

Audit Evidence & Risk Response (AE&RR) – Cover Note

Objectives:

The objectives of the IAASB discussion in December 2025 are to obtain the Board's input on Staff's views and recommendations for addressing selected topics on AE&RR and the changes proposed for ISA 330,¹ ISA 500² and ISA 520.³

Approach to the Board Discussion:

During the December 2025 IAASB meeting, Staff will introduce the topics on AE&RR discussed in **Agenda Items 5–A to 5–L** that will be subject to the Board's input and views during the December 2025 IAASB meeting. Each topic will be separately introduced and discussed. Where applicable, Staff will refer to the drafting paragraphs for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) presented in **Agenda Items 5–M, 5–N and 5–O**, respectively.

Introduction

Background

- At the September 2025 IAASB meeting, the Board discussed several key issues and related actions⁴ from the AE&RR [project proposal](#) relevant to the concurrent revision of ISA 330, ISA 500, and ISA 520 ('in-scope standards'). The IAASB provided directional input and specific comments for further consideration in the development of the exposure draft for the in-scope standards, as outlined in the September 2025 IAASB draft meeting minutes available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – December 8–11, 2025* webpage.

Materials Presented

Agenda Items for Board Discussion

- The table below provides an overview of the selected topics on AE&RR and the related separate Agenda papers that will be subject to the Board's input and views in December 2025.

Agenda Item 5–A	Material Classes of Transactions, Account Balances, and Disclosures
Agenda Item 5–B	Evaluating Relevance and Reliability of Information
Agenda Item 5–C	Authenticity of Information

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

² The work for the in-scope standards is based on 'Pre-finalization Holding Package' for Proposed ISA 500 (Revised), *Audit Evidence* (see [Agenda Item 5](#) discussed by the IAASB at the March 2024 meeting), 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.

³ ISA 520, *Analytical Procedures*

⁴ See [Agenda Item 9](#) discussed by the IAASB at the September 2025 meeting.

Agenda Item 5–D	Categorization of Audit Procedures
Agenda Item 5–E	Analytical Procedures
Agenda Item 5–F	Significant Risks
Agenda Item 5–G	Using Audit Evidence Obtained in a Previous Audit
Agenda Item 5–H	Evaluating the Outcome of Tests of Controls
Agenda Item 5–I	Selecting Items for Testing
Agenda Item 5–J	‘Stand-Back’ Requirements
Agenda Item 5–K	Technology
Agenda Item 5–L	Explanation of Other Changes
Agenda Item 5–M	Drafting Paragraphs for Proposed ISA 330 (Revised)
Agenda Item 5–N	Drafting Paragraphs for Proposed ISA 500 (Revised)
Agenda Item 5–O	Drafting Paragraphs for Proposed ISA 520 (Revised)

Appendices and Supplemental Agenda Items Accompanying This Paper

3. This Agenda Item includes the following appendices and supplemental agenda items:

Appendix 1	AE&RR Project Team and Activities
Appendix 2	Comparison of the AE&RR Technology-Related Actions with Certain Issues Identified by the IAASB Technology Position’s Catalog of Issues and Possible Actions
Agenda Item 5–P (Supplemental)	Mapping Progress on Proposed Actions of the AE&RR Project Proposal

Approach to Addressing the Proposed Actions in the Project Proposal

4. **Agenda Item 5–P** 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)⁵ that are to be used to assess the public interest responsiveness of the proposed revisions for the in-scope standards.

⁵ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

Coordination

International Ethics Standards Board for Accountants (IESBA)

5. In October 2025, Staff of the AE&RR project met with Staff of the IESBA to discuss the interaction of certain application material paragraphs in Proposed ISA 500 (Revised) that discuss designing and performing *audit procedures* to obtain sufficient appropriate audit evidence and references to audit evidence from performing other *audit procedures* in accordance with the ISAs. The discussion considered whether those paragraphs might inadvertently create perceived inconsistencies with the IESBA Code⁶ provisions that address the period during which independence is required, in particular the point at which the audit team is regarded as having begun to perform the audit.⁷
6. As a result of the coordination, certain wording changes were proposed to the affected application material paragraphs in Proposed ISA 500 (Revised) which are further explained in **Agenda Item 5–L**. Such changes were deemed appropriate in view of previous IAASB decisions in the course of the project to revise ISA 600 (Revised)^{8, 9} that clarified ‘*audit work*’ as being broader than ‘*audit procedures*’.¹⁰

Technology Consultation Group (TCG)

7. In October 2025, Staff of the AE&RR project met with Staff and members of the IAASB’s TCG to receive their views and input related to developing application material to facilitate the use of technological tools relevant to the in-scope standards (see **Agenda Item 5–K**).

Technology Quality Management Workstream

8. Staff of the AE&RR project met with Staff of the Technology Quality Management Workstream in October 2025. At the meeting, an update was provided on how the technology-related actions of the AE&RR project proposal have been considered to date in comparison with the issues identified by the IAASB Technology Position’s Catalog of Issues and Possible Actions (see **Appendix 2**).
9. In addition, an update was received from the Technology Quality Management Workstream on the ongoing outreach with stakeholders through the series of global roundtables. At the meeting, Staff of the Technology Quality Management Workstream provided key technology-related insights that are of

⁶ The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*

⁷ See paragraph R400.30 of the IESBA Code.

⁸ ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*

⁹ See paragraphs 29 and 30 of [Agenda Item 2](#) discussed by the IAASB at its September 2021 meeting and the related approved [meeting minutes](#). In addition, see paragraphs 55–64 of IESBA’s [Basis for Conclusions: Revisions to the Code Relating to the Definition of Engagement Team and Group Audits](#).

¹⁰ The IAASB’s position was that ‘audit work’ refers more broadly to the entirety of the work effort, including with respect to the work requested to be performed by component auditors. For example, audit work would encompass all aspects of planning and performing the group audit, including with respect to direction, supervision and review, and necessary administrative tasks (e.g., coordination with management). In the context of ISA 600 (Revised), the IAASB used ‘audit procedures’ when referring more specifically to the nature, timing and extent of audit procedures to be performed, including when component auditors are requested to perform specified audit procedures.

relevance to the AE&RR project, including a presentation on use cases of Artificial Intelligence (AI)-enabled tools in performing audit procedures, demonstrating a rapidly growing trend in this space.

ISA 500 Series Project

10. There has been ongoing coordination with the ISA 500 Series project when undertaking outreach activities (e.g., joint meetings and discussions with stakeholders to gather feedback). In addition, in September 2025, Staff of both projects met to discuss stakeholder feedback relevant to audit sampling that is linked to foundational concepts and principles addressed by ISA 330 and Proposed ISA 500 (Revised) (also see **Agenda Item 5–I**).

Interactions with the Board

11. Since September 2025, Staff have held a number of virtual meetings and one in-person meeting over three days with the Project Board Members to receive input and advice in the development of the issues presented to the Board in December 2025. In addition, Staff held 4 meetings with individual Board members and Technical Advisors to receive feedback and discuss certain aspects of the project work.

Outreach

12. Details of outreach activities and meetings since September 2025 are included in **Appendix 1**.

Way Forward

13. Based on the Board's feedback in December 2025, the AE&RR Staff and Project Board Members will continue to discuss the issues discussed at the meeting. Also, in March 2026, the Board will be presented with a first full draft standards of Proposed ISA 330, Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised), together with conforming and consequential amendments to other ISAs as a result of the proposed revisions to the in-scope standards.
14. In addition, Staff will continue to engage in coordination activities with other IAASB projects, Consultation Groups and the 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.

Appendix 1

AE&RR Project Team and Activities

Project Team

1. In addition to the following IAASB Staff, the project team includes Susan Jones (Technical Advisor to IAASB member, Neil Morris):
 - Kalina Shukarova Savovska
 - Megan Leicht
 - Fadi Mansour
 - Ana Espinal-Rae
 - Kristie Bin 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](#).

Outreach Activities and Meetings

4. In October 2025, Staff of the AE&RR project met with representatives of the Australian Auditing and Assurance Standards Board and the New Zealand Auditing and Assurance Standards Board to exchange perspectives for a test of controls alone approach to address an assertion level risk of material misstatement.
5. In addition, the AE&RR project was specifically addressed in meetings with the following stakeholders during the fourth quarter as part of the general outreach program:
 - Meeting with representatives of the Accounting and Auditing Working Group of the International Association of Insurance Supervisors (IAIS).
 - Presentation to the Financial Audit and Accounting Subcommittee of the International Organization of Supreme Auditing Institutions (INTOSAI).
 - Participation at the V Latin American Group of Financial Reporting Standards Setters (GLENIF) Congress.
 - Meeting with representatives of the Committee of European Auditing Oversight Bodies (CEAOB) – Madrid, Spain.
 - Presentation at the African Regional Forum of Firms meeting – Cape Town, South Africa.
 - Presentation at the Moore European Audit Conference 2025, hosted by Moore Global – Rotterdam, the Netherlands.

Appendix 2

Comparison of the AE&RR Technology-Related Actions with Certain Issues Identified by the IAASB Technology Position's Catalog of Issues and Possible Actions

1. The table below provides a comparison of how the technology-related actions of the project proposal have been considered by the AE&RR project to date, and the related issues identified by the IAASB's Technology Position Catalog of Issues and Possible Actions.¹¹

Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
Terminology	<i>1(a) – More clarity needed in technology-related terminology</i>	Action C.1	<ul style="list-style-type: none"> The term 'automated tools and techniques' is proposed to be replaced with a new term 'technological tools' to address concerns around the meaning of 'technique' and the lack of clarity for the level of 'automation' implied by the extant term. The new term 'technological tools' also enables integration with the concept of technological resources used in ISQM 1,¹³ improving the coherence of technology-related terminology across the suite of IAASB Standards. A new description of the term 'technological tools', with supporting examples, has been developed and placed in both ISQM 1 and ISA 220 (Revised).¹⁴ The description illustrates and clarifies how technological resources may be used on audit engagements in

¹¹ The comparison considered the most recent version of the IAASB's Technology Position Catalog of Issues and Possible Actions in [Agenda Item 7-B](#) discussed by the IAASB at the September 2025 meeting. In the table above, only those actions from the Catalog of Issues and Possible Actions that are relevant to the in-scope standards have been mapped.

¹² See **Agenda Item 5–P** that maps the progress on proposed actions of the AE&RR project proposal.

¹³ 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*

¹⁴ ISA 200 (Revised), *Quality Management for an Audit of Financial Statements*

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Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
			<p>facilitating the design or performance of engagement procedures in obtaining sufficient appropriate evidence.</p> <ul style="list-style-type: none"> The AE&RR project will also consider conforming and consequential amendments to other ISAs to align technology-related terminology across the suite of standards. <p><i>Ref: Agenda Item 7 (Section III) of March 2025; Agenda Items 4 (Part B, Section II) and Agenda Item 4–B of June 2025; and Agenda Item 5–N of December 2025</i></p>
Determining Whether to Perform Technology-Enabled Procedures¹⁵	<i>4(a) – Exploring introducing explicit requirements and application material about determining whether technology-enabled procedures are required to achieve engagement objectives</i>	Actions C.2; C.4	<ul style="list-style-type: none"> Specificity has been introduced to the requirement in paragraph 25 of ISA 220 (Revised), about the resources used on engagements which are non-negotiable (i.e., human, technological and intellectual resources). Doing so provides a prominent consideration for technological (and other) resources at the engagement level, which is the level where appropriate resource-related considerations are required to be made. New application material in ISA 220 (Revised) has been developed to support the auditor's determination of whether to use technological tools, along with examples of circumstances where the use of technological tools may be necessary to address risks of material misstatement and obtain sufficient appropriate audit evidence. <p><i>Ref: Agenda Item 9–C of September 2025; Agenda Item 5–K of December 2025</i></p>

¹⁵ The term 'technology-related procedures' is used throughout the Catalog to maintain consistency with terminology used in the IAASB's Technology Position. However, this term does not appear in the ISAs. The use of this term is not meant to prejudice the outcome of work that will be carried out by the AE&RR project team about the appropriateness of technology-related terminology used throughout the ISAs.

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Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
	<i>4(b) – Challenges to using technology-enabled procedures that arise because of how data is produced and maintained by entities</i>	Actions A.5; A.10	<ul style="list-style-type: none"> New and enhanced application material is proposed to be developed regarding the form, availability, accessibility and understandability of information, including information produced and maintained by entities, as areas for auditors to be aware of when planning to obtain evidence using technological tools. New application material is proposed to be developed to provide specific considerations and guidance relevant to the inputs used in technological tools when evaluating relevance and reliability of information. <p><i>Ref: Agenda Items 5–B, 5–C and 5–N of December 2025</i></p>
Entities' Use of Technology	<i>5(a) – Identifying, assessing, and responding to risks arising from the use of IT by entities</i>	Action C.16	<ul style="list-style-type: none"> Enhancements have been made to the application material of ISA 330 and Proposed ISA 500 (Revised) to address new or changing risks introduced by the use of emerging technologies by entities. <p><i>Ref: Agenda Item 9–C of September 2025; Agenda Items 5–M and 5–N of December 2025</i></p>
Performing Technology-Enabled Procedures	<i>6(a) – Exploring introducing explicit requirements and application material about considerations for the appropriate use of technology-enabled procedures</i>	Action C.3	<ul style="list-style-type: none"> It was determined to develop application material to facilitate the use of technological tools on audit engagements and not to pursue technology-related requirements for the in-scope standards that would apply conditionally or otherwise. The rationale for this approach includes the need for the ISAs to remain principle-based, flexible and current in view of rapid technological evolution. <p><i>Ref: Agenda Item 9–C of September 2025; Agenda Items 5–K and 5–N of December 2025</i></p>

Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
	<i>6(b) – Interpretability or explainability associated with how a technology-enabled procedure arrives at its outputs</i>		<ul style="list-style-type: none"> New application material is proposed to be developed to address a broad range of matters relevant to appropriate use of technological tools when performing audit procedures to obtain and evaluate audit evidence. This includes highlighting specific documentation necessary to explain the logic applied by technological tools in gathering the results and any related decisions. <p><i>Ref: Agenda Item 9–C of September 2025; Agenda Items 5–K and 5–N of December 2025</i></p>
	<i>6(c) – Categorization of technology-enabled procedures</i>	Actions B.1; C.6; C.8; C.9	<ul style="list-style-type: none"> To enhance clarity, extant terminology for a ‘dual-purpose test’ and descriptions of ‘multi-purpose procedures’ have been consolidated under a broader notion of ‘an audit procedure used for more than one purpose’ with supporting examples of what such procedures entail, including when using technological tools. In addition, the requirements have been strengthened to specify the auditor’s responsibilities when using an audit procedure for more than one purpose. Because the way that the categories of audit procedures are interpreted or understood in practice affects both the extent of the substantive procedures performed and the sufficiency of the audit evidence obtained, additional clarity is being proposed by defining (or describing) the categories of substantive procedures. Providing such clarity around key terminology used in the ISAs is anticipated to enhance consistency in practice and improve audit quality, irrespective of whether technological tools are used (or not used) in obtaining and evaluating audit evidence. In doing so, application material is being enhanced by providing examples of how technological tools may be used to perform tests of details or substantive analytical procedures.

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Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
			<ul style="list-style-type: none"> The scope of the definition for tests of controls has been broadened to facilitate testing the operating effectiveness of controls that operate more widely than at the assertion level. <p><i>Ref: Agenda Item 7 (Sections II and VI) of March 2025; Agenda Item 4 (Part A, Section I) of June 2025; Agenda Item 9–D of September 2025; Agenda Items 5–B, 5–D, 5–L, 5–M and 5–N of December 2025</i></p>
	6(d) – Challenges associated with the use of technology-enabled substantive analytical procedures (SAP)	Actions B.21; C.8	<ul style="list-style-type: none"> To address concerns with the lack of distinction among the various uses of analytical procedures across all stages of an audit: <ul style="list-style-type: none"> The scope of ISA 520 is extended to embed a complete framework to support auditors' judgments when using analytical procedures, including data analytics techniques. Clarifications are pursued to the definition of analytical procedures. Substantive analytical procedures are separately defined from analytical procedures. New and strengthened requirements and application material have been developed regarding designing and performing substantive analytical procedures, addressing the level of precision of the entire procedure, including: <ul style="list-style-type: none"> When developing the auditor's expectation from recorded amounts. The relevance and reliability of the underlying data on which the expectation is based. The threshold that is acceptable without further investigation.

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Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
			<i>Ref: Agenda Item 7 (Section VI) of March 2025; Agenda Item 4 (Part A, Section II) of June 2025; Agenda Items 5–D and 5–O of December 2025</i>
	<i>6(e) – Testing outliers and exceptions in the output of a technology-enabled procedure</i>	Actions C.12	<ul style="list-style-type: none"> Requirements have been clarified for investigating the results of analytical procedures used as risk assessment procedures and when concluding on an audit. In addition, new and strengthened requirements have been developed regarding investigating the results of substantive analytical procedures. New application material is proposed to specify the need to investigate results from substantive procedures that identify exceptions or inconsistencies that require further investigation to determine whether a control deviation or a misstatement exists. New application material has been developed to provide guidance for investigating the output generated by technological tools that are inconsistent with the auditor's expectations and how they may depend on the purpose of the audit procedure (e.g., risk assessment or further audit procedures). <p><i>Ref: Agenda Item 9–H of September; Agenda Items 5–E, 5–I, 5–M and 5–O of December 2025</i></p>
	<i>6(h) – Documentation requirements when performing technology-enabled procedures</i>	Actions B.25; B.26	<ul style="list-style-type: none"> New application material is proposed to be developed to provide specific guidance about the expected audit documentation for the inputs and outputs when: <ul style="list-style-type: none"> Using a technological tool in designing and performing audit procedures.

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Catalog of Issues and Possible Actions		AE&RR Project	
Theme	Description of Issue	Ref. Action ¹²	Key Technology-Related Changes Considered to Date
			<ul style="list-style-type: none"> Designing and performing audit procedures used for more than one purpose (i.e., dual-purpose tests and ‘multipurpose procedures’). <p><i>Ref: Agenda Items 5–K of December 2025</i></p>
Using the Work of a (Management’s or Auditor’s) Expert	<i>7(b) – Evaluating the work of a management’s expert</i>	Action A.9	<ul style="list-style-type: none"> Relevant requirements and application material in Proposed ISA 500 (Revised) have been reinstated regarding the evaluation of the work of a management expert, which applies to circumstances when a technological tool is used by the expert. <p><i>Ref: Agenda Item 5–N of December 2025</i></p>
Technological Resources and Professional Skepticism	<i>8(a) – The impact of using technology-enabled procedures on the exercise of professional skepticism</i>	Actions A.8; A.16	<ul style="list-style-type: none"> New application material has been developed to address the exercise of professional skepticism related to automation bias. New requirements and enhanced application material have been developed to design and perform further audit procedures in an unbiased manner. <p><i>Ref: Agenda Item 7 (Section VII) of March 2025; Agenda Item 4 (Part B, Section III) of June 2025; Agenda Items 5–K, 5–M, 5–N and 5–O of December 2025</i></p>