

Audit Evidence and Risk Response (AE&RR) – Material Classes of Transactions, Account Balances and Disclosures (COTABDs)

This Agenda Item considers drafting Options for removing, retaining, or revising paragraph 18 of ISA 330¹ addressing the auditor's work for material COTABDs that are not determined to be significant COTABDs.²

Previous IAASB Deliberations

Option to Remove Paragraph 18 of ISA 330

1. In deliberating the Options presented in [Agenda Item 9–A](#) discussed by the IAASB in September 2025, as a way forward for the requirement in paragraph 18 of ISA 330, the majority of the Board members supported introducing an Option to remove paragraph 18 of ISA 330 and enhance requirements and application material in ISA 315 (Revised 2019)³ to clarify certain aspects of the risk assessment process (e.g., the expectation for documentation when performing the 'stand-back' evaluation in paragraph 36 of ISA 315 (Revised 2019)).
2. The rationale for this approach was that paragraph 18 of ISA 330 is inconsistent with the risk-based approach of an audit as encompassed by ISA 315 (Revised 2019), as well as because there are already requirements within the IAASB body of standards addressing the public interest expectation for robust performance of risk assessment procedures (e.g., the 'stand-back' evaluations required by paragraphs 35–36 of ISA 315 (Revised 2019)).

Other Options for Paragraph 18 of ISA 330

3. The Board also agreed to develop the following Options in relation to the auditor's work for material COTABDs, which are to either retain or revise paragraph 18 of ISA 330, that the Board may describe in an explanatory memorandum accompanying the exposure draft for Proposed ISA 330 (Revised):
 - (a) Introduce an Option to retain paragraph 18 of ISA 330, with minimal refinement as necessary, which was supported by two Board members.
 - (b) Continue to refine Option 3 presented in paragraphs 20–24 of [Agenda Item 9–A](#) discussed by the IAASB in September 2025,⁴ including enhancing guidance and providing examples, to support operationalizing the proposal. For this Option, some Board members noted concerns around the ability of auditors to implement it consistently given that the notion of 'matters that are of particular importance to users of financial statements' is dynamic and difficult to interpret and apply.

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

² For the purpose of this Agenda Item, material COTABDs that are not determined to be significant COTABDs is referred to in an abbreviated manner as 'material COTABDs.'

³ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

⁴ Option 3 is to modify the existing requirement in paragraph 18 of ISA 330 by making it conditional to perform substantive procedures based on considerations that a material COTABD, although not significant, may nevertheless be of particular importance to users of financial statements, and therefore, indicate the need to focus on a specific assertion(s).

Stakeholder Feedback

4. In September 2025, Staff presented to the Board an overview of the project outreach activities which included engagement with a broad range of stakeholder groups to obtain views on paragraph 18 of ISA 330.⁵ While there were varying perspectives from the feedback on the appropriateness of either removing or retaining paragraph 18 of ISA 330, there was strong support among all stakeholder groups for requiring more work over financial statement items where risks of material misstatement (ROMM) is identified and assessed (i.e., a risk-based audit model).

Staff Views and Recommendations

5. Based on the Board's deliberations in September 2025, Staff continued to develop the options to remove, retain or revise paragraph 18 of ISA 330, which are discussed in paragraphs 6–8 below (also refer to **Appendices 1–3** of this Agenda Item for illustrative drafting for each Option explored).

Option 1: Remove Paragraph 18 of ISA 330 and Enhance ISA 315 (Revised 2019)

6. As discussed in paragraphs 1–2 above, the majority of the Board members in September 2025 supported this Option. **Appendix 1** sets out the drafting changes under this Option which include the following key features:
 - (a) A new documentation requirement in ISA 315 (Revised 2019) to strengthen and clarify the documentation expectations about the significant judgments made by the auditor when performing the 'stand-back' evaluation in paragraph 36 of ISA 315 (Revised 2019).
 - (b) Enhancement to the application material to strengthen the 'stand-back' evaluations required by paragraphs 35–36 of ISA 315 (Revised 2019), including their interaction.
 - (c) Removal of paragraph 18 of ISA 330 and the related application material, including the reference to the performance of substantive procedures for material COTABDs not determined to be significant from paragraph A4 of ISA 330.

Option 2: Retain Paragraph 18 of ISA 330, with Certain Refinement as Necessary

7. **Appendix 2** provides the drafting changes under this Option which include certain enhancements or clarification to the application material, as follows:
 - (a) Given the proposals in September 2025 to explicitly acknowledge in the ISAs that under certain circumstances a test of controls alone approach to address an assertion-level ROMM is appropriate, rewording the application material in paragraph A43 of ISA 330.
 - (b) Clarifying and providing examples in paragraph A44 of ISA 330 to aid operationalizing the requirement.

Option 3: Revise the Extant Requirement to a Conditional Requirement and Clarify the Purpose and Rationale of Paragraph 18 of ISA 330

8. **Appendix 3** sets out the drafting changes under this Option which substantially remain the same as

⁵ 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.

what was presented to the Board in September 2025, with certain enhancements to the application material as follows:

- (a) As proposed in September 2025, including a new documentation requirement in ISA 315 (Revised 2019) to strengthen and clarify the documentation expectations about the significant judgments made by the auditor when performing the ‘stand-back’ evaluation in paragraph 36 of ISA 315 (Revised 2019).
- (b) Clarifying the example in paragraph A43A of ISA 330 as it implied that the auditor assessed a risk of material misstatement for the COTABD implying the existence of a relevant assertion.
- (c) Clarifying paragraph A44 of ISA 330 to aid operationalizing the requirement, including providing examples of assertions that the auditor may choose to focus on when performing substantive procedures for material COTABDs.

Matters for IAASB Consideration:

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 5–8 above, including the proposed drafting presented in **Appendices 1–3** for the Options for paragraph 18 of ISA 330. In particular:
 - (a) Does the Board retain its majority view from September 2025 to pursue removing paragraph 18 of ISA 330 and enhancing ISA 315 (Revised 2019) (i.e., Option 1 discussed in paragraph 6 and **Appendix 1**) as a preferred way forward.
 - (b) Are there any other matters or Options that should be considered in developing the explanatory memorandum accompanying the exposure draft for Proposed ISA 330.

Appendix 1

Option 1: Remove Paragraph 18 of ISA 330 and Enhance ISA 315 (Revised 2019)

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

Requirements

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Identifying and Assessing the Risks of Material Misstatement (Ref: Para. A184–A185)

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Identifying Risks of Material Misstatement

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29. The auditor shall determine the relevant assertions and the related significant classes of transactions, account balances and disclosures. (Ref: Para. A202–A204B)

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Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures

35. The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall ~~take into account~~consider all audit evidence obtained from the risk assessment procedures, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to whether corroborative or contradictory corroborate or contradict to the assertions made by management. (Ref: Para. A230–A231A2)

Classes of Transactions, Account Balances and Disclosures that Are Not Significant, but Which Are Material

36. For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, the auditor shall evaluate whether the auditor's determination remains appropriate. (Ref: Para. ~~A233~~A231–A231A–A235A)

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Documentation

38. The auditor shall include in the audit documentation:⁶ (Ref: Para. A237–A241)
- (a) The discussion among the engagement team and the significant decisions reached;
 - (b) Key elements of the auditor's understanding in accordance with paragraphs 19, 21, 22, 24 and 25; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed;

⁶ ISA 230, *Audit Documentation*, paragraphs 8–11, and A6–A7

- (c) The evaluation of the design of identified controls, and determination whether such controls have been implemented, in accordance with the requirements in paragraph 26; ~~and~~
- (d) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level, including significant risks and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made; and
- (e) The basis for the auditor's determination in accordance with paragraph 36 that material classes of transactions, account balances or disclosures are not significant classes of transactions, account balances or disclosures.

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Application and Other Explanatory Material

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Relevant Assertions and Significant Classes of Transactions, Account Balances and Disclosures (Ref: Para. 29)

Why Relevant Assertions and Significant Classes of Transactions, Account Balances and Disclosures Are Determined

A202. Determining relevant assertions and the significant classes of transactions, account balances and disclosures provides the basis for the scope of the auditor's understanding of the entity's information system required to be obtained in accordance with paragraph 25(a). This understanding may further assist the auditor in identifying and assessing risks of material misstatement (see [paragraph A86](#)).

Automated Technological Tools and Techniques

A203. The auditor may use technological tools~~automated techniques~~ to assist in the identification of significant classes of transactions, account balances and disclosures.

Examples:

- An entire population of transactions may be analyzed using technological~~automated~~ tools ~~and techniques~~ to understand their nature, source, size and volume. By applying technological tools~~automated techniques~~, the auditor may, for example, identify that an account with a zero balance at period end was comprised of numerous offsetting transactions and journal entries occurring during the period, indicating that the account balance or class of transactions may be significant (e.g., a payroll clearing account). This same payroll clearing account may also identify expense reimbursements to management (and other employees), which could be a significant disclosure due to these payments being made to related parties.
- By analyzing the flows of an entire population of revenue transactions, the auditor may more easily identify a significant class of transactions that had not previously been identified.

Disclosures that May Be Significant

A204. Significant disclosures include both quantitative and qualitative disclosures for which there is one or more relevant assertions. Examples of disclosures that have qualitative aspects and that may have relevant assertions and may therefore be considered significant by the auditor include disclosures about:

- Liquidity and debt covenants of an entity in financial distress.
- Events or circumstances that have led to the recognition of an impairment loss.
- Key sources of estimation uncertainty, including assumptions about the future.
- The nature of a change in accounting policy, and other relevant disclosures required by the applicable financial reporting framework, where, for example, new financial reporting requirements are expected to have a significant impact on the financial position and financial performance of the entity.
- Share-based payment arrangements, including information about how any amounts recognized were determined, and other relevant disclosures.
- Related parties, and related party transactions.
- Sensitivity analysis, including the effects of changes in assumptions used in the entity's valuation techniques intended to enable users to understand the underlying measurement uncertainty of a recorded or disclosed amount.
- Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.

Classes of Transactions, Account Balances and Disclosures that Are Not Significant, but Which Are Material

A204A. There may be classes of transactions, account balances or disclosures that are material but have not been determined to be significant classes of transactions, account balances or disclosures (i.e., there are no relevant assertions identified).

Example:

If the physical fixed assets of an entity consist of land accounted for at cost with no change in ownership, the auditor may not identify a risk of material misstatement. Even if the land is material to the current period's financial statements, the auditor has not determined a relevant assertion and, therefore, the balance is not a significant class of transactions, account balance or disclosure. The entity may have a disclosure about executive compensation for which the auditor has not identified a risk of material misstatement. However, the auditor may determine that this disclosure is material based on the considerations in paragraph A233.

[Moved from Para. A234]

A204B. Paragraphs A231A and A235A provide further guidance that is relevant to classes of transactions, account balances and disclosures that are not significant, but which are material.

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Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures (Ref: Para 35)

Why the Auditor Evaluates the Audit Evidence from the Risk Assessment Procedures

A230. Audit evidence obtained from performing risk assessment procedures provides the basis for the identification and assessment of the risks of material misstatement. This provides the basis for the auditor's design of the nature, timing and extent of further audit procedures responsive to the assessed risks of material misstatement, at the assertion level, in accordance with ISA 330. Accordingly, the audit evidence obtained from the risk assessment procedures provides a basis for the identification and assessment of risks of material misstatement whether due to fraud or error, at the financial statement and assertion levels.

Professional Skepticism

A230A. In evaluating the audit evidence from the risk assessment procedures, the auditor considers whether sufficient understanding about the entity and its environment, the applicable financial reporting framework and the entity's system of internal control has been obtained to be able to identify the risks of material misstatement, as well as whether there is any evidence that is contradictory that may indicate a risk of material misstatement.

[Moved from Para. A232]

The Evaluation of the Audit Evidence

A231. Audit evidence from risk assessment procedures comprises both evidence that may information that supports and corroborates, the management's assertions, made by management, or evidence and any information that may contradicts such assertions.⁷

A231A. For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, paragraph 36 requires the auditor to evaluate whether the auditor's determination remains appropriate. In making the evaluation required by paragraph 35, the auditor's consideration of all the evidence obtained from the risk assessment procedures performed may cause the auditor to determine that further audit evidence is necessary from risk assessment procedures to provide an appropriate basis for the auditor's evaluation required by paragraph 36 relating to material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures.

Professional Skepticism

A232. [Moved to Para. A230A]

Classes of Transactions, Account Balances and Disclosures that Are Not Significant, but Which Are Material
(Ref: Para. 36)

⁷ Proposed ISA 500 (Revised), paragraph A12C4

A233. ~~As explained in ISA 320,⁸ materiality and audit risk are considered when identifying and assessing the risks of material misstatement in classes of transactions, account balances and disclosures. The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of users of the financial statements.⁹ For the purpose of this ISA and paragraph 18 of ISA 330, classes of transactions, account balances or disclosures are material if omitting, misstating or obscuring information about them could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements as a whole.~~

A234. [Moved to Para. A204A]

A235. ~~Audit procedures to address classes of transactions, account balances or disclosures that are material but are not determined to be significant are addressed in ISA 330.¹⁰ When a class of transactions, account balance or disclosure is determined to be significant as required by paragraph 29, the class of transactions, account balance or disclosure is also a material class of transactions, account balance or disclosure for the purposes of paragraph 18 of ISA 330.~~

A235A. The auditor's evaluation required by paragraph 36 in relation to material classes of transactions, account balances or disclosures that are not significant classes of transactions, account balances or disclosures, may be influenced by factors such as:

- The degree of changes affecting the entity's business that involve changes in accounting for the material classes of transactions, account balances or disclosures.
- Whether, based on the audit evidence obtained, for material classes of transactions, account balances or disclosures:
 - There are new or emerging risks which indicate potential for misstatements to occur.
 - Contradictory information exists that raises questions whether the rationale for the auditor's determination remains appropriate.
- Whether a particular class of transactions, account balance or disclosure may be of particular importance to users of the financial statements (e.g. due to regulatory, strategic, or market-specific considerations). In determining the information needs of users, the auditor may consider matters such as management's materiality judgments in preparing the financial statements, as well as particular areas of interest related to the industry in which the users of the financial statements operate.

Example:

An entity may have a disclosure about segment information for which the auditor has not identified a risk of material misstatement. However, the auditor's understanding of the financial information needs of users of the financial statements indicates that users rely on

⁸—ISA 320, paragraph A1

⁹—ISA 320, paragraph 4

¹⁰—ISA 330, paragraph A418

segment information to understand the performance and risks across different parts of the entity's business.

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ISA 330, *The Auditor's Responses to Assessed Risks*

Requirements

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

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Substantive Procedures

~~18. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure. (Ref: Para. A43–A49)~~

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Application and Other Explanatory Material

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

The Nature, Timing and Extent of Further Audit Procedures (Ref: Para. 6)

A4. ...

The auditor need not design and perform further audit procedures where the assessment of the risk of material misstatement is below the acceptably low level. ~~However, as required by paragraph 18, irrespective of the approach selected and the assessed risk of material misstatement, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure.~~

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Substantive Procedures (Ref: Para. 6,~~18~~)

~~A43. Paragraph 18 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure. For significant classes of transactions, account balances and disclosures, substantive procedures may have already been performed because paragraph 6 requires the auditor to design and perform further audit procedures that are responsive to the assessed risks of material misstatement at the assertion level. Accordingly,~~

~~substantive procedures are required to be designed and performed in accordance with paragraph 18:~~

- ~~• When the further audit procedures for significant classes of transactions, account balances or disclosures, designed and performed in accordance with paragraph 6, did not include substantive procedures; or~~
- ~~• For each class of transactions, account balance or disclosure that is not a significant class of transactions, account balance or disclosure, but that has been identified as material in accordance with ISA 315 (Revised 2019).⁴⁴~~

~~This requirement reflects the facts that: (a) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (b) there are inherent limitations to controls, including management override.~~

~~A44. Not all assertions within a material class of transactions, account balance or disclosure are required to be tested. Rather, in designing the substantive procedures to be performed, the auditor's consideration of the assertion(s) in which, if a misstatement were to occur, there is a reasonable possibility of the misstatement being material, may assist in identifying the appropriate nature, timing and extent of the procedures to be performed.~~

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⁴⁴—ISA 315 (Revised 2019), paragraph 36

Appendix 2

Option 2: Retain Paragraph 18 of ISA 330, with Certain Refinement as Necessary

ISA 330, *The Auditor's Responses to Assessed Risks*

Requirements

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

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Substantive Procedures

18. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure. (Ref: Para. A43–A49)

...

Application and Other Explanatory Material

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

The Nature, Timing and Extent of Further Audit Procedures (Ref: Para. 6)

- A4. ...

The auditor need not design and perform further audit procedures where the assessment of the risk of material misstatement is below the acceptably low level. However, as required by paragraph 18, irrespective of the approach selected and the assessed risk of material misstatement, the auditor designs and performs substantive procedures for each material class of transactions, account balance, and disclosure.

...

Substantive Procedures (Ref: Para. 6,18)

- A43. Paragraph 18 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure. For significant classes of transactions, account balances and disclosures, substantive procedures may have already been performed because paragraph 6 requires the auditor to design and perform further audit procedures that are responsive to the assessed risks of material misstatement at the assertion level. Accordingly, substantive procedures are required to be designed and performed in accordance with paragraph 18:

- When the further audit procedures for significant classes of transactions, account balances or disclosures, designed and performed in accordance with paragraph 6, did not include substantive procedures; or
- For each class of transactions, account balance or disclosure that is not a significant class of transactions, account balance or disclosure, but that has been identified as material in accordance with ISA 315 (Revised 2019).¹²

This requirement reflects the facts that: (a) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (b) there are inherent limitations to controls, including management override. Accordingly, this requirement also applies when the further audit procedures designed and performed in accordance with paragraph 6, involve performing tests of controls alone for all the relevant assertions of the class of transactions, account balance or disclosure.

- A44. Not all assertions within a material class of transactions, account balance or disclosure are required to be tested. Rather, ~~the in designing the substantive procedures to be performed, the auditor's consideration of the may focus on the~~ assertion(s) that, in which, if a misstatement were to occur, it is expected to be of particular importance to users of the financial statements ~~there is a reasonable possibility of the misstatement being material, may assist in identifying the appropriate nature, timing and extent of the procedures to be performed.~~

Examples:

- For a land balance carried at cost, the auditor may inspect a title deed to establish that the entity holds or controls the rights to the land and to ascertain that there has been no change in ownership at the date of the financial statements.
- For a disclosure of segment information, the auditor may confirm the completeness of reportable segments required under the applicable financial reporting framework.

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¹² ISA 315 (Revised 2019), paragraph 36

Appendix 3

Option 3: Revise the Extant Requirement to a Conditional Requirement and Clarify the Purpose and Rationale of Paragraph 18 of ISA 330

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

Requirements

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Documentation

38. The auditor shall include in the audit documentation:¹³ (Ref: Para. A237–A241)

- (a) The discussion among the engagement team and the significant decisions reached;
- (b) Key elements of the auditor's understanding in accordance with paragraphs 19, 21, 22, 24 and 25; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed;
- (c) The evaluation of the design of identified controls, and determination whether such controls have been implemented, in accordance with the requirements in paragraph 26; ~~and~~
- (d) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level, including significant risks and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made; and
- (e) The basis for the auditor's determination in accordance with paragraph 36 that material classes of transactions, account balances or disclosures are not significant classes of transactions, account balances or disclosures.

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ISA 330, *The Auditor's Responses to Assessed Risks*

Requirements

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

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Substantive Procedures

18. ~~Irrespective of the assessed risks of material misstatement, t~~he auditor shall determine the need to design and perform substantive procedures for each material class of transactions, account balance,

¹³ ISA 230, *Audit Documentation*, paragraphs 8–11, and A6–A7

and disclosure that have not been determined to be a significant class of transactions, account balance or disclosure. (Ref: Para. A43–A49)

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Application and Other Explanatory Material

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Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level

The Nature, Timing and Extent of Further Audit Procedures (Ref: Para. 6)

A4. ...

The auditor need not design and perform further audit procedures where the assessment of the risk of material misstatement is below the acceptably low level. However, as required by paragraph 18, ~~irrespective of the approach selected and the assessed risk of material misstatement,~~ the auditor determines the need to designs and performs substantive procedures for each material class of transactions, account balance, and disclosure that have not been determined to be a significant class of transactions, account balance or disclosure.

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Substantive Procedures (Ref: Para. 6,18)

A43. In applying the concept of materiality, the auditor considers the financial information needs of users of the financial statements.¹⁴ Classes of transactions, account balances or disclosures are material if omitting, misstating or obscuring information about them could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements as a whole.¹⁵ In identifying and assessing the risks of material misstatement in accordance with ISA 315 (Revised 2019), the auditor may determine that certain material classes of transactions, account balances or disclosures are not significant classes of transactions, account balances or disclosures.¹⁶ Such material classes of transactions, account balances or disclosures may nevertheless be of particular importance to users of the financial statements (e.g., due to regulatory, strategic, or market-specific considerations). Therefore, paragraph 18 requires the auditor to determine the need to design and perform substantive procedures on such material classes of transactions, account balances or disclosures.

~~Paragraph 18 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure. For significant classes of transactions, account balances and disclosures, substantive procedures may have already been performed because paragraph 6 requires the auditor to design and perform further audit procedures that are responsive to the assessed risks of material misstatement at the assertion level. Accordingly,~~

¹⁴ ISA 320, *Materiality in Planning and Performing an Audit*, paragraph 4

¹⁵ ISA 315 (Revised 2019), paragraph A233

¹⁶ ISA 315 (Revised 2019), paragraph 36

~~substantive procedures are required to be designed and performed in accordance with paragraph 48:~~

- ~~• When the further audit procedures for significant classes of transactions, account balances or disclosures, designed and performed in accordance with paragraph 6, did not include substantive procedures; or~~
- ~~• For each class of transactions, account balance or disclosure that is not a significant class of transactions, account balance or disclosure, but that has been identified as material in accordance with ISA 315 (Revised 2019).⁴⁷~~

~~This requirement reflects the facts that: (a) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (b) there are inherent limitations to controls, including management override.~~

A43A. The need to perform substantive procedures for material classes of transactions, account balances, and disclosures that have not been determined to be a significant class of transactions, account balance or disclosure is a matter of professional judgment in the circumstances. In determining the information needs of users, the auditor may consider factors such as management's materiality judgments in preparing the financial statements, as well as particular areas of interest related to the industry in which the users of the financial statements operate.

Example:

The auditor may not have identified a risk of material misstatement for the entity's disclosure of segment information, however, the auditor's understanding of the financial information needs of users of the financial statements indicates that users rely on segment information to understand the performance and risks across different parts of the entity's business.

A44. Not all assertions within a material class of transactions, account balance or disclosure are required to be tested. Rather, ~~the in designing the substantive procedures to be performed, the auditor's consideration of the may focus on the~~ assertion(s) ~~that, in which,~~ if a misstatement were to occur, ~~it is expected to be of particular importance to users of the financial statements~~ ~~there is a reasonable possibility of the misstatement being material, may assist in identifying the appropriate nature, timing and extent of the procedures to be performed.~~

Examples:

- For a land balance carried at cost, the auditor may inspect a title deed to establish that the entity holds or controls the rights to the land and to ascertain that there has been no change in ownership at the date of the financial statements.
- For a disclosure of segment information, auditor may confirm the completeness of reportable segments required under the applicable financial reporting framework.

⁴⁷—ISA 315 (Revised 2019), paragraph 36