

### Audit Evidence and Risk Response (AE&RR) – Using Audit Evidence Obtained in Previous Audits

This Agenda Item considers further matters related to the requirements and application material of ISA 330<sup>1</sup> addressing using audit evidence obtained in previous audits about the operating effectiveness of controls.

#### Background

##### *Relevant Requirements*

1. Proposed ISA 500 (Revised)<sup>2</sup> establishes that any information used as audit evidence, including from prior periods, must be evaluated for its relevance and reliability in the current audit.
2. ISA 330 provides requirements related to the timing of control tests. Paragraphs 13–14 of extant ISA 330 detail the specific circumstances for using audit evidence from previous audits, including matters to consider and a baseline requirement to retest controls at least every third audit.

##### *Previous IAASB Deliberations in June 2025<sup>3</sup>*

3. In June 2025, the Board deliberated four Options<sup>4</sup> for a potential path forward with respect to the requirements in paragraphs 13–14 of extant ISA 330 and determined that Option 1 is most appropriate to pursue as a way forward. This Option includes retaining the requirements in paragraphs 13–14 of ISA 330, with limited refinement as necessary. It also retains the baseline requirement to retest controls at least once every third audit.
4. For the other Options discussed in June 2025:
  - (a) There was some support for pursuing Option 2 to address concerns about allowing a rotational testing strategy for manual controls.
  - (b) Majority of the Board members were of the view that Options 3 and 4, which included either removing the requirements in paragraph 13–14 of extant ISA 330 or replacing them with a principle-based requirement, would result in a lack of consistency in application of the requirement.

#### Overview of the Feedback from Outreach Activities

##### *Stakeholder Engagement*

5. Staff have engaged with regulators, individual firms, Forum of Firms (FoF) representatives and members of the Standards Setting Working Group (SSWG) of the Global Public Policy Committee (GPPC) on the topic of using audit evidence obtained in previous audits about the operating effectiveness of controls.

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

<sup>2</sup> See Proposed ISA 500 (Revised), *Audit Evidence*, in **Agenda Item 5–N**.

<sup>3</sup> See the June 2025 approved [IAASB minutes](#).

<sup>4</sup> See paragraphs 51–62 of [Agenda Item 4](#) discussed by the Board in June 2025.

### Highlights from the Feedback<sup>5</sup>

#### Three Year Retesting Baseline

- Broad support from all stakeholder groups for retaining the current requirements related to the three-year baseline for retesting controls with limited refinements for clarity.

#### Using Audit Evidence from Previous Audits

- Feedback from individual firms indicates:
  - That a rotational testing strategy is common, particularly for automated controls when general IT controls (GITCs) are effective.
  - Rotating manual controls is sometimes not permitted for listed or public interest entities.
- Views that:
  - Auditors tend to default to a three-year rotational approach without adequately demonstrating its appropriateness or addressing changes.
  - There should be a more robust consideration about the continued appropriateness to use audit evidence obtained in a prior period.
- Requests for additional clarity, including for:
  - The requirement to ‘test some of those controls in each audit,’ and whether it involves testing all controls over one relevant assertion or some controls related to each relevant assertion every year.
  - Whether it is intended for GITCs to be tested in this manner; even though in practice GITCs are not usually included in rotational schedules

### Staff Views and Recommendations

<i>Relevant Paragraphs in <b>Agenda Item 5–M</b>:</i>	<b>Para. 11B, 13–14; A36–A40</b>
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#### *Using Audit Evidence Obtained in a Previous Audit for a Tests of Controls Alone Approach*

6. In September 2025, the Board supported providing clarity whether the ISAs permit responding to risks of material misstatement (ROMM) at the assertion level through tests of controls alone.<sup>6</sup> In this scenario, the only evidence to address a ROMM that the auditor will obtain will be from tests of controls. Therefore, Staff recommend including a new requirement to test controls in the current period if the auditor plans to obtain audit evidence to address a ROMM at the assertion level by testing the operating effectiveness of controls alone (see paragraphs 11B and A38 of **Agenda Item 5–**

<sup>5</sup> Refer to [Agenda Item 9](#) from the September 2025 IAASB meeting for a comprehensive overview of the feedback received from the project outreach undertaken to date with a broad range of stakeholders.

<sup>6</sup> See the draft IAASB meeting minutes from September 2025 available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 8–11, 2025* webpage.

**M).**

*Audit Evidence Obtained in Previous Audits for Automated and Manual Controls*

7. The following clarifications were made with respect to audit evidence obtained in previous audits for manual and automated controls (see paragraphs 13 and A36–A36B of **Agenda Item 5–M**)
  - (a) New application material is proposed to be included in paragraph A36A to address concerns about rotating the testing of manual controls by recognizing that audit evidence about the continued operating effectiveness of manual controls may be obtained through the evaluations of the entity’s control environment, risk assessment process, and process to monitor the system of internal control as required by ISA 315 (Revised 2019).<sup>7</sup>
  - (b) Emphasis is provided in the requirements in paragraph 13(e) that a relevant consideration is whether there have been changes to risks arising from the use of IT and new application material is proposed in paragraph A36B indicating the need for effective GITCs when considering whether to use audit evidence in a previous audit for automated controls.

*Baseline to Retest Controls Every Third Audit/Year*

*Frequency of Testing Controls*

8. The requirement in paragraph 14(b) of **Agenda Item 5–M** was clarified to refer to retesting a control every third *year*, rather than every third *audit*. This change is supported by the rationale that the frequency of an audit, which may vary across jurisdictions, should not be a determining factor on the continuing operating effectiveness of controls.

*Which Controls to Test in Each of Every Third Year*

9. Questions pertain from outreach on whether paragraph 14(b) of extant ISA 330 requires the auditor to test some controls every year for: (i) every assertion, (ii) related to every significant class of transactions, account balance or disclosure (COTABD) or (iii) select from all the controls the auditor plans to test over the three-year period.
10. Paragraph A40 of extant ISA 330 indicates the purpose of testing some of ‘those controls’ in each audit is to provide corroborating information about the continuing effectiveness of the control environment. Because the intent of this requirement is not to provide direct evidence over the operating effectiveness of controls at the assertion level or at the COTABD level, Staff propose clarifying that the auditor uses professional judgment to determine which controls to test each year (see paragraph A40 of **Agenda Item 5–M**).

*Other Enhancements*

11. Certain other enhancements have been proposed to the requirements and application material, including:
  - (a) Reordering the factors that the auditor should consider in paragraph 13 of **Agenda Item 5–M** by elevating the risks arising from the characteristics of the control first in the list.

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

- (b) Removing the factors in paragraph A39 of **Agenda Item 5–M**, as they are redundant given they are addressed by the requirements.
- (c) Updating language throughout to better reflect the language used in ISA 315 (Revised 2019).

**Matters for IAASB Consideration:**

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 6–11 above, including the related drafting presented in 11B, 13–14 and A36–A40 of **Agenda Item 5–M**.