

# Audit Evidence and Risk Response (AE&RR)

## Agenda Item 5

IAASB December 2025 Meeting



# Project Team and Project Board Members

## Advancing Work in New York City





# Outreach & Feedback

# Significant Outreach Activities



**80+**

**Hours** of Engagement  
with Diverse Stakeholder  
Groups



**34**

Project Specific  
**Meetings** and  
Stakeholder Events



**19**

**Jurisdictions**  
Covering All Global  
Geographical Regions



**140+**

**Questions** Asked  
Covering a Wide Range  
of Topics



**Focused Discussions with Users of  
Financial Statements**



**Deep-Dive Sessions with MG Members**



**Engagement with Regulators and  
Audit Oversight Authorities**



**Input from JSS and PAO**



**Individual meetings with Accounting  
Firms, engagement with FoF and GPPC**



**Engagement with the SMPAG**



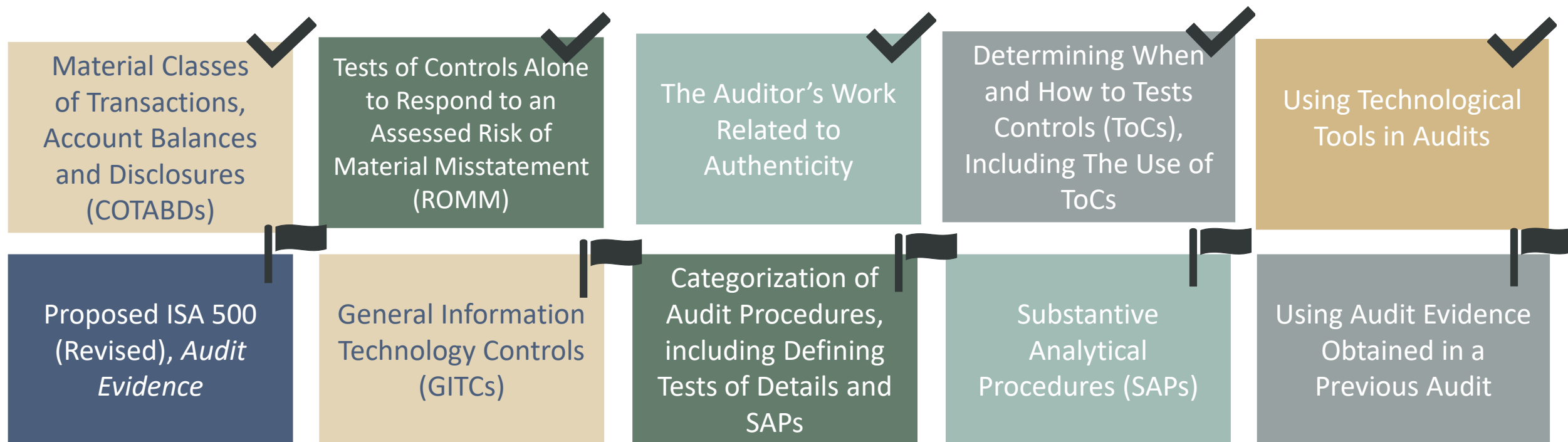
**Input from roundtable with diverse  
stakeholder representation**



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# Overview of Key Topics Explored With Stakeholders



\* Highlights from the feedback for the **checked topics** was presented to the Board in September 2025. The key insights and messages received from the feedback for the **flagged topics** explored with stakeholders is presented to the Board in December 2025, together with Staff's views and recommendations for the related issues (see Agenda Items 5–B; 5–D; 5–E and 5–G).

# Agenda Items 5–A to 5–L

# Material COTABDs\*

## Option 1: Majority Board Members in September 2025 Supported the Option to Remove Paragraph 18 of ISA 330 and Enhance ISA 315 (Revised 2019)

### *Key Features of Option 1:*

- New documentation requirement in ISA 315 (Revised 2019)
- Enhancing application material in ISA 315 (Revised 2019) to strengthen the 'stand-back' evaluations, including their interaction
- Removal of paragraph 18 of ISA 330 and related application material

## Other Options to Consider

- **Option 2:** Retain Paragraph 18 of ISA 330, with Certain Refinement as Necessary
- **Option 3:** Revise the Extant Requirement to a Conditional Requirement and Clarify the Purpose and Rationale of Paragraph 18 of ISA 330

*\*Material COTABDs that are not determined to be significant COTABDs are referred to in an abbreviated manner as 'material COTABDs'*

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–A:  
Appendices 1, 2 and 3**

## *Questions in Agenda Item 5–A*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 5–8 of Agenda Item 5–A, 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.



# Relevance and Reliability – What We Heard

## Support for certain changes since ED-500

- Evaluating management's expert work
- Removing the 'stand-back'
- Professional judgment and skepticism

## Regulatory views that stronger requirements are needed for accuracy and completeness

- Work effort for the attributes:
  - Range of views on the threshold 'significance'
  - Clarity for documentation expectations
- Range of views on the need to explicitly require auditors to test GITCs when relied upon:
  - Support from regulators – effective in prompting auditors to reassess the need to test GITCs
  - Concerns from firms – insufficient clarity for the proposed requirement, including for scalability and questions around its need

## Challenges with GITCs

- *Insufficient consideration of GITC deficiencies*
- *Failure to establish GITC effectiveness when relying on system-generated reports used for substantive testing*
- *Knowledge gap around integrating GITC findings into audit responses*

# Evaluating Relevance and Reliability of Information

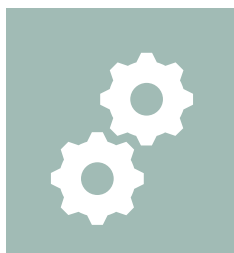
## 'UNIVERSE' OF CONTROLS

### Staff Views and Recommendations



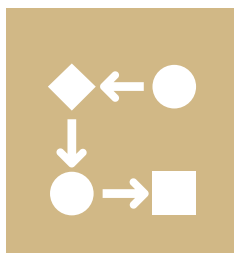
#### Evaluating Relevance and Reliability of Information

- Clarifications for paragraphs 9 and 10 of Proposed ISA 500 (Revised), including their interaction
- Refocusing the consideration of the attributes to reliability alone



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

- Scope extended to apply to all controls
- Placed in Proposed ISA 500 (Revised)
- Apply to all information used in an audit
- Allow for other procedures (when appropriate)



#### Indirect Controls

- Always test 'indirect' controls when the auditor determines that the operating effectiveness of (direct) controls depend upon indirect controls



# Matters for IAASB Consideration



## *Relevant Drafting Paragraphs in:*

**Agenda Item 5–N:**  
9–10; 10B; A14C; A35;  
A40; A50; A53; A56A;  
A56D; A65N–A65R; A69  
and A80

**Agenda Item 5–M:**  
10(b); A32

## *Questions in Agenda Item 5–B*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 6–9 of Agenda Item 5-B, 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

# Authenticity of Information

## Previous IAASB Deliberation

- Range of views on whether to retain or remove the lead-in sentence of A24 of ISA 200
- Directional feedback to enhance application material for the auditor's work effort on authenticity of information

## Staff Views and Recommendations

### New and Enhanced Examples

- Support auditor judgments:
  - When authenticity is of **significance** in the circumstances
  - Emphasis that the consideration for authenticity is **not a quantitative** determination

### Description for Authenticity of Information

- Clarify the **meaning for authenticity** in the context of the principle-based reference framework for audit evidence

### Paragraph A24 of ISA 200

- **Conforming and consequential amendment** to A24 of ISA 200 to resolve perceived inconsistencies with the work effort for authenticity required by the ISAs

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–N:  
A56; A56B and A56Fa–  
A56H**

**Agenda Item 5–C**

## *Questions in Agenda Item 5–C*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 13–21 of Agenda Item 5–C. In particular:
  - (a) The proposed changes to the application material and the clarifications to the description for authenticity as an attribute of information intended to be used as audit evidence in paragraphs A56, A56B and A56Fa–A56H of Agenda Item 5–N.
  - (b) The proposed conforming and consequential amendments to paragraph A24 of ISA 200 presented in paragraph 21 of Agenda Item 5–C.
2. The Board is asked whether there are any other matters that should be considered in relation to the auditor’s work related to authenticity.



# Categorization of Audit Procedures – What We Heard

- **Support for the ISAs to remain principle based and fit for purpose**
- **Recognition that the purpose of an audit procedure is more important than its type**

## Range of views on whether clarity for terminology is necessary by defining ‘Tests of Details’ and ‘SAPs’

- Concerns from firms around narrowly defining categories of substantive procedures:
  - Use of technological tools blurs the line among different types of audit procedures
  - Unintended consequence of restricting auditors to use other procedures capable of detecting ROMMs
- Range of views for allowing a ‘SAPs-alone’ approach to address a significant risk:
  - Concerns from regulators and MG members about the impact to audit quality
  - Support from firms given that the use of technological tools may render highly precise SAPs

## *Diverging approaches in firm methodologies*

- *Narrow definitions vs generic descriptions*
- *Labeling SAPs that are highly precise as tests of details*



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# Categorization of Audit Procedures

## Rationale for Definitions

- Need for consistency, common understanding and clarity
- Audit quality implications

Further work for substantive procedures responsive to significant risks

## Staff Views and Recommendations

### Substantive Procedures

#### *Futureproofing the Definition*

Substantive procedure – An audit procedure designed to detect material misstatements at the assertion level. Substantive procedures ***include tests*** of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures.

### Tests of Details

#### *Clarifying the Level of Detail*

Tests of details – A substantive procedure that involves the application of ***certain types of audit procedures to each specific item selected for testing.***

### SAP

#### *Refinements to the Definition*

Substantive analytical procedures – A substantive procedure that involves a comparison of a sufficiently precise expectation developed by the auditor, based on one or more plausible and predictable relationships among financial or non-financial information, to recorded amounts or amounts derived from recorded amounts to determine whether there is a ***material*** misstatement.

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–M:  
4(a); 4(c); and A0B–A0C**

**Agenda Item 5–O:  
4(b)**

## ***Questions in Agenda Item 5–D***

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 7–26 of Agenda Item 5–D. In particular:
  - (a) The proposed changes to definition for substantive procedures in paragraph 4(a) of Agenda Item 5–M.
  - (b) The proposed refinements to the definition of tests of details and the application material to the definition in paragraphs 4(c), A0B–A0C of Agenda Item 5–M.
  - (c) The proposed refinements to the definition of substantive analytical procedures in paragraph 4(b) of Agenda Item 5–O.
2. The Board is asked whether there are any other matters that should be considered in relation to the categories of substantive procedures.



# SAPs – What We Heard

## Support for distinguishing between analytical procedures as:

- Substantive procedures
- At other stages of the audit (risk assessment & when concluding)

## Concerns from firms about setting a threshold for evaluating the differences between expected and recorded amounts at or below performance materiality

- Practical challenges and inspection findings:
  - High-level comparisons and analytics treated as SAPs
  - Expectations not supported by relevant or reliable data
  - Failure to corroborate explanations obtained through inquiry
  - Experienced auditors need to be involved in designing and performing robust SAPs

## *Input from individual firms:*

- *Increasing use of technological tools to analyze entire populations, including to aid more precise risk assessment*
- *Some firms allow designing 'less precise' SAPs when performed in combination with tests of details*

# Analytical Procedures

## Staff Views and Recommendations

### Lead-In Sentence of Paragraph 5 of ISA 520

- Remove the reference to 'either alone or in combination with tests of details'

### Threshold for Investigating Differences

- Threshold acceptable without investigation **must not exceed planning materiality**

### Reliability of Information on Which an Expectation is Developed

- Alignment with Proposed ISA 500 (Revised)

### Results of Risk Assessment Analytical Procedures

- Consistency with the purpose of risk assessment procedures
- Support robust risk assessment analytical procedures

### Investigating the Results of SAPs

- Refinements to the requirements and application material since September 2025

### Implication for Revising the Scope of ISA 520

- Extending the objectives
- Limited changes to other ISAs
- Implications for ISREs

# Matters for IAASB Consideration



## *Relevant Drafting Paragraphs in:*

**Agenda Item 5–O:  
3; 4A; 5; 5(c)(i); 5(d); 5(e);  
A3B–A3C; A12–A14; A16  
and A16B–A16F**

**Agenda Item 5–N:  
Appendix 1**

**Agenda Item 5–E:  
Appendix 1**

## *Questions in Agenda Item 5–E*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 12–41 of Agenda Item 5-E, including the related drafting presented in Agenda Item 5–O, Agenda Item 5–N and in the Appendix 1 to Agenda Item 5-E. In particular:
  - (a) The proposed revisions to the lead-in sentence in paragraph 5 and the application material in paragraph A16 of Agenda Item 5–O.
  - (b) The explicit recognition in the requirement in paragraph 5(d) of Agenda Item 5–O that the threshold to evaluate differences from expected amounts acceptable without further investigation does not exceed planning materiality.
  - (c) The proposed alignment changes with Proposed ISA 500 (Revised) to paragraphs 5(c)(i) and A12–A14 of Agenda Item 5–O.
  - (d) The proposed requirement and related application material addressing the results of analytical procedures performed as risk assessment procedures in paragraphs 4A and A3B–A3C of Agenda Item 5–O.
  - (e) The refinements to the requirements and related application material for investigating the results of substantive analytical procedures in paragraphs 5(e) and A16B–A16F of Agenda Item 5–O.
  - (f) The implications of revising the scope of ISA 520, including the proposed changes to the objectives in paragraph 3 of Agenda Item 5–O, the alignment changes to ISA 315 (Revised 2019) in Appendix 1 to Agenda Item 5-E and Proposed ISA 500 (Revised) of Agenda Item 5–N.

# Significant Risks

## Staff Views and Recommendations

### Criteria to test controls remain sound

Auditor may test controls because:

- The auditor made a choice to do so, or
- Had no choice because it is necessary to obtain sufficient appropriate audit evidence

### Controls addressing significant risks

- Clarify the wording of the requirement
- Relocate to a new subsection

**Further work -  
application material for  
significant risks**



# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–M:  
11A; 15**

## *Questions in Agenda Item 5–F*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 7–9 of Agenda Item 5-F, including the related drafting presented in paragraph 11A of Agenda Item 5–M.
2. The Board is asked whether there are any other matters that should be considered for significant risks, including suggestions for encouraging auditors to more commonly choose to test the operating effectiveness of controls when addressing a significant risk



# Using Audit Evidence Obtained in Previous Audits – What We Heard

- **Support to** retain a three-year baseline for retesting a control

## Additional clarity sought for the requirements for using audit evidence obtained in previous audits

- Views that in a fast-changing environment, rotational approaches might be more applicable for automated controls
- Clarity needed on:
  - Whether it is intended for GITCs to be subject to rotation
  - Other aspects addressed by the application material

## *Input from individual firms*

- *Rotational testing strategy common for automated controls when GITCs are effective*
- *In some cases, rotating manual controls is not permitted (e.g., for listed entities or PIEs)*

# Using Audit Evidence Obtained in Previous Audits

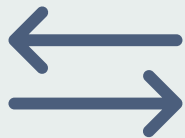
## Staff Views and Recommendations



New requirement to test controls in the **current period** if addressing a ROMM at the assertion level is by **testing controls alone**



Retesting controls every **third year**, not every third audit



Clarify how prior-period audit evidence applies to **manual** versus **automated** controls



**Professional judgment** when determining which controls to test each year

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–M:  
11B; 13–14 and A36–  
A40**

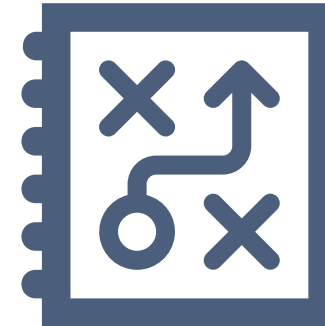
## ***Questions in Agenda Item 5–G***

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

# Evaluating the Outcome of Tests of Controls

## Staff Views and Recommendations

- Making explicit in the requirements that the evaluation of misstatements detected by substantive procedures includes considering any knowledge of misstatements identified from **all substantive procedures**
- Repositioning the essential material and enhancing the application material
- New subsection on ‘results of tests of controls’



Further work for  
results of tests of  
controls

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–M:  
16, 17 and A41–A41A**

## *Questions in Agenda Item 5–H*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 3–5 of Agenda Item 5-H, including the related drafting in paragraphs 16 and A41–A41A of Agenda Item 5–M.

# Selecting Items for Testing

## Feedback from ISA 500 Series Project

- Differentiation between audit sampling and other means for selecting items for testing
- Clarity for expectations to investigate outliers when using technological tools to analyze entire populations

## Staff Views and Recommendations

### Means for selecting items for testing

- Reinstating the requirement in ISA 330 to determine means of selecting items for testing for tests of controls and tests of details
- Retain Appendix 2 of ISA 500 (Revised) as it applies broadly to all audit procedures

### Nature and Extent of Substantive Procedures

- New application material in ISA 330 to emphasize that investigating results of substantive procedures is an integral part of the nature and extent of such procedures

# Matters for IAASB Consideration



## *Relevant Drafting Paragraphs in:*

**Agenda Item 5–M:  
23, A49–A49A and A60A**

### *Questions in Agenda Item 5–I*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 6–10 of Agenda Item 5-I, including the proposed drafting presented in Agenda Item 5–M. In particular:
  - (a) Reinstating the requirement to determine means of selecting items for testing when designing tests of controls and tests of details into paragraph 23A of Agenda Item 5–M.
  - (b) The proposed application material in paragraphs A49–A49A and A60A of Agenda Item 5–M.
2. The Board is asked whether there are any other matters that should be considered for selecting items for testing when designing and performing tests of details and tests of controls

# ‘Stand-Back’ Requirements



## Refinements to the Proposed Revisions for ISA 700 (Revised)

- Integrate the conclusion on sufficiency and appropriateness of audit evidence with the reasonable assurance conclusion
- Streamline and enhance application material

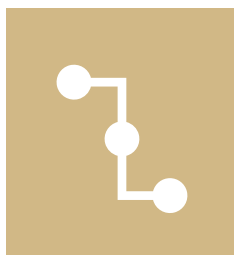


Consideration of Board's comments and input from the Professional Skepticism Group



## Streamlining Efforts for Subject Matter ‘Stand-Backs’

- Reinstate in ISA 540 (Revised) consideration of all audit evidence obtained
- Alignment with ISA 330



## Refinements to the Proposed Revisions to Proposed ISA 330 (Revised)

- Broaden the reassessment of risks of material misstatement
- New application material to support evaluating the audit evidence obtained from further audit procedures

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–J:  
Appendix 1**

**Agenda Item 5–M:  
25–27 and A63A**

## *Questions in Agenda Item 5–J*

1. The Board is asked for their views on Staff’s views and recommendations discussed in paragraphs 1–13 of Agenda Item 5-J. In particular:
  - (a) The refinements to the proposed revisions for ISA 700 (Revised) in Appendix 1 of Agenda Item 5-J.
  - (b) Reinstating the proactive consideration into paragraph 34 of ISA 540 (Revised) in Appendix 1 to Agenda Item 5-J.
  - (c) The proposed refinements to the requirements in paragraphs 25–27 and the new application material in paragraph A63A of Agenda Item 5–M.
2. The Board is asked whether there are any other matters that should be considered in relation to the ‘stand-back’ requirements.

# Technology



## Engagement Resources

Refinements to emphasize the non-negotiable nature of human, technological and intellectual resources for performing audit engagements



Input sought from the Technology Consultation Group on technology-related application material

## Application Material Focused on the Use of Technological Tools

### Approach

- Pursue application material as the appropriate means to facilitate and encourage the auditor's use of technological tools in obtaining and evaluating audit evidence



### Format

- A new appendix would allow for more comprehensive coverage of the topic

### Placement

- In Proposed ISA 500 (Revised) - Technology Appendix focused on the auditor's use of technological tools to obtain audit evidence

# Technology Appendix

#	Topics
1	 Introduction and Objectives of the Technology Appendix
2	 Using Technological Tools to Meet the Purpose(s) of the Audit Procedures
3	 Considerations for Use of Technological Tools
4	 Risks and Biases When Using Technological Tools
5	 Documentation Considerations

# Matters for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

**Agenda Item 5–K**

## *Questions in Agenda Item 5–K*

1. The Board is asked for their views on Staff's views and recommendations discussed in paragraphs 4–15 of Agenda Item 5-K. In particular:
  - (a) The proposed drafting changes to paragraph 25 of ISA 220, paragraph 8 of ISA 300 and paragraph 6 of ISA 600 (Revised) presented in paragraph 4 of Agenda Item 5-K.
  - (b) The overall approach, format, placement and the key topics proposed to be addressed by the Technology Appendix for Proposed ISA 500 (Revised) discussed in paragraphs 5–15 of Agenda Item 5-K.

# Explanation of Other Changes—Matter for IAASB Consideration



*Relevant Drafting  
Paragraphs in:*

Agenda Item 5–M  
Agenda Item 5–N  
Agenda Item 5–O

## *Question in Agenda Item 5–L*

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 Agenda Item 5-L, including whether there are any other matters that should be considered?

# Next Steps

# Way Forward to Exposure Draft(s)

