

# Agenda Item

## 5–L

### Audit Evidence & Risk Response (AE&RR) – Explanation of Other Changes

#### Matters Addressed in this Agenda Item

This Agenda Item explains the other changes made to the drafting paragraphs for Proposed ISA 330 (Revised),<sup>1</sup> Proposed ISA 500 (Revised)<sup>2</sup> and Proposed ISA 520 (Revised)<sup>3</sup> presented in **Agenda Items 5–M, 5–N and 5–O**, respectively. The changes addressed in this Agenda item do not address matters of an editorial nature or matters discussed in the separate **Agenda Items 5–A to 5–K** that are subject to the Board's input and views in December 2025.

#### Matter for IAASB Consideration:

1. The Board is asked for its views on the other changes made to the drafting paragraphs for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) discussed in this Agenda Item, including whether there are any other matters that should be considered?

#### A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)

Reference	Explanation of Other Changes
<i>Definitions</i>	
Paragraph 4(b)	<p><i>Definition for Tests of Controls</i></p> <ul style="list-style-type: none"> <li>• In September 2025,<sup>4</sup> the Board supported broadening the scope of the definition for Tests of Controls to facilitate testing the operating effectiveness of controls that operate more widely than those at the assertion level. In addition, based on directional feedback from the Board for further simplifications to the definition, Staff have removed the reference to 'in preventing, or detecting and correcting' from the definition for Tests of Controls.</li> </ul>

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

<sup>2</sup> Proposed ISA 500 (Revised), *Audit Evidence*

<sup>3</sup> Proposed ISA 520, *Analytical Procedures*

<sup>4</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.

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The example in application material paragraph A0A was clarified and extended since the version presented to the Board in September 2025.</li> </ul>
<i>Overall Responses</i>	
Paragraph 5	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The last sentence of paragraph A18, addressing a consideration specific to smaller entities, was repurposed to a new application material paragraph A3A. This is because the absence of controls or of components of the system of internal control may make it impossible to obtain sufficient appropriate audit evidence for audits of any entity, irrespective of size. Also, a cross reference was provided to ISA 705 (Revised)<sup>5</sup> that sets out further action for the auditor in such circumstances.</li> </ul>
<i>Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level</i>	
Paragraph 6	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The circumstances in paragraph A4 were further clarified since the version presented in September 2025 to include all possible approaches that may be followed when designing and performing further audit procedures. In addition, the first sentence of the hanging paragraph was clarified given that further audit procedures are designed to address a risk of material misstatement, rather than an assertion.</li> <li>The specific circumstances in paragraph A4A when it may be appropriate for the auditor to design further audit procedures to obtain sufficient appropriate audit evidence related to a relevant assertion by performing only tests of control alone were clarified since the version presented in September 2025. In addition, an example was provided of when such an approach may be appropriate.</li> <li>Given that Appendix 1 of Proposed ISA 500 (Revised) explains that the types of audit procedures described therein</li> </ul>

<sup>5</sup> ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	are non-exhaustive (such as inspection, observation, confirmation, recalculation, reperformance, analytical procedures and inquiry), aligning changes were made to paragraph A5.
Paragraph 6A	<p><i>Requirements and Application Material</i></p> <ul style="list-style-type: none"> <li>As agreed by the Board in June 2025,<sup>6</sup> paragraphs 6A and A8B include a new requirement and supporting application material regarding performing further audit procedures in an unbiased manner.</li> </ul>
Paragraph 7	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>In September 2025, the Board supported Staff pursuing improvements in the alignment between the separate assessments of inherent risk and control risk (and the spectrum of inherent risk) required under ISA 315 (Revised 2019)<sup>7</sup> and paragraph 7 of ISA 330. Based on directional feedback from the Board, further clarifications have been considered to the requirement which include removing the references to ISA 315 (Revised 2019), since the related application material in paragraph A9, already explains that ISA 315 (Revised 2019) requires a separate assessment of inherent and control risks, and provides further details.</li> </ul> <p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>As previously presented in September 2025, paragraph A10A provides a new example of new or changing risks introduced by the use of emerging technologies by auditors and by entities.</li> <li>New application material is proposed in paragraph A10B to enhance linkages with ISA 315 (Revised 2019).</li> <li>As previously presented in September 2025, examples were added in paragraphs A15–A16 to illustrate how the level of detail of information may impact the effectiveness of substantive procedures. In addition, given that paragraph 11 of ISA 320 requires the auditor to determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures, the application material in paragraph A15 was clarified that it is performance materiality that is considered, rather than</li> </ul>

<sup>6</sup> See the approved IAASB [meeting minutes](#) from June 2025.

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

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	<p>materiality for the financial statements as a whole.</p> <ul style="list-style-type: none"> <li>The following changes have been made to paragraph A19 since what was presented to the Board in September 2025: <ul style="list-style-type: none"> <li>In response to comments that the example in the first bullet did not align with the new audit evidence framework of Proposed ISA 500 (Revised) that is neutral regarding the source of the information (i.e., internal versus external), the example was reworded.</li> <li>In the example in the second bullet was extended by emphasizing that the larger sample sizes refer to tests of controls and tests of details, in response to comments that tests of controls should be specifically addressed in the example box.</li> <li>In the example in the third bullet the words ‘specialist skills’ was replaced with ‘specialized skills’ to align with the use of this term in other ISAs.</li> <li>In response to comments from the Board, a new example was included in bullet five that is specific to substantive analytical procedures.</li> </ul> </li> </ul>
<i>Tests of Controls</i>	
Paragraph 8	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>New application material has been added to paragraph A19A to emphasize the influence of different types of controls (direct or indirect controls; manual, automated, or those that depend on other information processing or general information technology (IT) controls) on the design of responses to risks of material misstatement.<sup>8</sup></li> <li>As agreed by the Board in March 2025,<sup>9</sup> to consolidate extant terminology on ‘dual-purpose test’ and descriptions of ‘multi-purpose procedures’ under a broader notion of ‘an audit procedure used for more than one purpose,’ paragraph A23 was moved to Proposed ISA 500 (Revised).</li> </ul>

<sup>8</sup> See Action B.6 of **Agenda Item 5–P**.

<sup>9</sup> See the approved IAASB [meeting minutes](#) from March 2025.

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	<ul style="list-style-type: none"> <li>The following changes were made to paragraph A24A in response to Board comments in September 2025: <ul style="list-style-type: none"> <li>A hanging paragraph was included to recognize that the list of factors is non-exhaustive and that judgment is necessary in determining whether the existence of one or more factors indicate that substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level.</li> <li>Several factors were removed and revised. For example, the factor discussing the significance or consequence to management or those charged with governance of the effective operation of controls was removed given that this factor may not be directly relevant in the context of a financial statement audit.</li> <li>The list of examples was streamlined and simplified (e.g., the example on the entity's use of probabilistic technologies and the example discussing when inventory counting may be impracticable, were removed).</li> </ul> </li> </ul>
Paragraph 9	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>In view of the proposed changes to the definition for tests of controls, the language of the requirement clarifies that the persuasiveness of the audit evidence is about the operating effectiveness of the controls in responding to a risk of material misstatement (ROMM) at the assertion level.</li> </ul> <p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>In response to actions of the AE&amp;RR project proposal which seek to improve the alignment of terms and concepts between ISA 330 and ISA 315 (Revised 2019),<sup>10</sup> new application material was included in: <ul style="list-style-type: none"> <li>Paragraph A24C to explain the meaning of the phrase 'placing reliance on the operating effectiveness of controls.'</li> <li>Paragraph A24D which links to ISA 315 (Revised 2019) and explains that only by testing the operating effectiveness of controls may the auditor confirm their initial expectation about their operating effectiveness.</li> </ul> </li> <li>In paragraph A25, the phrase 'a higher level of assurance' was replaced with 'more persuasive audit evidence' to</li> </ul>

<sup>10</sup> See Actions B.16 and B.17 of **Agenda Item 5–P**.

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	better align with the requirement in paragraph 9.
Paragraph 11	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>Given the revisions to the definition for tests of controls, the language in the requirement clarifies that the auditor obtains audit evidence is about the operating effectiveness of the controls for the particular time, or throughout the period. In addition, the phrase ‘rely on’ was aligned with paragraph 9 to refer to the explained phrase ‘placing reliance.’</li> </ul> <p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>New application material is included in paragraph A32A to clarify what ‘timing’ means in the context of tests of controls and to provide additional context for requirements relating to audit evidence obtained in an interim period (paragraph 12) and the use of audit evidence obtained at times other than the current audit period (paragraphs 13–14).</li> <li>Certain wording clarifications are proposed to the application material in paragraph A33 including extending the examples. In addition, the subtitle ‘Intended Period of Reliance’ was removed as the paragraphs was subsumed under the general subtitle of ‘Timing of Tests of Controls.’</li> </ul>
<i>Evaluating the Sufficiency and Appropriateness of Audit Evidence</i>	
Paragraph 25	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The text in paragraph A62 (fourth bullet) was clarified since the version presented to the Board in September 2025, as it implied that testing of general IT controls would be performed prior to the identification of the risks arising from the use of IT.</li> </ul>
<i>Documentation</i>	
Paragraph 29	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>In response to actions of the AE&amp;RR project proposal which seek to improve the alignment of terms and concepts</li> </ul>

A. Proposed ISA 330 (Revised) (Ref: Agenda Item 5–M)	
Reference	Explanation of Other Changes
	between ISA 330 and ISA 315 (Revised 2019), <sup>11</sup> the words ‘relying on those controls’ were replaced with ‘the operating effectiveness of those controls.’ In doing so, the aim is for the requirement to retain its meaning as in extant, which is that if the auditor plans to use audit evidence obtained in previous audits about the operating effectiveness of controls, as part of the audit evidence to provide a basis for the control risk assessment, and to confirm the initial expectation about the operating effectiveness of controls, the auditor is required to include in their current year documentation the conclusions reached about the operating effectiveness of those controls in the previous audit.

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<sup>11</sup> See Actions B.16 and B.17 of **Agenda Item 5–P**.

B. Proposed ISA 500 (Revised) (Ref: Agenda Item 5–N)	
Reference	Explanation of Other Changes
<i>Introduction</i>	
Paragraph 3	<p><i>Scope</i></p> <ul style="list-style-type: none"> <li>The reference to ISA 330 was replaced with ISA 700 (Revised),<sup>12</sup> given that the overall conclusion on sufficiency and appropriateness of audit evidence has been repositioned into ISA 700 (Revised).</li> </ul>
<i>Definitions</i>	
Paragraph 7	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The example in the first bullet of paragraph A12B was revised to illustrate a procedure on certain aspects of information.</li> <li>The first bullet in paragraph A14B was aligned with changes proposed to paragraphs 7(c) and 9 of Proposed ISA 330 (Revised).</li> </ul>
<i>Designing and Performing Audit Procedures to Obtain Sufficient and Appropriate Audit Evidence</i>	
Paragraph 8	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The reference to ‘<i>all</i>’ audit procedures was removed from paragraph A14D to avoid suggesting that every activity performed to comply with the ISAs is to be treated as an ‘<i>audit procedure</i>.’ For example, consistent with previous IAASB decisions, certain activities (e.g., with respect to direction, supervision and review) constitute broader ‘<i>audit work</i>’ rather than ‘<i>audit procedures</i>’ which may be perceived as triggering the period under which independence is required as per the IESBA Code.<sup>13, 14</sup></li> </ul>

<sup>12</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>13</sup> The International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)*

<sup>14</sup> See paragraph R400.30 of the IESBA Code. In addition, paragraph 400.30 A1 of the IESBA Code states that the ‘engagement period starts when the engagement team begins to perform the audit.’

B. Proposed ISA 500 (Revised) (Ref: Agenda Item 5–N)	
Reference	Explanation of Other Changes
Paragraph 8A	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>As agreed by the Board in March 2025,<sup>15</sup> a new requirement is included specifying the auditor’s responsibilities when using an audit procedure for more than one purpose.</li> </ul> <p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>Paragraph A18 was subsumed into new application material in paragraph A26B. In addition, new examples are provided addressing circumstances when an audit procedure is used to achieve more than one purpose.</li> </ul>
<i>Information Intended to be Used as Audit Evidence</i>	
Paragraph 9	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>In paragraph A38 (first bullet), the reference to ISA 210<sup>16</sup> was replaced with paragraph 15 of ISA 315 (Revised 2019).<sup>17</sup> This was considered appropriate in view of previous IAASB decisions that certain activities constitute broader ‘<i>audit work</i>’ rather than ‘<i>audit procedures</i>.’ In addition, the wording of the example was aligned to paragraph 15 of ISA 315 (Revised 2019) which refers to acceptance <i>or</i> continuance.</li> <li>As agreed by the Board in June 2025, in paragraph A42, and throughout the standard, the term ‘automated tools and techniques’ was replaced with ‘technological tools.’</li> <li>In paragraph A45 the word ‘condition’ was replaced with ‘circumstances’ to avoid confusion with the example in the previous paragraph which references conditions where information has been inappropriately altered.</li> <li>As agreed by the Board in September 2025,<sup>18</sup> in paragraphs A45 and A47 new examples are provided of new or</li> </ul>

<sup>15</sup> See the approved IAASB [meeting minutes](#) from March 2025.

<sup>16</sup> ISA 210, *Agreeing the Terms of Audit Engagements*

<sup>17</sup> Paragraph 15 of ISA 315 (Revised 2019) establishes a responsibility for the auditor to, as part of designing and performing risk assessment procedures, consider information from the auditor’s procedures regarding acceptance or continuance of the client relationship or the audit engagement.

<sup>18</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.

B. Proposed ISA 500 (Revised) (Ref: Agenda Item 5–N)	
Reference	Explanation of Other Changes
	changing risks introduced by the use of new or emerging technologies by auditors and by entities.
Paragraph 10A	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>The requirement addressing the ‘input-operation-output’ when using a technological tool has been removed in view of the Board’s decision in September 2025<sup>19</sup> to pursue application material instead of requirements as an appropriate means to facilitate the use of technological tools on audits.</li> </ul>
<i>Inconsistencies in Audit Evidence</i>	
Paragraph 14	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>A cross reference was added in paragraph A88B to refer to analytical procedures that include requirements and guidance when the results of analytical procedures identify fluctuations or relationships that are inconsistent with other relevant information that may be relevant when applying the requirement in paragraph 14.</li> </ul>
<i>Appendices</i>	
Appendix 1	<ul style="list-style-type: none"> <li>The reference to ‘all’ audit procedures has been removed from the last bullet in paragraph 1A to avoid suggesting that every activity performed to comply with the ISAs is to be treated as an ‘<i>audit procedure</i>.’ For example, consistent with previous IAASB decisions, certain activities (e.g., with respect to direction, supervision and review) constitute broader ‘<i>audit work</i>’ rather than ‘<i>audit procedures</i>’ which may be perceived as triggering the period under which independence is required as per the IESBA Code.<sup>20</sup></li> </ul>

<sup>19</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.

<sup>20</sup> See paragraph R400.30 of the IESBA Code. In addition, paragraph 400.30 A1 of the IESBA Code states that the ‘engagement period starts when the engagement team begins to perform the audit.’

C. Proposed ISA 520 (Revised) (Ref: Agenda Item 5–O)	
Reference	Explanation of Other Changes
<i>Introduction</i>	
Paragraph 1	<p><i>Scope of this ISA</i></p> <ul style="list-style-type: none"> <li>Staff the drafting presented in June 2025, to improve the sequencing in how analytical procedures are usually used on an audit, the second sentence was reordered to first refer to the auditor's responsibility relating to the results of analytical procedures used as risk assessment and then to refer to analytical procedures near the end of the audit.</li> </ul>
<i>Definitions</i>	
Paragraph 4(a)	<p><i>Definition for Analytical Procedures</i></p> <ul style="list-style-type: none"> <li>The conjunction in the definition 'and' was replaced with 'or' to align with the definition of substantive analytical procedures. This is appropriate because the analysis of plausible relationships could be among <i>either</i> financial or non-financial information as well as among <i>both</i> financial and non-financial information (i.e., an inclusive 'or').</li> </ul>
<i>Substantive Analytical Procedures</i>	
Paragraph 5	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>Staff the drafting presented in June 2025, the words 'previous year data' were removed from the example in paragraph A5A to avoid misunderstanding that the auditor would be inappropriately exhibiting availability bias when using <i>relevant and reliable</i> previous year data.</li> </ul>
Paragraph 5(c)(ii)	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>A cross reference is made to the overarching requirements of Proposed ISA 500 (Revised) in paragraph A15 relating to the relevance of the information. In doing so, the application material also addresses that the level of detail of the information needed to meet the intended purpose of the audit procedure is a necessary consideration when developing a sufficiently precise expectation to meet the intended purpose of a substantive analytical procedure and that such expectation is based on plausible and predictable relationships that are expected to continue in the</li> </ul>

C. Proposed ISA 520 (Revised) (Ref: Agenda Item 5–O)	
Reference	Explanation of Other Changes
	<p>absence of known conditions to the contrary.</p> <ul style="list-style-type: none"> <li>The application material in paragraph A15A was enhanced with additional examples, such as adding emphasis on external factors and replacing certain examples which could be misunderstood as an analytical procedure, rather than being a sufficiently precise substantive analytical procedure.</li> <li>New application material has been added in paragraph A15B with examples of the use of technological tools when developing a precise expectation.</li> </ul>
Paragraph 5(d)	<p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>The application material in paragraph A16 was aligned with the changes proposed to paragraph 7(c) of ISA 330.</li> </ul>
<i>Analytical Procedures that Assist When Forming an Overall Conclusion</i>	
Paragraph 7	<p><i>Requirements</i></p> <ul style="list-style-type: none"> <li>In response to comments that the requirement could inadvertently be weakened through the wording revisions proposed, the words ‘consider management’s responses’ were replaced with ‘obtain audit evidence.’</li> </ul> <p><i>Application Material</i></p> <ul style="list-style-type: none"> <li>In the first sentence of paragraph A21A, the words ‘auditor’s understanding of the entity’ were replaced with ‘auditor’s knowledge obtained in the audit’ given that these analytical procedures are near the end of the audit.</li> </ul>