

### Audit Evidence and Risk Response (AE&RR) – Evaluating Relevance and Reliability of Information

This Agenda Item considers further matters relevant to evaluating information intended to be used as audit evidence as required by paragraphs 9 and 10 of the 'Pre-finalization Holding Package' for Proposed ISA 500 (Revised), *Audit Evidence*<sup>1</sup> and enhancements to requirements to test the operating effectiveness of controls (including indirect controls) to evaluate information as reliable.

#### Background

##### *Pre-finalization Holding Package*

1. Extant ISA 500, *Audit Evidence*, was progressed to a 'Pre-finalization Holding Package' for Proposed ISA 500 (Revised) under the Audit Evidence project, which encapsulates the Board's decisions on key aspects addressed in the ED-500,<sup>2</sup> including the IAASB's deliberations of proposals and options based on the feedback received on exposure.
2. Under the AE&RR project, Staff's work is based on Proposed ISA 500 (Revised) as encapsulated in the Pre-finalization Holding Package, rather than on extant ISA 500 or ED-500. This is because in approving the AE&RR project proposal, the Board agreed that certain actions of the project<sup>3</sup> will only be reconsidered if new information arises in the course of the AE&RR project which indicates that those decisions may no longer be appropriate.

##### *Previous IAASB Deliberations*

March 2024<sup>4</sup>

3. In finalizing the Pre-finalization Holding Package for Proposed ISA 500 (Revised) in March 2024, the Board provided directional feedback to:
  - (a) Clarify the wording in paragraph 9 of Proposed ISA 500 (Revised), as the drafting implied that the auditor is not required to consider the attributes of relevance and reliability themselves, but rather to only consider their significance alone.
  - (b) Enhance the linkage and consistency between the requirements in paragraphs 9 and 10 of Proposed ISA 500 (Revised) (i.e., reconsider the use of the word 'significance' in paragraph 9 versus the use of the word 'significant' in paragraph 10).
  - (c) Clarify the essential material in paragraph 10 of Proposed ISA 500 (Revised) to recognize that the attributes of accuracy and completeness may not always be of significance when performing risk assessment procedures.

<sup>1</sup> See [Agenda Item 5](#) discussed by the IAASB at the March 2024 quarterly meeting.

<sup>2</sup> See the [Exposure Draft for Proposed ISA 500 \(Revised\), Audit Evidence \(ED-500\)](#).

<sup>3</sup> See actions marked with an asterisk (\*) and *greyed out* in **Agenda Item 5–P**.

<sup>4</sup> See the March 2024 IAASB [approved minutes](#).

June 2025<sup>5</sup>

4. In June 2025, the Board discussed introducing a new requirement in ISA 330<sup>6</sup> to test the operating effectiveness of general IT controls (GITCs) to establish the reliability of the information used in further audit procedures, when such information depends on the continued effectiveness of GITCs. In providing directional feedback, the Board suggested further clarifications for the wording of the requirement, including clarifying scalability aspects to recognize that in certain circumstances, the reliability of system-generated information may be established without the need to test GITC.

## Overview of the Feedback from Outreach Activities

### Stakeholder Engagement

5. Since March 2025, Staff have engaged with Monitoring Group (MG) members<sup>7</sup> and with the IAASB Jurisdictional Standard Setters (JSS) Liaison Group (IAASB-JSS Liaison Group) to obtain views on certain changes encapsulated by the Pre-finalization Holding Package for Proposed ISA 500 (Revised). In addition, Staff engaged with Professional Accountancy Organizations (PAOs), regulators, audit firms and Forum of Firms (FoF) representatives on the topic of GITCs.

### Highlights from the Feedback<sup>8</sup>

#### Changes Since ED-500

- Broad support for certain changes since ED-500, including:
  - Reinstating the requirements, and related application material, to evaluate the appropriateness of the work of the management's expert.
  - Removing the 'stand-back' requirements.
  - The enhancements made for professional judgment and professional scepticism, and the enhanced linkages to the IESBA Code<sup>9</sup> provisions that promote the role and mindset expected of professional accountants.

#### Threshold of 'Significance'

- Mixed views around the use of the word 'significance' as a threshold for the attributes of relevance and reliability of information:

<sup>5</sup> See the approved IAASB [meeting minutes](#) from June 2025.

<sup>6</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

<sup>7</sup> Input was sought from the Standards Coordination Working Group (SCWG) of the International Forum of Independent Audit Regulators (IFIAR) and the International Organization of Securities Commissions' (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) for how the most prominent matters from their written responses to ED-500 were addressed in the Pre-finalization Holding Package for Proposed ISA 500 (Revised), including whether there are any other aspects that they would wish to further highlight or draw attention to.

<sup>8</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>9</sup> The International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*

- Broad support from the IAASB-JSS Liaison Group members.
- Views from one MG member that the threshold 'significance' is ambiguous and concern whether it would be properly understood as a threshold when evaluating information intended to be used as audit evidence.

#### Accuracy and Completeness

- Strong views from certain regulatory stakeholders, including a MG member, that it is necessary to set an obligation (as in extant) for the auditor to evaluate accuracy and completeness when information is from sources internal to the entity.
- Views that the essential material to the requirement in paragraph 10 of Proposed ISA 500 (Revised):
  - Remains unclear as to whether the word 'ordinarily' sets an obligation for the auditor to perform audit procedures for accuracy and completeness.
  - Reads as a 'hidden requirement.'
  - Is scoped too broadly and should be narrowed (e.g., explaining that the attributes of accuracy and completeness are of significance only when responding to significant risks).

#### Other Matters for Proposed ISA 500 (Revised)

- The interactions, linkages and consistency of the requirements in paragraph 9 and 10 of Proposed ISA 500 (Revised) could be enhanced.
- There remains circularity in the standard (e.g., audit procedures are performed to turn information into audit evidence but also the auditor performs audit procedures on the audit evidence itself).
- The work effort 'evaluate' implies a documentation implication that should be clarified.

#### GITCs

- Challenges and inspection findings with GITCs:
  - Insufficient consideration of GITC deficiencies and auditors continue to rely on application controls without adjusting their testing strategy.
  - Failure to establish GITC effectiveness when relying on system-generated reports used for substantive testing or when relying on application controls (i.e., assuming GITC effectiveness without valid work to establish their effectiveness).
  - Abandoning GITC reliance when deficiencies are found, rather than evaluating if such deficiencies can be mitigated or if other compensating controls exist.
- Views that:
  - There is a need to enhance consistency in practice for GITC testing and address the knowledge gap among auditors about how to respond to IT control deficiencies or how to integrate GITC findings into appropriate audit responses.
  - Testing of GITCs is challenging work, which often requires specialist skills. In addition,

scalability is important because even larger entities do not necessarily have the formality or documentation for GITCs in place to facilitate testing of their operating effectiveness.

- There are a range of views on the need to explicitly require auditors to test GITCs when relied upon:
  - Support from regulators as this would be effective in prompting auditors to reassess the need to test GITCs.
  - Concerns from firms about scalability impacts, insufficient clarity for the wording used in the proposed requirement (e.g., may be read as an obligation to only test GITCs or inadvertently impose requirements on management for establishing GITCs) and questions around its need given that firm methodology may be the appropriate means to address this matter.

## Staff Views and Recommendations

### *Evaluating Relevance and Reliability of Information*

<b>Relevant Paragraphs in Agenda Item 5–N:</b>	<b>Paras. 9–10; A14C, A35, A40, A50, A53, A56A, A56D, A69, A80</b>
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6. Staff propose the following clarifications to the requirements in paragraphs 9–10 of **Agenda Item 5–N** in response to directional feedback from the Board in March 2024:

- (a) Revise the wording of paragraph 9(b), to clarify that the auditor considers the attributes themselves versus considering their significance. In doing so, Staff also propose to refocus the requirement on the *attributes of reliability* alone. This was considered appropriate given that there is only one principal attribute for relevance which is in all cases evaluated as addressed by the lead-in sentence of paragraph 9.
- (b) Align the use of the threshold of ‘significance’ in paragraph 9(b) and ‘significant’ in paragraph 10, given it could infer an additional step or work effort between the requirements in paragraphs 9 and 10. In doing so, a cross reference is added from paragraph 10 to paragraph 9(b) to enhance the interaction among the paragraphs, including that the additional work effort when evaluating information is specific to the attribute(s) of reliability that the auditor *considers* are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.

In addition, as a result of the proposed revisions discussed in paragraphs 6(a)–(b) above, necessary alignment changes were also proposed to several application material paragraphs (see paragraphs A14C, A35, A40, A50, A53, A56A, A56D, A69 and A80 of **Agenda Item 5–N**).

7. Staff also propose to retain the essential material in paragraph 10 of **Agenda Item 5–N**, which read together with the application material in paragraph A56C sets a strong expectation for work effort for accuracy and completeness when information is from sources internal to the entity

### *Using Tests of Controls to Evaluate the Reliability of Information*

<b>Relevant Paragraphs in Agenda Item 5–N:</b>	<b>Paras. 10B; A65N–A65R</b>
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8. Further refinements, as discussed below, are proposed to the requirement to test the operating

effectiveness of GITCs in response to directional feedback from the Board. The refinements intend to (see paragraphs 10B, A65N–A65R of **Agenda Item 5–N**):

- (a) Extend the scope of the requirement to apply to both direct and indirect controls. This enables the requirement to remain future proof by addressing a broader range of controls that are relevant when evaluating information as reliable. For example, while GITCs remain a key type of control to maintain the integrity of the information processed by IT systems, other types of controls may also support the reliability of information (e.g., spreadsheet governance, data quality checks embedded in automated processes, controls over externally hosted data). In addition, based on the current pace of technological change (e.g., increased use of cloud-based systems, artificial intelligence and automated workflows in financial reporting), it is too limiting to base the requirement on GITCs alone, given that new forms of controls can be relevant to the integrity of information.
- (b) Place the requirement in Proposed ISA 500 (Revised), rather than in ISA 330. The benefit of doing so is that it would apply broadly to all information used in an audit, rather than just limiting it to further audit procedures. It also strengthens the principle-based framework for audit evidence as it sets clear expectations that audit work is necessary to address the integrity of information (i.e., for the completeness, accuracy and validity of such information) in the entity's information system, which includes system-generated reports. Doing so, responds to stakeholders (including MG members) who continue to express concern that the proposed standard is less robust than extant in relation to accuracy and completeness for information produced by the entity.
- (c) Clarify the relationships between ISA 315 (Revised 2019), ISA 330 and ISA Proposed 500 (Revised) with respect to tests of controls. ISA 315 (Revised 2019) requires the auditor to identify controls relevant to financial reporting. The proposed requirement in paragraph 10B of **Agenda Item 5–N**, builds on the expanded scope of tests of controls resulting from the proposed revisions to the definition of tests of controls in ISA 330, and recognizes circumstances where the auditor may test controls over information, which may extend beyond traditional financial reporting controls (e.g., controls over operational and other non-financial data).
- (d) Requiring a proportionate and scalable approach by allowing performance of other procedures to test the integrity of information, when appropriate to do so.

#### *Indirect Controls*

<i>Relevant Paragraphs in <b>Agenda Item 5–M</b>:</i>	<i><b>Paras. 10(b); A32</b></i>
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9. Paragraph 10 of extant ISA 330 requires the auditor to determine whether the controls to be tested depend upon other controls (indirect controls), and, if so, whether it is necessary to test the operating effectiveness of indirect controls. Given the newly proposed requirement in Proposed ISA 500 (Revised) discussed in paragraph 8 above, Staff propose to revise the requirements and application material, to explicitly require the auditor, when the auditor determines that the operating effectiveness of (direct) controls depend upon indirect controls, to test these indirect controls (see paragraphs 10(b) and A32 of **Agenda Item 5–M**).

**Matters for IAASB Consideration:**

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 6–9 above, including the related drafting presented in **Agenda Item 5–M and 5–N**. In particular:
  - (a) The proposed revisions to the requirements in paragraphs 9 and 10 of **Agenda Item 5–N**.
  - (b) The proposed requirement and related application material in paragraphs 10B and A65N–A65R of **Agenda Item 5–N** to test the operating effectiveness of controls that support the integrity of information.
  - (c) The proposed changes to paragraphs 10(b) and A32 of **Agenda Item 5–M** addressing indirect controls.