

Audit Evidence and Risk Response (AE&RR)

Agenda Item 9

IAASB September 2025 Meeting



The AE&RR Team

IAASB Staff



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Project Board Members



**Josephine
Jackson**
IAASB Vice-Chair



Edo Kienhuis
IAASB Board
Member

Outreach & Feedback

Significant Outreach Activities



80+

Hours of Engagement
with Diverse Stakeholder
Groups



34

Project Specific
Meetings and
Stakeholder Events



19

Jurisdictions
Covering All Global
Geographical Regions



140+

Questions Asked
Covering a Wide Range
of Topics



**Focused Discussions with Users of
Financial Statements**



Deep-Dive Sessions with MG Members



**Engagement with Regulators and
Audit Oversight Authorities**



Input from JSS and PAO



**Individual meetings with Accounting
Firms, engagement with FoF and GPPC**



Engagement with the SMPAG



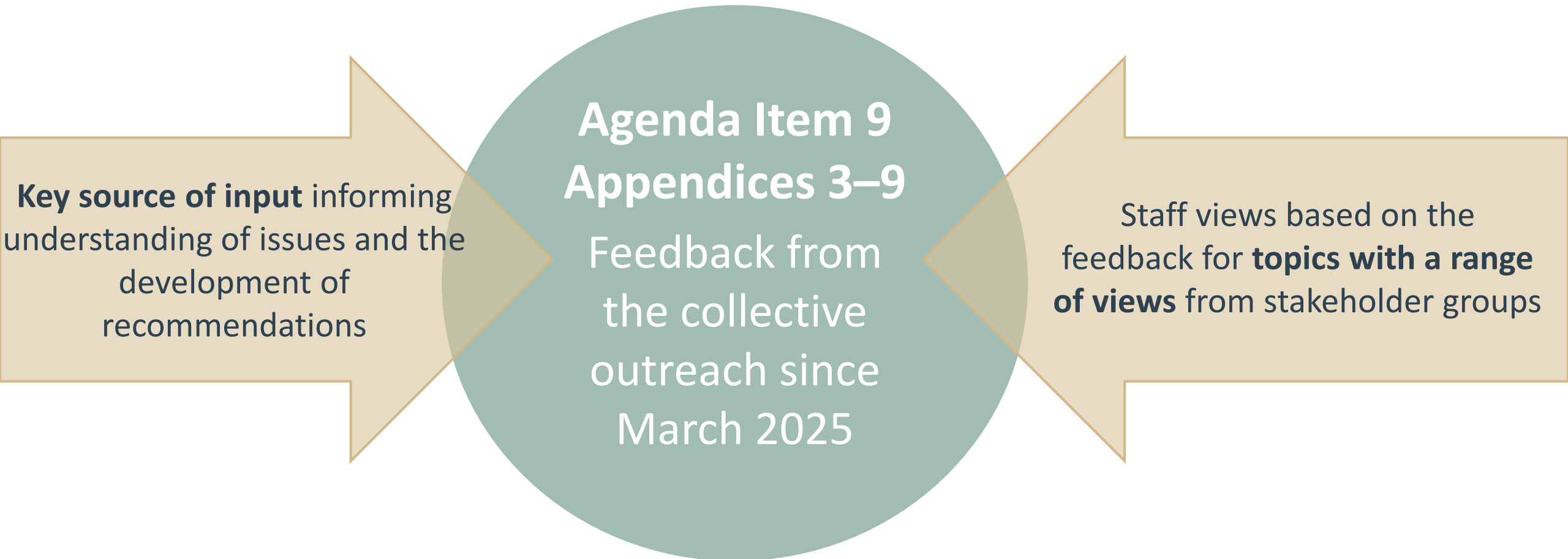
**Input from roundtable with diverse
stakeholder representation**




IAASB

International Auditing and Assurance Standards Board
AN IFEA BOARD


Ongoing Consideration of Insights from Outreach



Overview of Key Topics Explored With Stakeholders




Material Classes of Transactions, Account Balances and Disclosures (COTABDs)



Tests of Controls Alone to Respond to an Assessed Risk of Material Misstatement (ROMM)



The Auditor's Work Related to Authenticity



Determining When and How to Tests Controls (ToCs), Including The Use of ToCs



Using Technological Tools in Audits

Other Topics for ToCs, Including Using Audit Evidence Obtained in a Previous Audit

General Information Technology Controls (GITCs)

Substantive Analytical Procedures (SAPs)

Categorization of Audit Procedures, including Defining Tests of Details and SAPs

Proposed ISA 500 (Revised), *Audit Evidence*

* Highlights from the feedback for the flagged topics will be presented to the Board in September 2025 (also see Agenda Items 9–A; 9–B; 9–C and 9–G). The key insights and messages received from the feedback for the other topics explored with stakeholders will be presented to the Board post September 2025, together with Staff's views and recommendations for the related issues.

Input from the Board

The Board is asked for its reflections on the feedback

This may also include the Board's views on the project outreach activities and the ongoing consideration of the feedback



Agenda Items 9–A to 9–H



Material COTABDs – What We Heard

Support for

- A risk-based audit model
- Exploring alternatives to substantive procedures

A range of views on the need to perform substantive procedures for material COTABDs*

- Majority support from users, regulators and SMPAG:
 - Guards against imperfect risk assessments
 - Material COTABDs are of importance to users
- Concerns from firms:
 - Undermines the risk-based audit model
 - The other guardrails in the standards are sufficient

Frequency, Nature and Size

- *More common than the 'likely rare' scenario*
- *Nature and size vary*
- *Typically balance sheet items; but can also be income statement items*

Material COTABDs

Staff Views Based on Feedback

- Varying stakeholder perspectives remain on the need for guardrails against imperfect risk assessment in the standards
- Continued basis to retain, with appropriate refinement, the notion of requiring audit procedures on all material COTABDs

Proposed Way Forward

Options Considered

- 1 Remove Paragraph 18 of ISA 330 and Introduce a Presumption that there is a ROMM in all Material COTABDs in ISA 315 (Revised 2019)
- 2 Remove Paragraph 18 of ISA 330 and Revise the 'Stand-Back' Requirement in ISA 315 (Revised 2019)
- 3 **Revise the Extant Requirement to a Conditional Requirement and Clarify the Purpose and Rationale of Paragraph 18 of ISA 330**

Additional Enhancements

- New application material to support the auditor's judgement when applying Option 3 above
- Documentation requirement in ISA 315 (Revised 2019) to clarify the expectations when performing the 'stand-back' evaluation

Matters for IAASB Consideration



Questions in Agenda Item 9–A

1. The Board is asked for their views on Staff’s views and recommendations discussed in this Agenda Item. In particular:
 - (a) That recommended Option 3 as a way forward for paragraph 18 of ISA 330.
 - (b) The proposed revised requirement in paragraph 18 of ISA 330 (see paragraph 21 of Agenda Item 9–A) and the direction of the accompanying application material (see paragraph 24(a) of Agenda Item 9–A).
 - (c) The proposed documentation requirement when performing the ‘stand-back’ evaluation in paragraph 36 of ISA 315 (Revised 2019) discussed in paragraph 24(b) of Agenda Item 9–A.
2. The Board is asked whether there are any other Options or matters that should be considered in relation to the auditor’s work for material COTABDs not determined to be significant COTABDs.



Tests of Controls – What We Heard

- **Varying interpretation** for what the ISAs require
- **Support for** clarifying whether a ToCs-alone approach is permissible under the ISAs

Overall Caution from the Feedback for a ToCs-Alone Approach to Respond to an Assessed ROMM

- Concerns from MG members and regulators about the impact on audit quality of a ToCs-alone approach:
 - Performance challenges and inspection findings with ToCs
 - Absence of substantive work as an independent assessment of whether anything was missed by a ToCs-alone approach
- Appropriateness of a ToCs-alone approach:
 - Only under specific circumstances and conditions
 - Subject to appropriate guardrails against misapplying such approach

Input from Firms

- *Methodologies do not explicitly allow a ToCs-alone approach*
- *Views that permitting in the ISAs a ToCs-alone approach could encourage more frequent testing of ToCs*

Tests of Controls Alone to Respond to an Assessed ROMM

Staff Views Based on Feedback

- The proposed approach is:
 - Conceptually sound and consistent with the audit risk model applicable at the assertion level
 - Not prohibited under extant ISAs
 - Only practicable in a narrow range of circumstances
- It is in the public interest to:
 - **Clarify** what ISAs require
 - Provide appropriate **guardrails** to support quality
 - Support **future proofing** the ISAs

Staff Views and Recommendations

Retain the Approach in Extant ISAs	<ul style="list-style-type: none">• Explicitly permit, under a narrow range of circumstances and on a conditional basis, for tests of controls alone to respond to an assessed assertion level ROMM
Plausible Benefit	<ul style="list-style-type: none">• May encourage auditors to more frequently consider the use of tests of controls
Addressing Concerns	<ul style="list-style-type: none">• Safeguards in the IAASB's standards act as guardrails against inappropriate application of a tests of controls alone approach.

Tests of Controls Alone to Respond to an Assessed ROMM

Specific Recommendations About Circumstances When a Tests of Controls Alone Approach could Apply

Attributes of Circumstances

- **Risk of management override** of controls does not affect the assessment of ROMM at the assertion level
- The assessment of ROMM for the assertion is at the **lower end of the spectrum**
- The further audit procedures for the COTABD do not involve only tests of controls **for all relevant assertions**

Attributes of Controls

- **Sufficiently precise** to respond to the events or conditions giving rise to the **inherent risk**
- Are **automated controls**, requiring little or no manual intervention
- Include **effective indirect controls** that support their operation
- Operate in the **entity's information system that is evaluated as appropriately supporting the preparation of the financial statements**

Matters for IAASB Consideration



Questions in Agenda Item 9–G

1. The Board is asked for their views on Staff’s views and recommendations discussed in this Agenda Item. In particular:
 - a) The recommendation to retain the current approach in the ISAs that permits, under a narrow range of circumstances and on a conditional basis, for tests of controls alone to respond to an assessed ROMM at the assertion, as discussed in paragraph 17 of Agenda Item 9–G.
 - b) The proposed clarifications and enhancements to the application material of ISA 330 discussed in paragraphs 18–19 of Agenda Item 9–G, including the proposed drafting presented in paragraph 19.
2. The Board is asked whether there are any other matters that should be considered in relation to performing tests of controls alone to respond to an assessed ROMM at the assertion level.



Authenticity – What We Heard

Support for auditors to

- Consider the risk of authenticity of information
- Respond appropriately where fraud risks are identified

A range of views on the lead-in sentence of paragraph A24 in ISA 200*

- Concerns from regulators that the wording:
 - Does not promote appropriate exercise of professional skepticism
- Concerns from firms that removing the sentence:
 - May extend the scope of an audit, widen the expectation gap, and make audits impracticable

Importance of

- *Use of consistent terminology across the ISAs*
- *Clarity about the nature and extent of the work effort intended on authenticity*

The Auditor's Work Related to Authenticity

Staff Views Based on Feedback

- There remains a perceived distinction between *genuineness of a record or document* and *authenticity of information*
- Feature from the feedback is that the ISAs do not require the auditor to evaluate the authenticity of every document or piece of information encountered in an audit

Proposed Way Forward

Promote Clarity and Align Terminology Across the ISAs

- **Remove** the reference to *accepting records and documents as genuine* from ISA 200

Drive Expected Work Effort and Behavior Required by the Standards

- **Clarify** in Proposed ISA 500 (Revised) that it is unnecessary for the auditor to consider the authenticity of every individual document and record

Resolve the Risk of Perceived Inconsistency

- **Reword** the lead-in sentence from paragraph A24 of ISA 200 into Proposed ISA 500 (Revised)

Matters for IAASB Consideration



Questions in Agenda Item 9–B

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 6–10 of Agenda Item 9–B, including the proposed drafting presented in paragraph 10.
2. The Board is asked whether there are any other matters that should be considered in relation to the auditor's work related to authenticity.



Technology – What We Heard

- **Caution** against dating the ISAs
- **Support** for guidance to facilitate appropriate use of technological tools in audits

Use of Technological Tools on Audits

- Limited scenarios where the use of technology is necessary (e.g., crypto)
- Extant principles of the ISAs remain fit for purpose to accommodate the use of technology in audits
- Emerging technologies such as GenAI convey new considerations
- Clarity needed about how the extant principles apply when using technological tools

Trends

- *Growing use of technological tools on audits*
- *Often influenced by the entity's use of technology*

Technology

Staff Views Based on Feedback

- Caution about dating the standards in view of rapid evolution of emerging technological tools
- Support for guidance to promote consistency and clarify about the auditor's responsibilities for using technological tools on engagements



Input sought from the Technology Consultation Group on introducing technology-related requirements

Proposed Way Forward

Principle-Based Requirements for Technology

- Pursue **application material** as the appropriate means to facilitate and encourage the auditor's use of technological tools in obtaining and evaluating audit evidence

Engagement Resources

- Introduce **specificity** in the requirement about the resources used on engagements, including human, technological and intellectual resources
- Add new application material in ISA 220 (Revised) with **examples of circumstances** where the use of technological tools may be necessary

Enhancements to Application Material for In-Scope Standards

- **New application material** addressing technology-related matters

Further work for addressing technology-related matters for the in-scope standards will continue post September 2025

Matters for IAASB Consideration



Questions in Agenda Item 9–C

1. The Board is asked for their views on Staff’s views and recommendations discussed in this Agenda Item. In particular:
 - a) The proposal not to pursue technology-related requirements in the ISAs, and instead to develop application material to facilitate the use of technological tools in audits, as discussed in paragraphs 7–9 of Agenda Item 9–C.
 - b) The proposal to provide specificity of the type of resources used on engagements discussed in paragraphs 10–11 of Agenda Item 9–C, including the proposed drafting presented in Appendix 1.
 - c) The proposed application material discussed in paragraphs 12–13 of Agenda Item 9–C, including the proposed drafting presented in Appendix 2.



Tests of Controls – What We Heard

Some **barriers** to testing controls are beyond the ISAs:

- Lack of observable (documented) controls by entities
- Skills development

Use of Tests of Controls (ToCs)

- Certain ToCs do not *‘neatly fit’* into the extant definition
- Common to use ToCs to address risks to the integrity of information:
 - When those controls also directly or indirectly support the operation of controls addressing assertion-level ROMMs
- Auditors may not consistently recognize that ToCs that respond to a ROMM may also provide a basis for evaluating reliability of information

Audit Approaches

- *Tendency to prioritize substantive procedures, and think of controls testing by exception*
- *Firms encourage testing controls to address risks to integrity of information*

Clarifying the Use of Tests of Controls

Staff Views and Recommendations

- **Revise the definition** of Tests of Controls in ISA 330
- **Broaden the scope** of the definition
- **New application material** to clarify the linkage with evaluating information as reliable in Proposed ISA 500 (Revised)

Proposed Revisions to the Definition of Test of Controls

Test of Controls - An audit procedure designed to ~~evaluate~~ obtain audit evidence about the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements ~~at the assertion level~~.

Matter for IAASB Consideration



Question in Agenda Item 9–D

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraph 6 –7 of Agenda Item 9–D, including the proposed drafting to the definition of Test of Controls and related application material presented in paragraph 7.

Investigating the Results of Analytical Procedures

Staff Views and Recommendations

**Differentiate SAPs
from Other
Analytical
Procedures**

- **Retain but revise** the existing requirement in paragraph 7 of ISA 520 as applicable to analytical procedures other than SAPs

**Emphasize that
Inquiries Alone are
Not Sufficient**

- Develop **new requirement**, applicable to SAPs only, to investigate differences that exceed the threshold that is acceptable without further investigation

**Support Consistent
Application**

- Develop **new application material** to support the auditor when investigating the results of analytical procedures, including those of the SAPs

Matters for IAASB Consideration



Questions in Agenda Item 9–H

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 8–11 of Agenda Item 9–H, including the proposed drafting to the requirements and application material presented in paragraphs 10–11.
2. The Board is asked whether there are any other matters that should be considered in relation to investing results of analytical procedures, including substantive analytical procedures.

Substantive Procedures Alone Unable to Provide Sufficient Appropriate Audit Evidence

Staff Views and Recommendations

- Enhancing application material in ISA 330 with **factors and examples** aiming to:
 - Illustrate a **broader range of considerations** to aid auditors identifying circumstances when substantive procedures alone are insufficient
 - Enhance **clarity, consistency** of implementation and **enforceability** of the requirement
- Clarifying that the phrase '*cannot provide*' encompasses both:
 - Impossibility
 - Impracticability



Matters for IAASB Consideration



Questions in Agenda Item 9–E

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 5–7 of Agenda Item 9–E, including the proposed drafting in paragraph 7.
2. The Board is asked whether there are any other matters that should be considered in relation to the attributes of circumstances when substantive procedures alone cannot provide sufficient appropriate audit evidence.

Alignment with Concepts of ISA 315 (Revised 2019)

Staff Views and Recommendations

- Enhancements to paragraph 7 of ISA 330 to:
 - Improve **alignment** between the separate assessment of inherent and control risk required by ISA 315 (Revised 2019)
 - Support **clarity** for the relationship between the assessment of control risk for a relevant assertion and the auditor's decision to design and perform tests of controls

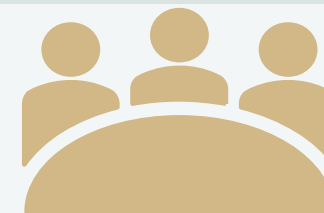
Further work for alignment with concepts of ISA 315 (Revised 2019) will continue post September 2025

Establishes clearer linkage between the spectrum of inherent risk and persuasiveness of audit evidence

Supports conciseness of the standard by reducing repetition

Supports clarity by use of more direct language

Matter for IAASB Consideration



Question in Agenda Item 9–F

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 3–5 of Agenda Item 9–F, including the proposed drafting presented in paragraph 5.

Way Forward

