest.

Part A: Staff Views and Recommendations for Selected Topics on AE&RR

Section I – Defining Tests of Details

The Issue Identified in Information-Gathering

- 13. The IAASB's work to establish a Technology Position and the subsequent work on the *Catalog of Issues and Proposed Actions*,⁸ indicates a landscape of growing use of technology by auditors in performing audit procedures. Such technology may facilitate the use of more disaggregated information when performing substantive procedures, which comprise tests of details and substantive analytical procedures. Stakeholders have raised questions about whether the distinction between tests of details and substantive analytical procedures remains appropriate, and if so, to consider developing a definition or description of these terms.

AE&RR Project Proposal – Proposed Action

- 14. While tests of details and substantive analytical procedures are encapsulated in the definition of substantive procedures in ISA 330,⁹ they are not separately described or defined. The AE&RR project proposal includes an action to consider developing a definition or description of the term 'tests of details.'¹⁰

Background Information

Description of the Term 'Test'

- 15. The IAASB's Glossary of Terms sets out a description of the term 'test', as follows: '*the application*

⁷ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

⁸ See the [IAASB's Technology Position](#) and [Agenda Item 5-A](#) of the March 2025 IAASB meeting.

⁹ See ISA 330, paragraph 4(a)

¹⁰ See Action C.9 of **Agenda Item 4–C**.

of procedures to some or all items in a population.’

Overview of Descriptions or Definitions from Other Standard-Setting Initiatives

16. Analysis of other standard-setting initiatives indicates the following approaches with respect to describing or defining tests of details:
- (a) The PCAOB’s technology-related amendments to analogous ISA 330 and ISA 500 auditing standards describe a test of details as involving performing audit procedures with respect to items included in an account or disclosure (e.g., the date, amount, or contractual terms of a transaction).¹¹
 - (b) The French Norme d’Exercice Professionnel (NEP) analogous ISA 330 auditing standard includes a definition of a test of detail (singular form), which translates as ‘the examination of an individual item that is part of a class of transactions, an account balance, or a disclosure.’¹²

Input from Individual Firms

17. Outreach with firms indicated that some firm methodologies have a definition of ‘tests of details’ in their glossaries of terms.

Staff Analysis and Observations

18. Analysis of definitions and descriptions for tests of details from other standard-setting initiatives and firm methodologies (where made available), indicate the following common characteristics and differentiations:
- (a) In all instances, tests of details are a category of a substantive procedure. The purpose of a substantive procedure (as defined) is to detect material misstatements at the assertion level.
 - (b) Some descriptions or definitions are specific about a type of audit procedure (e.g., an inspection that involves examination of an asset, record or document).
 - (c) The performance level is usually at a more disaggregated level than the COTABD as a whole because they are performed on *items* or *individual items* (unless a COTABD consists of only one item). Some also provide examples of what items they may include (e.g., the date, amount or contractual terms of a transaction).
 - (d) The descriptions or definitions relate a test of details to one of the following: both an account or disclosure; a COTABD; or to a balance and profit and loss account.

Staff Views and Recommendations

19. Staff propose a definition, as shown in the box below, rather than a description for ‘tests of details’ in order to clarify the meaning of an important term in the context of the requirements of the ISAs.

¹¹ 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](#).

¹² Unofficial translation. See [NEP-330](#) for the original French version.

Tests of details – 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.

20. In doing so, Staff propose to:

- (a) Leverage the description of ‘test’ in the IAASB Glossary of Terms in determining an appropriate approach to the definition.
- (b) Emphasize that tests of details are a substantive procedure. By doing so, this 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). In addition, consistent with the definition of substantive procedures, the notion that tests of details may involve the application of a variety types of audit procedures has been retained without being restrictive about the specific type of audit procedure this entails.
- (c) Refer to ‘items’ broadly, rather than referring to ‘individual items’ or providing examples of such items. This is because the appropriate items in the circumstances to be identified and selected for testing will vary, based on the assertion being tested and the characteristics of the COTABD. The auditor may also use various approaches to identify and select items for testing.¹³
- (d) Highlight that the population is *relevant to the COTABD*, rather than that the items of the population are included in (or make up) the COTABD. This aims not to unintentionally imply that tests of details are limited to items from a population that has been recorded in (or included in) a COTABD. For example, a test of details over the completeness of recorded trade payable balances may involve the selection of a sample of supplier invoices selected from a pool of invoices not yet recorded in the entity’s bookkeeping, or from a population of invoices recorded in a subsequent period.

Matters for IAASB Consideration:

- 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 above.

Section II – Analytical Procedures, Including Substantive Analytical Procedures

The Issue Identified in Information-Gathering

- 21. Information-gathering indicated that designing and performing effective substantive analytical procedures to obtain audit evidence remains a challenging area in practice.
- 22. Some stakeholders have also indicated concerns about the inappropriate design and use of substantive analytical procedures, whether performed manually or when using technology, in areas such as determining whether the relationship used in the substantive analytical procedure was sufficiently plausible and predictable and developing expectations that were sufficiently precise to identify differences that may be misstatements, individually or when aggregated with other

¹³ See Proposed ISA 500 (Revised), paragraph A26A and Appendix 2.

misstatements.

Differentiating Substantive Analytical Procedures from Analytical Procedures

AE&RR Project Proposal – Proposed Action

23. As discussed in paragraph 14, although ‘substantive analytical procedures’ are encapsulated in the definition of substantive procedures in ISA 330, they are not separately defined or described for the purposes of the ISAs. On the other hand, substantive analytical procedures are a subset of an analytical procedure, which is a defined term for the purposes of the ISAs.¹⁴
24. The AE&RR project proposal includes an action to develop a definition of substantive analytical procedures which clarifies how this differs from the defined term ‘analytical procedures.’¹⁵

Overview of Descriptions or Definitions from Other Standard-Setting Initiatives

25. Analysis of other standard-setting initiatives indicates that in addition to defining or describing the term ‘analytical procedures’ they also define ‘substantive analytical procedures,’ as follows:
 - (a) The PCAOB’s proposed amendments to analogous ISA 520 auditing standard, include a proposed description for substantive analytical procedures that involves comparing a recorded amount or an amount derived from recorded amounts to an expectation of that amount developed by the auditor to determine whether there is a misstatement.¹⁶ In addition, the definition specifies that the auditor’s expectation when performing a substantive analytical procedure is based on one or more plausible and predictable relationships among financial or non-financial data. In its proposal, the PCAOB aims to clarify the distinction between substantive analytical procedures and other types of analytical procedures, in that substantive analytical procedures are designed and performed at a level of precision that is sufficient to respond to assessed risks of material misstatement.
 - (b) The French NEP analogous ISA 520 auditing standard defines a substantive analytical procedure as analytical procedures performed by determining expected amounts or ratios in the financial statements and an acceptable difference between these expected amounts or ratios and the amount recorded in the financial statements.¹⁷

Other IAASB Standards

26. Other IAASB International Standards also address the auditor’s use of analytical procedures, but do not specifically define substantive analytical procedures. For example, application material of ISSA 5000 explains that when the practitioner designs and performs analytical procedures to respond to

¹⁴ Paragraph 4 of ISA 520 defines ‘analytical procedures’ as follows: ‘evaluations of financial information through analysis of plausible relationships among both financial and non-financial data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.’

¹⁵ See Action B.21 of **Agenda Item 4–C**.

¹⁶ See the PCAOB: [Proposed Auditing Standard – Designing and Performing Substantive Analytical Procedures and Amendments to Other PCAOB Standards](#).

¹⁷ Unofficial translation. See [NEP-520](#) for the original French version.

assessed risks of material misstatement (ROMM), such procedures are substantive in nature and therefore require the practitioner developing an expectation as the basis for evaluating the results of such procedures.¹⁸

Input from Individual Firms

27. Outreach with firms indicated that methodology glossaries do not usually provide a standalone definition or description for the term ‘substantive analytical procedures.’

Staff Views and Recommendations

Differentiating Features of Substantive Analytical Procedures from Analytical Procedures

28. Based on the analysis of extant requirements in paragraph 5 of ISA 520 addressing the design and performance of analytical procedures as substantive procedures to detect material misstatements at the assertion level, and definition and description in analogous auditing standards, Staff have identified a set of key distinguishing features of a substantive analytical procedure from analytical procedures used in other aspects of the audit.
29. Such features of a substantive analytical procedure include:
- (a) Developing a *sufficiently precise* auditor’s expectation of a recorded amount to detect a material misstatement at the assertion level. While it holds true that analytical procedures used for other purposes in an audit may also include developing expectations, the precision level of such expectations provides the auditor only with a broad initial indication about the likelihood of a material misstatement (e.g., for risk identification and assessment) or is sufficient to corroborate conclusions previously formed during the audit (e.g., for analytical procedures performed near the end of the audit).
 - (b) Basing such expectation *on plausible and predictable* relationship(s) among relevant and reliable data. While it holds true that the application of analytical procedures broadly is always based on an expectation that plausible relationships among relevant data exist and continue to exist in the absence of known conditions to the contrary, for substantive analytical procedures the relationship and the reliability of the data on which the auditor’s expectation is based needs to be sufficient to enable the auditor to detect material misstatements at the assertion level.

Defining Substantive Analytical Procedures

30. Based on the features identified in paragraph 29 above, Staff propose a definition for ‘substantive analytical procedures’ as shown in the box below:

Substantive analytical procedures – A substantive procedure that involves a comparison of a sufficiently precise expectation developed by the auditor, based on one or more plausible and predictable relationships among financial or non-financial information, to recorded amounts or amounts derived from recorded amounts to determine whether there is a misstatement.

¹⁸ See International Standard on Sustainability Assurance (ISSA) 5000, *General Requirements for Sustainability Assurance Engagements*, paragraphs 143L–143R, A446–A447.

31. In doing so, Staff propose to:

- (a) Retain the notion in the definition that substantive analytical procedures are a substantive procedure. As for the definition of tests of details, doing so, 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).
- (b) Refer in the definition to a 'misstatement' (as defined in ISA 450¹⁹) rather than to 'material misstatement' (as in the purpose of a substantive procedure), given that the auditor will need to determine based on a further investigation whether the misstatement, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.

Placement of the Definition for Substantive Analytical Procedures

- 32. Staff propose to place the definition of substantive analytical procedure in ISA 520 given that this ISA sets out the relevant requirements when the auditor uses analytical procedures as substantive procedures, either alone or in combination with tests of details.
- 33. In addition, Staff considered whether the definition could also be placed in ISA 330 given that this standard includes the definition of 'substantive procedures', which refers to 'tests of details' and 'substantive analytical procedures' as a subcategory. However, Staff did not pursue such placement given the CUSP Drafting Principles and Guidelines²⁰ specify that defined terms already included in other ISAs are not repeated.
- 34. In determining the proposed placement, Staff also considered that ISA 330 does not refer to 'substantive analytical procedures' through the requirements of the standard. However, Staff propose to add a footnote to the definition of 'substantive procedures' in ISA 330 to cross reference to ISA 520 that defines 'substantive analytical procedures' as this would support a clearer linkage among the related definitions in these ISAs. Doing so would be consistent with the approach taken for other definitions in the ISAs, for example the definition of 'engagement team' in ISA 220 (Revised).²¹

Definition of Analytical Procedures

- 35. Benchmarking the definition of the term 'analytical procedures' in ISA 520 and analogous auditing standards indicate certain differences related to the specificity of the definitions and descriptions.²² Notwithstanding, the analysis also indicates that there is consistency in understanding for the meaning of this term as analysis of plausible relationships among both financial and non-financial

¹⁹ See ISA 450, *Evaluation of Misstatements Identified During the Audit*, paragraph 4(a).

²⁰ See Section 8: 'Definitions of the ISAs' of the [CUSP Drafting Principles and Guidelines](#).

²¹ ISA 220 (Revised), paragraph 12(d)

²² For example, the PCAOB description is specific about the source of the data to be external or company-produced. Also, the French NEP-520 explicitly refers to correlations with other information, whether derived from the financial statements or not, as well as with past, future, or forecasted data of the entity or similar entities. In contrast, the definition in ISA 520 remains principle based with supporting application material in paragraphs A1–A2 of ISA 520 that address considerations relevant to comparisons with the entity's financial information and internal or external sources of information, including comparisons to previous periods information, anticipated results of the entity and with other entities of comparable size in the same industry.

data.

36. Staff, however, observe that there is unnecessary redundancy in the definition of ‘analytical procedures’ that includes a repetition of the requirement in paragraph 7 of ISA 520 to investigate, as necessary, the results of analytical procedures when such procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount. Importantly, while investigating the results of an analytical procedure is necessary based on the outcome of the analysis performed, it does not aid in defining the term.
37. As illustrated in the box below, Staff propose to remove the investigation element from the definition of analytical procedures.

~~“Analytical procedures” – means A type of audit procedure that involves an evaluation of financial information through analysis of plausible relationships among both financial and non-financial information data. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.~~ (Ref: Para. A1–A3)

Matters for IAASB Consideration:

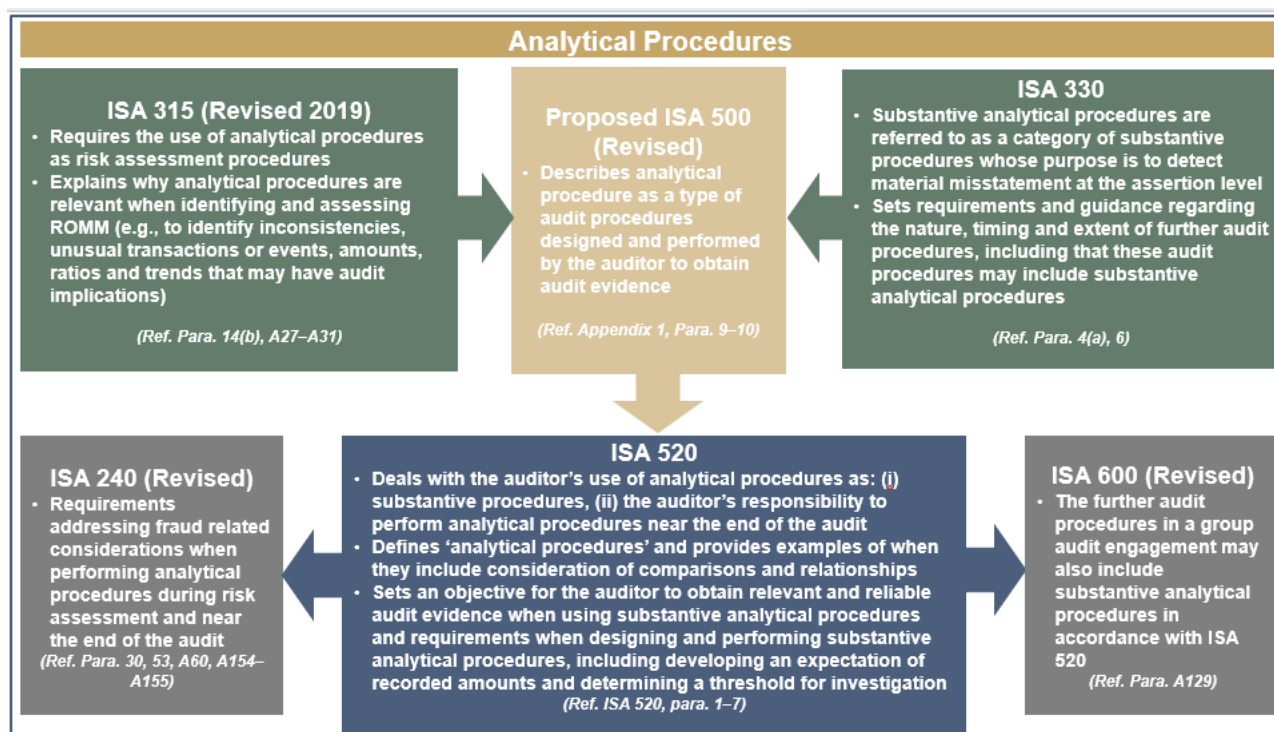
2. The Board is asked for its views on:
- (a) The proposed definition of ‘substantive analytical procedures’ discussed in paragraph 30 above.
 - (b) Placing the definition of ‘substantive analytical procedures’ in ISA 520 rather than in ISA 330.
 - (c) The proposed revisions to the definition of ‘analytical procedures’ discussed in paragraph 37 above.

Scope of ISA 520

Background Information

38. The scope of ISA 520 is two-fold, which includes analytical procedures as substantive procedures and those that assist when forming an overall opinion on the financial statements.²³ The scope section of ISA 520 also refers to ISA 315 (Revised 2019) but does not address analytical procedures used as risk assessment procedures. In addition, the scope of ISA 520 refers to ISA 330, which includes requirements and guidance on substantive procedures, that encapsulate substantive analytical procedures.
39. As shown in the graph below, various ISAs reference the auditors’ use of analytical procedures, including when analytical procedures are used as risk assessment procedures or substantive procedures:

²³ See ISA 520, paragraph 1.



40. When ISA 520 was redrafted in 2007, the IAASB deliberated whether the standard should clearly specify the auditor's objectives for each of the three levels of analytical procedures (i.e., analytical procedures as risk assessment procedures, substantive analytical procedures and analytical procedures that assist when forming an overall conclusion). At that time, the IAASB decided to exclude the proposed requirement relating to risk assessment procedures from ISA 520, and to move the guidance to ISA 315 (Redrafted)²⁴ by means of a conforming amendment.²⁵ This was based on the rationale that there is an overlap between ISA 520 and ISA 315 (Redrafted), as the latter already contains a requirement for the auditor to design and perform risk assessment procedures that include analytical procedures.

Staff Views and Recommendations

41. Staff are of the view that there is an opportunity under the AE&RR project to provide clarity in ISA 520 regarding the auditor's use of analytical procedures across all stages of an audit, including for risk assessment procedures, substantive analytical procedures and analytical procedures that assist when forming an overall conclusion. Doing so would allow ISA 520 to:
- Embed a complete framework to support auditors' judgments when using analytical procedures and investigating, as necessary, the results of such procedures.
 - Clarify distinct purposes of analytical procedures when they are used as risk assessment procedures versus when they are used as substantive procedures.

²⁴ ISA 315 (Redrafted), *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment*

²⁵ See the [minutes](#) from the IAASB December 2007 meeting.

42. The box below provides illustrative drafting for the scope paragraph of ISA 520:

1. This International Standard on Auditing (ISA) deals with the auditor's use of analytical procedures as substantive procedures ("substantive analytical procedures"). It also deals with the auditor's responsibility to perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements and when investigating the results of analytical procedures performed as risk assessment procedures.
- 1A. ISA 315 (Revised 2019)²⁶ includes requirements and guidance regarding designing and performing risk assessment procedures; these audit procedures include the use of analytical procedures as risk assessment procedures.²⁷ Analytical procedures as risk assessment procedures are designed and performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.
- 1B. ISA 330 includes requirements and guidance regarding the nature, timing and extent of audit procedures in response to assessed risks; these audit procedures may include substantive analytical procedures.²⁸ Substantive analytical procedures are designed and performed to detect material misstatements at the assertion level.

43. Post June 2025, and subject to the Board's feedback, Staff intend to consider other necessary changes as a consequence of amending the scope of ISA 520. This may include consideration for the objectives and requirements of ISA 520, including conforming and consequential amendments to other standards, if any.

Matter for IAASB Consideration:

3. The Board is asked for its views on:
- (a) The proposed changes to the scope of ISA 520 discussed in paragraph 42 above.
 - (b) Whether there are any other matters that should be considered in relation to the scope of ISA 520.

Designing and Performing Substantive Analytical Procedures

AE&RR Project Proposal – Proposed Action

44. The AE&RR project proposal includes actions to clarify the principles behind the use of analytical procedures as substantive procedures to support auditors making judgments about the effectiveness of the design of substantive analytical procedures, including for: evaluating the reliability of data from which the expectation is developed, the level of precision of an expectation and the accepted amount

²⁶ ~~ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 14(b)~~

²⁷ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 14(b)

²⁸ ISA 330, *The Auditor's Responses to Assessed Risks*, paragraphs 6 and 18

of difference between expected and recorded amounts.²⁹

Background Information

45. When designing and performing substantive analytical procedures, the auditor is required to develop an expectation of recorded amounts or ratios. In developing such expectation, the auditor evaluates:³⁰
- (a) The reliability of the data from which the auditor's expectation is developed (by taking into account the source, comparability, and nature and relevance of information available, and controls over preparation).
 - (b) Whether the expectation is sufficiently precise to identify a misstatement (individually or when aggregated with other misstatements) that may cause the financial statements to be materially misstated.
46. Application material explains that the predictability, disaggregation, availability and reliability of information (both financial and non-financial) are relevant matters about whether the expectation can be developed sufficiently precisely to identify a misstatement.³¹
47. Also, when designing and performing substantive analytical procedures, the auditor is required to determine an amount of difference between recorded amounts and expected values that is acceptable without further investigation.³² Application material explains that the auditor's determination of the accepted amount of difference is influenced by materiality and the consistency with the desired level of assurance. It also refers to ISA 330 by explaining that as the assessed risk increases, the amount of difference considered acceptable without further investigation decreases in order to achieve the desired level of assurance.³³

Staff Views and Recommendations

Level of Precision of an Expectation

48. As illustrated in the box below, to clarify the principles in the standard related to the level of the precision of an auditor's expectation and the reliability of the data on which such expectation is based, Staff propose to:
- (a) Reorder the requirements related to developing an auditor's expectation by moving paragraph 5(b) into paragraph 5(c) of ISA 520. The benefit of doing so is to enhance the connectivity among the precision of the expectation and the reliability of the information on which it is based.
 - (b) Clarify the wording of the lead-in sentence of the requirement in paragraph 5(c) of ISA 520 to emphasize that the auditor's expectation is based on one or more *plausible and predictable* relationships among financial and non-financial information.

²⁹ See Actions B.20 and B.23 of **Agenda Item 4–C**.

³⁰ See ISA 520, paragraphs 5(b) and 5(c).

³¹ See ISA 520, paragraph A15.

³² See ISA 520, paragraph 5(d).

³³ See ISA 520, paragraph A16.

- (c) Replace the work effort verb in paragraph 5(c) of ISA 520 from an evaluation to a determination whether the expectation is sufficiently precise to identify a misstatement.

5. When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in accordance with ISA 330 the auditor shall: (Ref: Para. A4–A5)

...

5(c) Develop an expectation of recorded amounts or ratios and evaluate amounts derived from recorded amounts based on one or more plausible and predictable relationships among financial and non-financial information. In developing such an expectation, the auditor shall:

- (i) Evaluate the reliability of information data from which the auditor's expectation ~~of recorded amounts or ratios~~ is developed, ~~taking account of~~ by considering the source, comparability, and nature and relevance of information available, and controls over its preparation; (Ref: Para. A12–A14) [Moved from Para. 5(b)]
- (ii) Determine whether the expectation is sufficiently precise to identify a misstatement that, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated; and (Ref: Para. A15)

...

Evaluation Whether the Expectation Is Sufficiently Precise (Ref: Para. 5(c))

A15. Matters relevant to the auditor's evaluation of whether the expectation can be developed sufficiently precisely to identify a misstatement that, when aggregated with other misstatements, may cause the financial statements to be materially misstated, include:

- The accuracy with which the expected results of substantive analytical procedures can be predicted. For example, the auditor may expect greater consistency in comparing gross profit margins from one period to another than in comparing discretionary expenses, such as research or advertising.
- The degree to which information can be disaggregated. For example, substantive analytical procedures may be more effective when applied to financial information on individual sections of an operation or to financial statements of components of a diversified entity, than when applied to the financial statements of the entity as a whole.
- The availability of the information, both financial and non-financial. For example, the auditor may consider whether financial information, such as budgets or forecasts, and non-financial information, such as the number of units produced or sold, is available to design substantive analytical procedures. If the information is available, the auditor may also consider the reliability of the information as discussed in paragraphs A12–A13 above.

Accepted Amount of Difference Between Expected and Recorded Amounts

49. As illustrated in the box below, to clarify the principles in the standard related to the amount of difference between expected and recorded amounts, Staff propose to:

- (a) Elevate to the requirements that the amount of difference between the expected and recorded amounts that is acceptable without further investigation whether there is a misstatement is determined at or below performance materiality.
- (b) Enhance the application material by including additional factors that the auditor may consider in determining the amount to evaluate differences between expected and recorded amounts.

5. When designing and performing substantive analytical procedures, either alone or in combination with tests of details, as substantive procedures in accordance with ISA 330 the auditor shall: (Ref: Para. A4–A5)

...

5(d) Determine the amount, at or below performance materiality³⁴, of any difference between the expectation developed by the auditor and the of recorded amounts or amounts derived from recorded amounts from expected values that is acceptable without further investigation of whether a misstatement exists as required by paragraph [XY]7. (Ref: Para. A16–A16A)

...

Amount of Difference Between the Auditor's Expectation and of Recorded Amounts or Amounts Derived from Recorded Amounts from Expected Values that Is Acceptable (Ref: Para. 5(d))

A16. In addition to performance materiality, the following factors may influence the auditor's determination of the amount of difference between from the expectation developed by the auditor and the recorded amounts or amounts derived from recorded amounts that can be accepted without further investigation: is influenced by materiality³⁵ and the

- eConsistency with the desired level of assurance (see paragraph A16A), taking account of
- The nature of the recorded amounts or amounts derived from recorded amounts.
- †The possibility that a misstatement, individually or when aggregated with other misstatements, may cause the financial statements to be materially misstated.

A16A.ISA 330 requires the auditor to obtain more persuasive audit evidence the higher the auditor's assessment of risk.³⁶ Accordingly, as the assessed risk increases, the amount of difference between the auditor's expectation and recorded amounts or amounts derived from recorded amounts considered acceptable without further investigation of whether a misstatement exists decreases in order to achieve the desired level of persuasive audit

³⁴ ISA 320, *Materiality in Planning and Performing an Audit*, paragraphs 11 and A13

³⁵ ISA 320, *Materiality in Planning and Performing an Audit*, paragraph A14

³⁶ ISA 330, paragraph 7(b)

evidence.³⁷

Matters for IAASB Consideration:

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 above.
 - (a) The proposed clarifications related to the accepted amount of difference between expected and recorded amounts discussed in paragraph 49 above.

Further Work for Substantive Analytical Procedures

50. Post June 2025, Staff will continue to develop further proposals for the Board to consider with respect to substantive analytical procedures, including addressing the actions of the AE&RR project proposal related to enhancing requirements and application material for investigating the results of analytical procedures in ISA 520. Such matters will include consideration about the auditor's responsibilities to investigate differences exceeding the acceptable amount of difference, in view of the presumption of a misstatement that is to be dealt with in accordance with ISA 450, and the further auditor's actions when new information is identified of which the auditor was not aware when the substantive analytical procedure was originally designed.

Section III – Using Audit Evidence Obtained in Previous Audits

The Issue Identified in Information-Gathering

51. Information-gathering highlighted inconsistencies in the application of certain requirements in ISA 330 relating to the use of audit evidence obtained in previous audits about the operating effectiveness of controls. Stakeholders questioned the continued appropriateness of these requirements, given the enhancements made to ISA 315 (Revised 2019) relating to understanding the entity's system of internal control for each period.

AE&RR Project Proposal – Proposed Action

52. The AE&RR project proposal includes an action to determine whether the requirement that enables the auditor, in certain circumstances, to use audit evidence about the operating effectiveness of controls obtained in a previous audit as evidence for the current period engagement remains appropriate, considering the enhanced requirements in ISA 315 (Revised 2019).³⁸

Background Information

Using Audit Evidence from a Previous Audits

53. Audit evidence is primarily obtained from audit procedures performed during the course of the current

³⁷ ISA 330, paragraph A19

³⁸ See Action B.10 of **Agenda Item 4–C**.

audit. However, audit evidence obtained from previous audits may also provide audit evidence for the current audit, provided the auditor has performed audit procedures to evaluate that it remains relevant and reliable for the current audit.³⁹

54. The core principle that information intended to be used as audit evidence must be evaluated as relevant and reliable is established by paragraph 9 of Proposed ISA 500 (Revised).
55. The relevance of information intended to be used as audit evidence may be affected by the period of time to which the information relates. For example, information used as audit evidence in the prior audit may not be relevant to the current audit due to changes in the circumstances to which the audit evidence relates.⁴⁰
56. ISA 315 (Revised 2019) also includes a requirement and guidance addressing specific circumstances when the auditor uses information obtained from the auditor's previous experience with the entity and from audit procedures performed in a previous audit. In such cases, the auditor is required to evaluate whether such information remains relevant and reliable as audit evidence in the current audit.⁴¹

Timing of Tests of Controls

57. ISA 330 establishes requirements and guidance for the timing of tests of controls that extend to both the period of time to which the audit evidence about the operating effectiveness of controls applies (i.e., for the particular time, or throughout the period of reliance) and to the circumstances addressing when the audit evidence is obtained (i.e., audit evidence obtained during an interim period or in previous audits).
58. Paragraph 11 of ISA 330 sets the base requirement for the timing of tests of controls. It requires the auditor to test controls at a particular time, or throughout the period for which the auditor intends to rely on those controls, except when using audit evidence at an interim period⁴² or for tests of controls over significant risks.⁴³
59. Paragraphs 13–14 of ISA 330 are intended to operate together and in the context of the base requirement addressing the timing of tests of controls. They address a specific circumstance: when the auditor uses audit evidence obtained in previous audits about the operating effectiveness of controls as audit evidence for the current audit, as follows:
 - (a) Subparagraphs 13(a)–(f) of ISA 330 set out specific matters (as in a checklist) that the auditor considers in determining whether it is appropriate to use audit evidence about the operating effectiveness of controls obtained in previous audits, and if so, the length of the time period that may elapse before retesting a control. Such considerations in the requirement essentially overlap with the auditor's risk assessment procedures performed in each period as part of

³⁹ See ISA 200, paragraph A31 and Proposed ISA 500 (Revised), paragraph A12C.

⁴⁰ See Proposed ISA 500 (Revised), paragraph A55.

⁴¹ See ISA 315 (Revised 2019), paragraphs 16 and A39–A41.

⁴² If the auditor obtains audit evidence about the operating effectiveness of controls in an interim period, paragraph 12 of ISA 330 requires the auditor to obtain audit evidence about the significant changes to those controls subsequent to the interim period and determine the additional audit evidence needed for the remaining period.

⁴³ If the auditor intends to rely on controls over a significant risk, paragraph 15 of ISA 330 requires the auditor to test those controls in the current period.

obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity’s system of internal control in paragraphs 21–26 of ISA 315 (Revised 2019).

- (b) Paragraph 14 of ISA 330 requires the auditor to establish the continued relevance and reliability about the operating effectiveness of specific controls by obtaining audit evidence whether significant changes in those controls have occurred subsequent to the previous audit. It also establishes a ‘baseline’ for the auditor’s further actions by requiring testing the controls in the current audit (i.e. when significant changes have occurred) and rotating the testing of controls at least once in every third audit, with some controls tested at each audit (i.e., when significant changes have not occurred).

Input from Individual Firms

60. Staff sought input from individual firms through their outreach to understand how often controls are rotated in audits engagements as well as whether firm methodologies set additional requirements with respect to using audit evidence about the operating effectiveness of controls obtained in a prior period. While certain firms indicated they do not have empirical data about how often a rotational audit strategy is perform, they provided input that:
- (a) Automated controls are rotated in audit engagements, provided general IT controls (GITCs) are effective. In addition, in each period, their design is evaluated and implementation determined to establish whether they indicate a change since they were last tested.
 - (b) Rotating manual controls is in some cases not permitted for listed entities (or public interest entities).
 - (c) In the case of audits of smaller or non-listed entities, rotating of both automated and manual controls is applied in accordance with paragraphs 13–14 of ISA 330. Firm methodologies place an emphasis that for a rotational strategy to be appropriate, engagement teams need to obtain a robust understanding of, and have evaluated the design and determined implementation of controls in each period, including the entity’s monitoring of controls.

Input from Other Stakeholders

61. Through its project specific outreach, Staff will continue to gather stakeholder feedback on this topic, including through its engagement with audit oversight and regulatory stakeholders.

Possible Options for a Way Forward

62. To date, Staff have considered several options, as outlined in the table below, as possible ways forward in respect of the requirements in paragraphs 13–14 of ISA 330:

Option	Description
Option 1: <i>Retain the extant requirements in paragraphs 13–14 of ISA 330, with limited</i>	<ul style="list-style-type: none"> • This Option would retain the approach in extant, including the baseline for rotating the testing of controls at least once in every third audit, and with some controls required to be tested at each audit.

Option	Description
<i>refinements</i>	<ul style="list-style-type: none"> Under this option, certain limited revisions to the requirements and application material may still be pursued (e.g., of a CUSP-related or clarifying nature). A possible rationale for this approach could be that the prescriptiveness of the baseline in extant for rotating the controls supports consistency in practice. In addition, addressing this specific circumstance through explicit requirements aligns with the objective of encouraging auditors to consider the use of tests of controls more commonly in audits as a response to assessed ROMM.
Option 2: <i>Modify the extant requirements in paragraphs 13–14 of ISA 330 to recognize a rotational strategy that applies for automated controls only</i>	<ul style="list-style-type: none"> This Option would only explicitly prescribe the rotating of controls with respect to automated controls, provided they have not changed since they were last tested and are not controls that mitigate a significant risk. A possible rationale for this approach could include that it broadly aligns with firms' approaches where this option is most commonly used on audits. Additionally, in today's rapidly changing business environments, it is more reasonable to permit a maximum period to elapse before retesting an automated control, solely based on the absence of a change.
Option 3: <i>Remove the extant requirements in paragraphs 13–14 of ISA 330</i>	<ul style="list-style-type: none"> This Option would remove the specific requirements that apply when an auditor intends to use audit evidence about the operating effectiveness of controls from a previous audit, including the baseline for rotating the testing of controls every third audit. In doing so, application material could still be retained to recognize that the auditor may pursue, when appropriate, a rotational strategy for testing controls, with examples when this may be appropriate. A possible rationale for this approach could be that the prescriptiveness of the baseline in extant is not necessary to be retained, given that firm methodologies are the appropriate means to address such circumstances. On the other hand, not addressing this specific circumstance through explicit requirements may discourage auditors from considering the use of tests of controls more commonly in audits as a response to assessed ROMM. In addition, there may be less consistency in practice when auditors apply a rotational strategy for using audit evidence about the operating effectiveness of controls from a previous audit given that audit firms may opt for prescribing

Option	Description
	different rotational periods.
Option 4: <i>Replace paragraphs 13–14 of ISA 330 with a principle-based approach</i>	<ul style="list-style-type: none"> This Option would include retaining a principle-based requirement that applies when the auditor intends to use audit evidence about the operating effectiveness of controls obtained in a previous audit, while allowing for judgment to determine the length of time that is appropriate to elapse before retesting a control. The rationale for this approach, and its possible implications align with those for Option 3 above.

Matter for IAASB Consideration:

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 above.
 - (b) Are there any other Options that should be considered.

Section IV – Accepting Records and Documents as Genuine

The Issue Identified in Information-Gathering

63. Paragraph A24 of ISA 200⁴⁴ which is application material to the base requirement in paragraph 15 for the auditor to plan and perform an audit with professional skepticism, states the following:

‘The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary. Nevertheless, the auditor is required to consider the reliability of information to be used as audit evidence. In cases of doubt about the reliability of information or indications of possible fraud (for example, if conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document may have been falsified), the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.’

64. Feedback from some respondents on several standard-setting projects, as discussed below, questioned whether the premise that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary remains appropriate.

AE&RR Project Proposal – Proposed Action

65. The AE&RR project proposal includes an action to explore whether consequential amendments are appropriate to the application material in paragraph A24 of ISA 200.⁴⁵

⁴⁴ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

⁴⁵ See Action A.6 of **Agenda Item 4–C**.

IAASB Previous Deliberations

Audit Evidence Project

66. ED-500 introduced a set of attributes to be considered by the auditor when evaluating the relevance and reliability of information intended to be used as audit evidence, including, among other, the attribute of *authenticity* of information.⁴⁶ In the course of the Audit Evidence project, the IAASB was mindful about not creating an unnecessary burden for auditors when considering the attributes in evaluating the relevance and reliability of information (e.g., not to be used as a checklist), and noted that all of the attributes may not be applicable in the circumstances when evaluating the relevance and reliability of information.⁴⁷
67. Application material explained that the auditor may determine that the attribute of authenticity is applicable in the circumstances under the auditor's work effort to evaluate the relevance and reliability of information under Proposed ISA 500 (Revised). It also explained the relevant linkages with other ISAs, as follows:⁴⁸
- (a) ISA 200 explains that the auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.
 - (b) Extant ISA 240⁴⁹ deals with circumstances in which the auditor has reason to believe that a document may not be authentic or may have been modified without that modification being disclosed to the auditor.
68. Feedback from respondents on exposure noted the following matters for authenticity of information:⁵⁰
- (a) Some respondents, including MG respondents, believed the principle that the auditor may accept documents and records as genuine should be removed from ISA 200, in view of the increased risk of certain information in digital form being altered inappropriately. In addition, these respondents believed that auditors should consider authenticity in their evaluation of relevance and reliability of information intended to be used as audit evidence rather than accepting the information as genuine unless the auditor has reason to believe the contrary.
 - (b) Other respondents commented that further clarity is needed about whether it can be interpreted that the attribute of authenticity does not need to be evaluated in all circumstances. Suggestions included providing guidance when the attribute of authenticity is applicable or clearly stating that in most cases, the auditor will not find authenticity as applicable unless there is a reason to believe to the contrary. Respondents also suggested enhancing the linkages with guidance in other ISAs that an audit rarely involves the authentication of documents, nor is the auditor expected to be an expert in such authentication.
69. Post exposure, there was ongoing coordination among the IAASB's Audit Evidence and Fraud

⁴⁶ See [ED-500](#), paragraphs 9 and A56.

⁴⁷ See paragraphs 42 and 47 of the Explanatory Memorandum accompanying [ED-500](#).

⁴⁸ See [ED-500](#), paragraph A57.

⁴⁹ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 14

⁵⁰ See [Agenda Item 4](#) paragraphs 173–175 of the September 2023 IAASB quarterly meeting.

projects with respect to authenticity of information.⁵¹ In addition, as a result of its deliberations on respondents' feedback, the IAASB decided to enhance, and to provide new application material in Proposed ISA 500 (Revised) that:

- (a) Highlights examples of audit procedures when authenticity of information is a significant attribute to the information being evaluated (e.g., testing internal controls, obtaining an understanding of authenticity features used to secure digital documents, inquiring with the individual or organization providing the information or confirming directly with a third party).⁵²
- (b) Refers to extant ISA 240 that deals with circumstances in which the auditor has reason to believe that a document may not be authentic or may have been modified without that modification having been disclosed to the auditor.⁵³
- (c) Emphasizes that irrespective of the auditor's consideration of the authenticity of the information, the auditor is neither trained as, nor expected to be, an expert in the authentication of records or documents.⁵⁴

Fraud Project

70. In March 2025, the IAASB approved ISA 240 (Revised).⁵⁵ In the course of the Fraud project, the IAASB removed the essential explanatory material from the lead-in sentence of paragraph 14 of extant ISA 240.⁵⁶ The final requirement in paragraph 22 of ISA 240 (Revised) states: *'If conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further.'*
71. In making those revisions, the IAASB rationale included:⁵⁷
- (a) The need to respond to concerns that the sentence undermines the requirement for the auditor to respond appropriately when conditions are identified that indicate that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor.
 - (b) That it is unwarranted to repeat the lead-in sentence from paragraph A24 of ISA 200 into the requirement of ISA 240 (Revised) given that such conditional requirement deals with those situations when there are indications of possible fraud.
72. The IAASB also added application material in paragraphs A33–A36 of ISA 240 (Revised) to clarify that conditions that cause the auditor to believe that a record or document may not be authentic or

⁵¹ See [Agenda Item 8](#) paragraph 7 of the December 2023 IAASB quarterly meeting.

⁵² See Proposed ISA 500 (Revised), paragraph A56G.

⁵³ See Proposed ISA 500 (Revised), paragraph A56H.

⁵⁴ See ISA 200, paragraph A52.

⁵⁵ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. See [Agenda Item 2-J](#) of the March 2025 IAASB quarterly meeting.

⁵⁶ See the corresponding requirement in paragraph 22 of ISA 240 (Revised).

⁵⁷ See the [Exposure Draft \(ED-240\), Proposed ISA 240 \(Revised\): The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements](#), paragraphs 25–27.

that terms in a document have been modified but not disclosed to the auditor, may come to the auditors attention from performing audit procedures in accordance with ISA 240 (Revised) or other ISAs, including those in extant ISA 500, as well as from information from other sources.

73. Feedback from respondents on exposure in the course of the Fraud project noted the following matters:⁵⁸
- (a) Some respondents, including MG respondents, believed the requirement should be broadened beyond authenticity of records and documents given that authenticity is only one of the attributes of reliability of information intended to be used as audit evidence. In addition, MG respondents believed that paragraph A24 of ISA 200 should be strengthened through a consequential amendment to more closely align with the requirements relating to evaluating the reliability of information intended to be used as audit evidence in Proposed ISA 500 (Revised).
 - (b) Other respondents believed that removing the lead-in sentence from the fraud standard when taken together with the additional application material paragraphs may be misconstrued as an expansion of the responsibilities of the auditor associated with the authenticity of records or documents obtained during the audit. Respondents also asked for clarification about how extant ISA 500, ISA 200 and ISA 240 (Revised) interact regarding the attribute of authenticity.
74. In December 2024, the IAASB deliberated respondents feedback, including the range of views on this matter.⁵⁹ The Board supported the Fraud Task Force views and recommendations that a possible consequential amendment to paragraph A24 of ISA 200 is best addressed as part of the IAASB's AE&RR project, given that the IAASB has achieved its objectives for the attribute of authenticity of records and documents in the course of the revisions for ISA 240 (Revised).

Staff Views and Recommendations

Scope of Conforming and Consequential Amendments

75. The CUSP Drafting Principles and Guidelines⁶⁰ set out that conforming and consequential amendments to the ISAs are made to the minimal extent necessary to: (i) resolve actual or perceived inconsistencies; and (ii) maintain the coherence with the overall body of standards so these can be applied together without conflict.

Analysis of Paragraphs that Refer to the Term 'Genuine' and 'Authentic'

76. In exploring whether consequential amendments are appropriate to paragraph A24 of ISA 200, Staff have analyzed paragraphs across the ISAs⁶¹ that use the terms *genuine* and *authentic*, including variations of these terms.⁶² The purpose of the analysis is to understand the context in which these

⁵⁸ See [Agenda Item 10](#) paragraphs 13(b)–(c) and 15(a)–(d) of the December 2024 IAASB quarterly meeting.

⁵⁹ See [Agenda Item 10](#) paragraphs 26–27 of the December 2024 IAASB quarterly meeting.

⁶⁰ See Section 14: 'Conforming and Consequential Amendments to ISAs' of the [Complexity, Understandability, Scalability and Proportionality \(CUSP\) Drafting Principles and Guidelines](#).

⁶¹ The analysis includes extant ISAs, including those that are not yet effective (such as the revisions for fraud and going concern), and Proposed ISA 500 (Revised).

⁶² For example, 'genuineness,' 'authenticity' or 'authentication.'

terms are used and how distinct or similar they are from each other to warrant the use of different, but synonymous terms.

77. From the analysis, Staff note that:

- (a) Following the revisions for ISA 240 (Revised) discussed in paragraphs 70–74 above, the term *genuine* is used only once, in the context of application material to the base requirement in paragraph 15 of ISA 200 for the auditor to plan and perform an audit with professional skepticism (i.e., in paragraph A24 of ISA 200).
- (b) The term *authentic* (including variations of the term) is used more frequently across a number of ISAs, and in a broader context.⁶³ In addition, the term *authenticity* has a described meaning in Proposed ISA 500 (Revised) being an attribute of reliability of information.⁶⁴

78. Based on the analysis performed and recognizing that *authenticity* has a broader meaning for the ISAs that may (or may not) encapsulate instances when a record or document is ingenuine, Staff is of the view that there is no meaningful reason for the IAASB to retain the stand-alone reference of the term *genuine* in paragraph A24 of ISA 200.

Actual or Perceived Inconsistencies

79. Unless the auditor has reason to believe the contrary, paragraph A24 of ISA 200 allows the auditor to accept records and documents as genuine (or authentic). The paragraph also explains that the auditor is required to consider the reliability of information to be used as audit evidence, and that when in doubt about reliability of information or indications of possible fraud, the ISAs require the auditor to investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.

80. The revisions for Proposed ISA 500 (Revised) do imply a stronger work effort from the auditor than is presently discussed in paragraph A24 of ISA 200, as follows:

- (a) Paragraphs 9–10 of Proposed ISA 500 (Revised) require the auditor to evaluate the relevance and reliability of the information intended to be used as audit evidence. Such work effort includes consideration of the attributes of the information (i.e., accuracy, completeness, authenticity, bias and credibility) when of significance to meet the intended purpose(s) of the audit procedure. When an attribute is significant to meet the intended purpose(s) of the audit procedure, the auditor is required to perform audit procedures relating to those attributes.
- (b) Paragraphs 12–12A of Proposed ISA 500 (Revised) require the auditor to determine what modifications or additions to audit procedures are necessary to resolve doubts about the reliability of information intended to be used as audit evidence. In addition, if such doubts cannot be resolved the auditor is required to consider the effect (if any) on other aspects of the audit, including whether they indicate a risk of material misstatement due to fraud.

⁶³ For example, when evaluating relevance and reliability of information, when evaluating the reliability of responses to confirmation requests, when documenting the basis for the auditor's conclusions about the authenticity of a document when further investigation is undertaken, when discussing specialized skills or expertise for document authentication and in other contexts.

⁶⁴ Paragraph A56 of Proposed ISA 500 (Revised) describes authenticity of information as *information that has been generated by or provided by a source authorized to do so, and the information has not been inappropriately altered*.

81. Paragraph 22 of ISA 240 (Revised), read together with the application material in paragraph A34, does not intend to require the auditor to perform procedures specifically designed to identify conditions that indicate that a record or document may not be authentic or that terms in a document have been modified. However, the application material also explains that the audit procedures performed in accordance with ISA 500, ISA 240 (Revised), or any other ISA, as well as information from other sources, may bring to the auditor's attention conditions that cause the auditor to believe that a record or document may not be authentic or that terms in a document have been modified but not disclosed to the auditor.
82. Staff is of the view that the revisions to Proposed ISA 500 (Revised) and ISA 240 (Revised) collectively (but also individually) do imply that the auditor's acceptance of documents and records as authentic is conditional on the appropriate work effort as required by the standards. This differs from an approach that is solely based on the absence of a reason to believe the contrary. However, Staff acknowledge that further guidance (and examples) could be helpful to clarify the expected work effort for authenticity of information. It is intended for the Board to consider such guidance when determining a way forward with respect to resolving any perceived or actual inconsistencies for paragraph A24 of ISA 200.

Varying Stakeholder Perspectives

83. In view of the range of views expressed by respondents to previous IAASB consultations for authenticity of information, Staff intends to undertake additional outreach with stakeholders to further inform the Board's judgment on this matter. The outreach would explore stakeholders' viewpoints on whether the explanation in paragraph A24 of ISA 200 gives rise to an uncertainty as to the work effort expected from the auditor under the ISAs for the attribute of authenticity of information given the enhanced work effort required by Proposed ISA 500 (Revised) and ISA 240 (Revised) that may need to be addressed through a consequential amendment, including any suggestions how the explanation could be addressed.

Matter for IAASB Consideration:

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** 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 – Alignment with Concepts of ISA 315 (Revised 2019)

The Issue Identified in Information-Gathering

84. The IAASB project to revise ISA 315 (Revised 2019) was a comprehensive revision of the standard to support a robust identification and assessment of the ROMM at the financial statement and assertion level. The approved revisions included introducing new concepts, terminology, strengthened requirements and application material which are driving a need to clarify how such concepts and revisions are linked to the work effort performed under ISA 330 when designing and implementing responses to ROMM.

AE&RR Project Proposal – Proposed Action

85. The AE&RR project proposal includes actions to clarify how the requirements of ISA 330 reflect or are linked to the work effort performed as part of the auditor's risk identification and assessment under ISA 315 (Revised 2019), including the auditor's identification of risks arising from the entity's use of IT. In addition, there is a general action to improve the alignment of terms and concepts between ISA 330 and ISA 315 (Revised 2019) to increase the coherence of the suite of ISAs.⁶⁵

Spectrum of Inherent Risk

Background Information

86. The revisions to ISA 315 (Revised 2019) introduced the concept of 'spectrum of inherent risk'⁶⁶ to facilitate greater consistency in the auditor's identification and assessment of ROMM by providing a frame of reference for the auditor's consideration of the likelihood and magnitude of possible misstatements and the influence of inherent risk factors.⁶⁷
87. Also, the concept of 'spectrum of inherent risk' is addressed in other ISAs, such as ISA 200,⁶⁸ ISA 540 (Revised)⁶⁹ and ISA 610,⁷⁰ and is embedded in the definition for 'significant risk' in ISA 315 (Revised 2019).⁷¹ However, the concept of 'spectrum of inherent risk' is not referenced in ISA 330.

Staff Views and Recommendations

88. For the purpose of aligning more closely with concepts in ISA 315 (Revised 2019), Staff propose to specifically include the concept of 'spectrum of inherent risk' in ISA 330, as illustrated in the box below:

Higher Assessments of Risk (Ref: Para 7(b))

A19. ~~The higher on the spectrum of inherent risk a risk is assessed, the~~ When obtaining more persuasive the audit evidence needs to be. This may include ~~because of a higher assessment of risk, the auditor may increase~~ increasing the quantity of the evidence ~~obtained, or obtaining obtain~~ obtained, or obtaining evidence that is of higher quality.

Examples:

- ~~Placing more relevant or reliable, for example, by placing more emphasis on obtaining third party evidence, including or by obtaining corroborating evidence~~ from a number of independent sources.

⁶⁵ See Actions B.16 and B.17 of **Agenda Item 4–C**.

⁶⁶ ISA 315 (Revised 2019), paragraph 5, A208–A214

⁶⁷ See the [Basis for Conclusions, ISA 315 \(Revised 2019\), Identifying and Assessing the Risks of Material Misstatement](#), paragraph 60.

⁶⁸ See ISA 200, paragraph A41.

⁶⁹ See ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, paragraphs A68–A69, A83, A85 and A137.

⁷⁰ See ISA 610, *Using the Work of Internal Auditors*, paragraph A21.

⁷¹ See ISA 315 (Revised 2019), paragraph 12(l).

- More extensive testing such as larger sample size for audit sampling purposes.
- Using specialist skills or knowledge to assist the auditor in designing and performing audit procedures, or to evaluate the audit evidence obtained for complex aspects of the audit.
- Inspecting assets to ascertain their existence and evaluate their condition.

Reassessment of ROMM

Background Information

89. ISA 315 (Revised 2019) explicitly emphasizes that the auditor's risk identification and assessment is a continuous and iterative process and that ISA 315 (Revised 2019) and ISA 330 have requirements relating to the auditor revising the assessed ROMM as needed.⁷²

Staff Views and Recommendations

90. Staff propose to strike out the words 'before the conclusion of the audit' from paragraph 25 of ISA 330 as illustrated in the box below. This would allow for better alignment with the principle in ISA 315 (Revised 2019) emphasizing the ongoing and responsive nature of risk assessment. In addition, removing this phrase from the requirement aligns better with the guidance in paragraph A62 of ISA 330 explaining that the auditor may modify the nature, timing or extent of planned audit procedures throughout the audit.

25. Based on the further audit procedures performed and the audit evidence obtained, the auditor shall evaluate ~~before the conclusion of the audit~~ whether the assessments of the risks of material misstatement at the assertion level remain appropriate. (Ref: Para. A62–A63)

...

A62. An audit of financial statements is a cumulative and iterative process. As the auditor performs planned audit procedures, the audit evidence obtained may cause the auditor to modify the nature, timing or extent of other planned audit procedures. Information may come to the auditor's attention that differs significantly from the information on which the risk assessment was based. For example:

- The extent of misstatements that the auditor detects by performing substantive procedures may alter the auditor's judgment about the risk assessments and may indicate a significant deficiency in internal control.
- The auditor may become aware of discrepancies in accounting records, or conflicting or missing evidence.
- Analytical procedures performed at the overall review stage of the audit may indicate a previously unrecognized risk of material misstatement.

In such circumstances, the auditor may need to reevaluate the planned audit procedures,

⁷² See ISA 315 (Revised 2019), paragraph 7

based on the revised consideration of assessed risks of material misstatement and the effect on the significant classes of transactions, account balances, or disclosures and their relevant assertions. ISA 315 (Revised 2019) contains further guidance on revising the auditor's risk assessment.⁷³

A63. The auditor cannot assume that an instance of fraud or error is an isolated occurrence. Therefore, the consideration of how the detection of a misstatement affects the assessed risks of material misstatement is important in determining whether the assessment remains appropriate.

GITCs

Background Information

91. The revisions to ISA 315 (Revised 2019) placed a significant emphasis on the pervasive use of IT in financial reporting and introduced enhanced and clarified requirements for auditors to understand an entity's use of IT and to consider IT-related risks and controls.

Relevant Concepts and Requirements in ISA 315 (Revised 2019)

92. ISA 315 (Revised 2019) defines GITCs as controls over the entity's IT processes that support the continued proper operation of the IT environment, including the continued effective functioning of information processing controls and the integrity of information (i.e., the completeness, accuracy and validity of information) in the entity's information system.⁷⁴
93. Irrespective of whether the auditor plans to test the operating effectiveness of controls, the auditor is required by ISA 315 (Revised 2019), in each period to evaluate the design and determine implementation of identified controls that address ROMM in the control activities component for:⁷⁵
- (a) Controls that address a risk that is determined to be a significant risk.
 - (b) Controls over journal entries.
 - (c) Controls for which the auditor plans to test operating effectiveness, including controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence.
 - (d) Other controls that the auditor considers are appropriate.

In addition, for those controls identified in (a)–(d) above, the auditor is also required to identify the IT applications and other aspects of the entity's IT environment that are subject to risks arising from the use of IT, including the related risks arising from the use of IT and the entity's GITCs that address such risks.

Relevant Requirements and Guidance in ISA 330

94. When the auditor plans to use audit evidence about the operating effectiveness of controls as part of

⁷³ ISA 315 (Revised 2019), paragraph 37

⁷⁴ See ISA 315 (Revised 2019), paragraph 12(d)

⁷⁵ See ISA 315 (Revised 2019), paragraph 26(a)–(d)

the response to ROMM or when substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level, paragraph 10(b) of ISA 330 requires the auditor to determine whether the controls to be tested depend upon other controls (indirect controls), and, if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls to the extent they are not already addressed.

95. Application material in paragraph A32 of ISA 330 explains that in some circumstances, it may be necessary to obtain audit evidence supporting the effective operation of indirect controls, such as GITCs. It also provides the relevant linkages to the auditor's work effort in accordance with ISA 315 (Revised 2019) noting that GITCs may have been identified (and therefore evaluated for effective design and determined to be implemented) because of their support of the operating effectiveness of automated controls or due to their support in maintaining the integrity of information used in the entity's financial reporting, including system-generated reports.
96. Application material in paragraphs A29–A31 of ISA 330 sets out further guidance relevant to GITCs, including:
- (a) That testing GITCs related to an IT application may provide evidence that an automated control continues to function as intended.
 - (b) That testing of GITCs may provide audit evidence about the operating effectiveness of controls that address ROMM related to the integrity of the entity's data, or the completeness and accuracy of the entity's system-generated reports, or to address ROMM for which substantive procedures alone cannot provide sufficient appropriate audit evidence.
 - (c) For circumstances when the auditor determines that GITCs are deficient. In such circumstances the auditor considers the nature of the related risk(s) arising from the use of IT to provide a basis for the auditor's additional procedures to address the assessed risk of material misstatement (e.g., inspecting system logs to obtain audit evidence that users did not access the IT application during the period or if there are any alternate or redundant GITCs, or any other controls, that address the related risk(s) arising from the use of IT).

Staff Views and Recommendations

97. Staff is of the view that there is an opportunity to more prominently highlight the auditor's responsibilities with respect to testing the operating effectiveness of GITCs in ISA 330 and in doing so to enhance clarity, consistency, and rigor in the auditor's responses to IT-related risks.
98. In extant ISA 330, the requirements and application material related to testing the operating effectiveness of GITCs sit in the section on tests of controls. While a common reason for testing the operating effectiveness of GITCs is to support an assessment of the operating effectiveness of automated information processing controls, this is not the only reason why an auditor may need to test GITCs on an audit engagement. For example, evidence about the operating effectiveness of GITCs is also relevant to substantive procedures, such as for tests of details that use system-generated reports or substantive analytical procedures that rely on the operating effectiveness of information processing controls to obtain audit evidence about the completeness, accuracy and validity of data which form part of the auditor's procedures.
99. In addition, the ineffectiveness of GITCs affects the auditor's broader responses under the ISAs, including whether the ROMM should be revised, whether there are one or more control deficiencies

within the entity's system of internal control, as well as possible impacts to the auditor's ability to obtain sufficient appropriate audit evidence for circumstances when substantive procedures alone are not sufficient and the auditor is not able to perform alternative procedures.

100. Staff propose introducing an explicit requirement, as illustrated in the box below, that would sit in a new section of ISA 330 specifying responsibility for the auditor to test the operating effectiveness of GITCs when the information used in further audit procedures depends on their continued effectiveness. Staff are of the view that doing so:
- (a) Reinforces that GITCs play a role in both a 'controls-based' or a 'substantive-based' audit approach.
 - (b) Supports auditors in forming robust judgments about evaluating the reliability of information when such information depends on the continued effectiveness of GITCs.
 - (c) Retains scalability by being conditional on the threshold: *when information used in further audit procedures is dependent on GITCs* (also see paragraph 101).

General Information Technology (IT) Controls

23A. When information used in further audit procedures depends on the continued effective operation of the entity's general IT controls, the auditor shall test the operating effectiveness of those general IT controls to establish the reliability of the information.

101. In addition, and subject to the Board's input in June 2025, Staff also intend to:
- (a) Develop comprehensive application material in support of the requirement, including clarifying the threshold after which the requirement applies (e.g., providing examples of circumstances when it may be necessary to test the operating effectiveness of GITCs, the auditor's future actions when such controls are ineffective and scalability considerations).
 - (b) Consider the impact for other requirements in the extant standard that may be affected (e.g., the requirement in paragraph 10(b) about whether it is necessary to obtain audit evidence supporting the effective operation of indirect controls and the interaction with the requirements for using audit evidence from a previous audit about the operating effectiveness of controls) (see **Section III** in **Part A** above).
 - (c) Enhance guidance in Proposed ISA 500 (Revised) that links to the proposed requirement in ISA 330 in relation to the role of GITCs in evaluating the reliability of information intended to be used as audit evidence.

Further Work for Alignment with Concepts of ISA 315 (Revised 2019)

102. Post March 2025, Staff will continue to progress the work on addressing alignment of ISA 330 with concepts of ISA 315 (Revised 2019). Such work, including Staff recommendations, will be presented to the Board in due course.

Matters for IAASB Consideration:

7. The Board is asked for its views on the alignment matters with concepts of ISA 315 (Revised 2019) discussed in **Section V** above. In particular:
 - (a) Introducing the concept of spectrum of inherent risk in ISA 330 and the illustrative drafting presented in paragraph 88 above.
 - (b) The proposed drafting changes to the reassessment of ROMM discussed in paragraph 90 above.
 - (c) Introducing an explicit requirement to address the auditor's responsibility to test the operating effectiveness of GITCs as discussed in paragraph 100 above.
 - (d) Are there any other matters that should be considered regarding or in addition to the matters in paragraph 101(a)–(c) above?

Part B: Further Matters Considered Since March 2025

Section I – Positioning Paragraph 26 of ISA 330

Previous IAASB Discussion

103. In March 2025, the Board broadly supported relocating the conclusion on whether sufficient appropriate audit evidence has been obtained from paragraph 26 of ISA 330 to ISA 700 (Revised)⁷⁶ (i.e., Option 3). This conclusion is supported by two new evaluations of sufficiency and appropriateness of audit evidence: one in ISA 330 and another in Proposed ISA 500 (Revised).
104. In addition, upon deliberating all alternative options, the IAASB agreed to specifically consult and seek respondents' views during exposure on its preferred Option 3.
105. In providing directional feedback in March 2025, the Board suggested that Staff consider whether the proposed new evaluation in ISA 330 is worded appropriately, taking into account previous IAASB projects that have recognized the terms 'sufficient appropriate audit evidence,' 'reasonable assurance,' and 'acceptably low level of audit risk' as different expressions of the same underlying concept. There were also suggestions to explore opportunities to integrate and streamline the proactive accompanying considerations that remind the auditor to consider all audit evidence obtained (both corroborative and contradictory and regardless of whether consistent or inconsistent) when concluding or evaluating the sufficiency and appropriateness of the audit evidence obtained.

Input from JSS

106. Input was sought from JSS at their meeting in May 2025 about Option 3 for positioning of paragraph 26 of ISA 330 into ISA 700 (Revised), including the proposed new evaluations in ISA 330 and Proposed ISA 500 (Revised).
107. In providing their feedback JSS representatives:
 - (a) Expressed support for anchoring the overall conclusion on whether sufficient appropriate audit

⁷⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

evidence has been obtained within ISA 700 (Revised).

- (b) Commented that further consideration is needed on the interaction of the requirement with the auditor's conclusion on reasonable assurance.
- (c) Suggested to seek regulatory perspectives on whether the new formulation of the paragraph in ISA 700 (Revised) raises concerns from an enforcement perspective.
- (d) Cautioned that a similar requirement to the new evaluation in Proposed ISA 500 (Revised) at the audit procedure level was exposed as part of ED-500, when respondents' feedback indicated that such an evaluation appeared of limited value on the basis that it is not sufficiently distinct from the overall conclusion in ISA 700 (Revised) about whether sufficient appropriate audit evidence has been obtained.

Staff Views and Recommendations

- 108. **Agenda Item 4–A** sets out the preliminary drafting for the affected ISAs to operationalize Option 3 determined as optimal by the Board in March 2025.
- 109. Staff has shared the preliminary drafting in **Agenda Item 4–A** with the PSCG for their input and intend to consider their feedback in further depth post June 2025 (e.g., together with the feedback provided by the Board).

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

- 110. Paragraph 26 of ISA 330 has been repositioned into a new paragraph of ISA 700 (Revised), following the reasonable assurance conclusion (see paragraph 11A of ISA 700 (Revised) in **Agenda Item 4–A**).
- 111. Staff acknowledge that in terms of chronological order, the auditor first concludes whether sufficient appropriate audit evidence has been obtained, and then concludes whether reasonable assurance has been obtained that enables the auditor to form an opinion on the financial statements. The requirement in paragraph 11 of ISA 700 (Revised) recognizes that in order to form an opinion the auditor first needs to conclude whether reasonable assurance has been obtained and that conclusion, among other matters, takes into account the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained.
- 112. On this basis, Staff believe that the positioning of paragraph as 11A of ISA 700 (Revised) in **Agenda Item 4–A** remains logical with the extant order of the requirements in the section for *Forming an Opinion on the Financial Statements* of ISA 700 (Revised).
- 113. In addition, Staff considered whether the conclusion on whether sufficient appropriate audit evidence has been obtained could be incorporated into paragraph 11 of ISA 700 (Revised). However, Staff have not pursued such approach, given that the drafting for the paragraph becomes too complex when introducing two conclusions into the same paragraph, as well as because the reasonable assurance conclusion also 'takes into account' other matters as listed in subparagraphs 11(b)–(c) of ISA 700 (Revised).
- 114. Staff have also proposed:
 - (a) New application material in paragraphs A0–A0C of ISA 700 (Revised) in **Agenda Item 4–A** to make relevant linkages with requirements and guidance in ISA 200, as well as to draw attention

that other relevant ISAs also require specific evaluations that support the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained.

- (b) A new Appendix 1 in **Agenda Item 4–A** that sets out paragraphs in other ISAs that contain requirements to evaluate the audit evidence obtained. The benefit of doing so is to integrate the auditor's work and knowledge gained previously in the audit at the 'final checkpoint' stage before concluding on whether reasonable assurance has been obtained and proceeding to form an opinion on the financial statements.

New Evaluation in ISA 330

- 115. Given views from the Board in March 2025, that the wording of the proposed evaluation in ISA 330 was unclear, Staff have revised the wording of the requirement (see paragraph 25A of ISA 330 in **Agenda Item 4–A**) and, similarly to the approach in paragraph 35 of ISA 315 (Revised 2019) have included a new requirement (see paragraph 25B of ISA 330 in **Agenda Item 4–A**) for the auditor to consider all audit evidence obtained when making the evaluation. Subject to the Board's views in June 2025, Staff also intend to consider developing application material for the proposed requirements.
- 116. In addition, the reference to a 'qualified opinion or a disclaimer of opinion' in paragraph 27 of ISA 330 in **Agenda Item 4–A** was revised to refer to the auditor considering the implications for the audit or the auditor's opinion on the financial statements in accordance with ISA 705 (Revised).⁷⁷ This is because it is too early for the auditor to qualify or disclaim an opinion at this point in an audit, without having first concluded on the sufficiency and appropriateness of the audit evidence obtained that has been repositioned in ISA 700 (Revised) as a result of operationalizing Option 3. This approach aligns with the approach in other ISAs (e.g., see paragraph 34 of ISA 540 (Revised)).

Proposed ISA 500 (Revised)

- 117. Staff have considered, but decided against, proposing to the Board a new evaluation in Proposed ISA 500 (Revised), focused on the sufficiency and appropriateness of the audit evidence obtained that applies at the audit procedure level. This is because the level at which such a requirement would apply is too granular for a 'stand-back' provision (i.e., it would apply at the level of the audit evidence obtained from each audit procedure performed in an audit).
- 118. In addition, Staff also considered whether the evaluation could be refocused to apply to the overall audit evidence obtained from all audit procedures performed. However, including such a requirement would overlap with the conclusion on whether sufficient appropriate audit evidence has been obtained. It may also not add sufficient value because the evaluations already required by paragraph 35 of ISA 315 (Revised) and the proposed evaluation in paragraph 25A of ISA 330 already provide broad coverage for the audit procedures addressed by those ISAs.

Objectives

- 119. In view of repositioning the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained into ISA 700 (Revised), and given the new evaluation being proposed in ISA 330 Staff

⁷⁷ ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

believe that the objectives in ISA 700 (Revised) and ISA 330 remain appropriate given that no substantially new responsibilities are being introduced in these ISAs that leaves a gap for the objective to address. For example, concluding whether reasonable assurance has been obtained, as a basis to form an opinion on the financial statements in accordance with ISA 700 (Revised), encapsulates the auditor's conclusion on whether sufficient appropriate audit evidence has been obtained. Similarly, the objective in ISA 330 to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement through designing and implementing appropriate responses to those risks, encapsulates the proposed new evaluation.

120. In addition, given that no evaluation is being proposed in Proposed ISA 500 (Revised) to address the 'output' aspects of the audit evidence reference framework, no changes have been pursued to the objectives of the standard.

Streamlining

121. As discussed in March 2025, the new architecture for the 'stand-backs' to conclude or evaluate whether sufficient appropriate audit evidence has been obtained allows for certain streamlining of the proactive considerations from the auditor to consider all audit evidence obtained (including consistent or inconsistent, and regardless of whether corroborative or contradictory). This is because having a requirements grounded in ISA 315 (Revised 2019) and ISA 330 (see paragraph 35 of ISA (Revised 2019) and paragraph 25B in ISA 330 in **Agenda Item 4–A**) and also a core one in ISA 700 (Revised) (see paragraph 11A of ISA 500 (Revised) in **Agenda Item 4–A**) provides broad coverage for such consideration across all affected ISAs.
122. On this basis, Staff believe it is not necessary to repeat, through requirements, in every instance when an evaluation is being performed in a subject matter ISA the need to proactively consider all audit evidence obtained. In addition, Staff believe there is opportunity to enhance the consistency of terminology used in the various paragraphs across the ISAs. The drafting in **Agenda Item 4–A** reflects these changes in the following paragraphs: paragraphs 35 and A231 of ISA 315 (Revised 2029) and paragraph 34 of ISA 540 (Revised).
123. In pursuing such changes, Staff did not make changes to paragraph 30 of ISA 570 (Revised 2024). This is because ISA 570 (Revised 2024) does not link back to the evaluations being proposed in ISA 330 or moved to ISA 700 (Revised).

Matters for IAASB Consideration:

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).

Section II – Automated Tools and Techniques (ATT)

Previous IAASB Discussion

124. In March 2025, the Board decided to place the description of ATT in the quality management standards, rather than in Proposed ISA 500 (Revised), as, in the context of the ISAs, ATT are understood as technological resources used directly in the performance of audit engagements. In addition, the Board asked the project team to consider whether the description of ATT should be placed either or in both ISQM 1 and ISA 220 (Revised). There was also general support for pursuing a replacement term for ATT as the term 'automated' in the title may be misleading and outdated.
125. The Board also provided directional feedback to be considered in further refinements to the ATT description, including 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.

Input from the TCG

126. Views on the refinements to the description of ATT presented to the Board in March 2025 were also sought from Staff and members of the TCG. In addition, at their meeting in May 2025, Staff and TCG members were asked to provide their preferences for retitling ATT and for their preference which replacement term to use. The key themes from the feedback provided are summarized below:

General Observations

- Some supported the direction of the proposal in March 2025 as clearer and understandable, as well as the placement in ISA 220 (Revised).
- Some believed the description is too broad and should be narrowed down to focus on when ATT is used to perform audit procedures because this is where risks arise (e.g., aligned with wording used in the conditional requirement in paragraph 10A of Proposed ISA 500 (Revised)).

Reference to 'IT Applications'

- The use of 'IT applications' in the description should be reconsidered as it may be too narrow to describe the technologies that may be encompassed by this term.

Examples of ATT

- The drone example should be reconsidered as it is very specific, not used widely in practice and is different in nature from the other examples provided in the description.
- The specific example referring to general-purpose spreadsheet software should be clarified because it may be understood that purchased spreadsheet software is excluded from ATT.
- Technologies for project management or collaboration should be specifically excluded.
- It may be premature to specify artificial intelligence (AI) in the description in view of ongoing

discussions about the risks of model defects, (lack of) explainability, and AI hallucination. A possible consideration could be to make the description more generic, rather than refer to specific technologies.

- The reference to planning (e.g., in the design of audit procedures) may not be the most typical example of how ATT is used in planning audit engagements. Suggestions included to remove the example and cover it by way of the examples provided in the later part of the description.

Replacement Term for ATT

- There was broad support for incorporating the phrase '*technology-enabled*' instead of '*automated*' in the replacement term. In addition, suggestions included to consider a replacement term that can be easily abbreviated in a user-friendly acronym.
- There were different views on whether both '*tools and techniques*' need to be retained in the replacement title for ATT. Some views were that the term '*tool*' sounds overly mechanical and narrow and by retaining '*techniques*' in the title this would better reflect the broader range of technologies encompassed by the way ATT are used. Suggestions included to consider using '*solutions*' or '*procedures*' instead or retaining the broad subcategory used in ISQM 1 '*technological resources used directly by engagement teams.*'

Input from JSS

127. At their meeting in May 2025, input was sought from JSS on the refinements to the description of ATT, including their suggestions for a replacement term to use for ATT. While not offering specific suggestions for a substitute term to use as replacement for ATT, some representatives noted their agreement that the term '*automated*' in the title is misleading as there will always be human involvement when using ATT.
128. JSS representatives broadly supported a principle-based approach related to describing the term ATT, emphasizing the need for the description to remain fit-for-purpose as technology continues to rapidly evolve. Regarding the refinements to the description of ATT, JSS representatives commented as follows:
- (a) Instead of pursuing a description for ATT, a viable approach could be for the IAASB to remain high level and focus on the overall term already used in ISQM 1, i.e., *technological resources that are used directly by engagement teams in performance of engagements*. In addition, instead of describing the term, the focus may be on how those resources are being used on audit engagements (e.g., used to design and perform audit procedures or to assist the auditor in obtaining sufficient appropriate audit evidence).
 - (b) Given that the concept of ATT is more important than the title of the term itself, a possible approach could include to define, rather than to describe ATT through a principle-based definition. This could allow clarity and support the auditor's judgments on what is included in the scope of the term, particularly in view of developing possible further requirements in this area.
 - (c) The examples encapsulated by the description are of importance as they illustrate the types of technologies meant to be encompassed by ATT. In this respect, there is a need to clarify the examples and in particular reconsider the reference to drone technology and clarify the

exclusion example of an unprogrammed spreadsheet. On the other hand, there was a caution that the description should be future-proof and that by referencing specific technologies by way of example may soon become out of date. Suggestion included keeping examples of ATT outside of the ISAs, thereby allowing greater flexibility to update and modernize them as needed.

- (d) The principles underpinning the inclusion of technologies under ATT should be more clearly articulated and focused on what the technologies are used for. It is important to have consistency in determining whether certain tools fall within the scope of this term.

129. In addition, experiences were shared from jurisdictions who have already described ATT in their analogous auditing standards.

Feedback from the SMPAG

130. The topic of ATT was also discussed with SMPAG members at their meeting in May 2025. Specific input sought was with respect to how revisions to technology-related concepts in the ISAs may support scalable application, as well as whether they had suggestions for a replacement term to use for ATT. SMPAG representatives commented as follows:

- (a) Ensuring that the revised description of ATT encompasses a broad range of examples (e.g., from less to more sophisticated ATT) is important to ensure applicability across a range of audits of various sizes and complexities.
- (b) It is important to retain clarity, simplicity and understandability in a replacement term to be used for ATT to support scalable application and effective translation into other languages.
- (c) Suggestions for a replacement term included 'technology enabled audit solutions' or refer to 'IT applications and tools.'

Staff Views and Recommendations

Placement of the ATT Description

131. Given the Board's support for placing the description of ATT in the quality management standards, Staff have included in **Agenda Item 4–B** illustrative drafting (in mark up from extant) for placing the description in the application material addressing technological resources of both ISQM 1 and ISA 220 (Revised) (see paragraph A99A of ISQM 1 and paragraph A64A of ISA 220 (Revised) in **Agenda Item 4–B**).

Further Refinements to the Description

132. In view of the collective feedback, Staff have considered the following refinements to the description:

Reference to 'IT Applications'

- (a) Given that ISQM 1 is explicit that technological resources are typically IT applications, and because ATT is a technological resource itself, Staff is of the view that it is not necessary to specify in the description that ATT are typically IT applications. Instead, Staff have specified in the examples to the description that IT applications may constitute ATT.

Principle-Based Criteria

- (b) Staff have not pursued suggestions to include principle-based criteria for which technology is included within the scope of the term (e.g., technologies with high-degree of automation without human intervention, connectivity with other devices and systems, ability to store and analyze large amounts of data, understandability and explainability). Instead, Staff believe that the examples of ATT depict attributes of ATT meant to be encompassed in the scope of the term.

Enhancements to the Examples

- (c) Staff have differentiated the examples from the ATT description by distinguishing them in a separate example box following the description. In addition:
- The 'drone' example was replaced with an example of image processing technology, as it is the analysis functionality of such technology that is more relevant for understanding how ATT is used (e.g., an automated counting technology based on use of pictures, images or video footage from a drone).
 - The specific exclusion of an unprogrammed spreadsheet was clarified and, in doing so, the notion that a level of sophistication is expected from a spreadsheet was maintained in the example.
 - The examples of artificial intelligence and robotics process automation were retained in view of respondents' support from the feedback to ED-500 to do so, as well as because they align with the examples of ATT used to perform audit procedures provided in paragraph 1B of Appendix 1 in Proposed ISA 500 (Revised).
 - A new example was introduced to clarify that a sophisticated audit platform may also be included in the scope of ATT when it extends beyond a digital repository of working papers to prepare and compile working papers.

Focus on How ATT are Used on Audit Engagements

- (d) Paragraph A99 of ISQM 1 explains that a technological resource may serve multiple purposes within the firm. In addition, paragraph A64 of ISA 220 (Revised) explains how technological resources may be used on audit engagements (e.g., to obtain sufficient appropriate audit evidence, more effectively and efficiently manage the audit, allowing the auditor to evaluate large amounts of data more easily).
- (e) Paragraph 10A of Proposed ISA 500 (Revised) is also specific when the conditional requirement if using ATT applies, i.e., if the auditor uses ATT to *design and perform audit procedures*. In the context of Proposed ISA 500 (Revised) such audit procedures include all audit procedures designed and performed when planning and performing an audit engagement in accordance with the ISAs (see paragraph A14D of Proposed ISA 500 (Revised)).
- (f) In view of comments received that the focus of ATT, as a subset of technological resources, should remain on how those resources are being used on audit engagements, Staff have specified that they facilitate the design or performance of engagement procedures in obtaining sufficient appropriate evidence.

Substitute Term for ATT

133. The description in **Agenda Item 4–B** refers to ‘technological tools’ as a proposed replacement term for ATT. In proposing this term, Staff considered that it is already a familiar term used in ISA 220 (Revised). In addition, Staff believe that the replacement term does not need to refer to a ‘technique’ or a ‘procedure’ in addition to a tool. This is because the description is explicit about the use of such tools to facilitate the design or performance of engagement procedures in obtaining sufficient appropriate evidence.

Matters for IAASB Consideration:

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.’

Section III – Professional Skepticism

Previous IAASB Discussion

134. In March 2025, the Board supported introducing a requirement in ISA 330 to design and perform further audit procedures in an unbiased manner.

Staff Views and Recommendations

Designing and Performing Further Audit Procedures in an Unbiased Manner

135. Since March 2025, Staff have considered the placement of the requirement to design and perform further audit procedures in an unbiased manner and whether it remains sufficiently broadly worded to also address the auditor’s design and implementation of overall responses to address ROMM at the financial statement level.
136. In doing so, Staff believe that while the placement of the newly proposed requirement following paragraph 6 of ISA 330 remains appropriate, it is necessary to amend the wording to also capture the auditor’s obligation to design and implement overall responses in an unbiased manner as required by paragraph 5 of ISA 330. In addition, Staff propose to add application material to the requirement that enhance the linkages with ISA 200 and the importance of maintaining professional skepticism when responding to the risk of material misstatement. In doing so, Staff have leveraged material from ISA 315 (Revised 2019).
137. The table below illustrates the proposed drafting changes since March 2025 shown in underline and strikethrough:

- | |
|---|
| 6A. The auditor shall respond to the risks of material misstatement In designing 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. <u>(Ref: Para. A8B)</u> |
|---|

A8B. Designing and performing further audit procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information, which may assist the auditor in exercising professional skepticism in response to the assessed risks of material misstatement at the financial statement and assertion level. Maintaining professional skepticism throughout the audit is necessary if the auditor is, for example, to reduce the risks of using inappropriate assumptions in determining the nature, timing and extent of the further audit procedures and evaluating the results thereof.⁷⁸

Application Material in ISA 520

138. The AE&RR project proposal also includes actions to address professional skepticism, through requirements or application material in ISA 520 and to explicitly address biases that specifically arise in the design and performance of substantive analytical procedures.⁷⁹
139. In response to these actions, and as illustrated in the boxes below, Staff propose providing new application material:
- (a) To the definition of analytical procedures to enhance the linkages with foundational principles in ISA 200 and highlight the relevance to apply professional skepticism when performing analytical procedures.

A3A. As explained in ISA 200,⁸⁰ the application of professional skepticism by the auditor includes being alert, for example, to audit evidence that contradicts other audit evidence obtained and to information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence. Designing and performing analytical procedures in an unbiased manner may assist the auditor in identifying potentially contradictory information, which may assist the auditor in exercising professional skepticism.

- (b) To the requirement in paragraph 5 of ISA 520 enhancing the linkages with the proposed requirement in ISA 330 to respond to the risks of material misstatement in an unbiased manner.

A5A. ISA 330 (Revised)⁸¹ requires the auditor to respond to the risks of material misstatement in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory. Designing and performing substantive analytical procedures to obtain audit evidence in an unbiased manner may involve, for example, avoiding to use more readily available information, such as previous year data or information derived from recorded amounts when developing an expectation of recorded amounts.

⁷⁸ ISA 200, paragraph A22

⁷⁹ See Actions A.16 and B.22 of **Agenda Item 4–C**.

⁸⁰ ISA 200, paragraph A21

⁸¹ ISA 330 (Revised), paragraph 6A

Matters for IAASB Consideration:

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 above.
 - (b) The proposed application material in ISA 520 discussed in paragraph 139 above.

Part C: Way Forward

140. Based on the Board's feedback in June 2025, the AE&RR Staff and Project Board Members will continue to discuss the issues included in this Agenda Item. Also, in September 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.
141. In addition, Staff will continue to engage in coordination activities with other IAASB projects, Consultation Groups and the International Ethics Standards Board for Accountants (IESBA), as appropriate, seek advice from IAASB members in the development of issues, and continue to engage with stakeholders as part of project-specific outreach and the IAASB's general outreach program.

AE&RR Project Team Assignments and Activities

IAASB Staff Contacts

1. The IAASB Staff contacts for the project:
 - Kalina Shukarova Savovska
 - Megan Leicht
 - Fadi Mansour
 - Ana Espinal-Rae
 - 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 March 2025

Interactions with the Board and Coordination Activities

4. Paragraphs 5–9 provide information about the interactions with the Board and coordination activities undertaken with other IAASB projects and Consultation Groups.

Outreach Activities

5. In addition to the project specific outreach discussed in paragraph 10, the AE&RR project was discussed at the International Forum of Independent Audit Regulators' (IFIAR) Standards Coordination Working Group (SCWG) meeting on April 1, 2025, in Washington DC as part of the IAASB's general outreach program.