

### Audit Evidence & Risk Response (AE&RR) – Issues

#### Objectives:

The objectives of the IAASB discussion in March 2026 are to obtain the Board's input on:

- (a) Proposed ISA 330 (Revised),<sup>1</sup> Proposed ISA 500 (Revised)<sup>2</sup> and Proposed ISA 520 (Revised).<sup>3</sup>
- (b) Proposed conforming and consequential amendments arising from the revision of the in-scope standards.

#### *Approach to the Board Discussion:*

During the March 2026 IAASB meeting, the project team will go through the questions for the Board's input in the order they are set out in this Agenda Item. Specifically, the project team will:

- Walkthrough **Agenda Items 7–B to 7–D**, together with the key matters discussed in **Section II**, seeking comments on the requirements and related application material in the order set out **Appendix 3** of this paper.
- Seek input on the conforming and consequential amendments discussed in **Sections III and IV**, together with the drafting presented in **Agenda Items 7–E and 7–F**.

## Introduction

### Background

1. At the December 2025 IAASB meeting, the Board discussed several key issues and related actions<sup>4</sup> 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 December 2025 IAASB draft meeting minutes available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – March 16–19, 2026* webpage.

### Materials Presented

#### *Matters Addressed in This Paper*

2. This paper sets out:
  - **Section I:** overview of the key outcomes of the proposed revisions to the in-scope standards that aim to promote consistent practice and modify auditor behavior.
  - **Section II:** explanation of key matters considered since December 2025 relevant to the drafts

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

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

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

<sup>4</sup> See [Agenda Item 5](#) discussed by the IAASB at the December 2025 meeting.

of Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised).

- **Section III:** further considerations related to significant consequential amendments proposed to other ISAs in the course of the AE&RR project.
- **Section IV:** explanation of matters relevant to the proposed conforming and consequential amendments to other standards as a result of the proposed revisions to the in-scope standards.
- **Section V:** way forward.

#### *Appendices and Other Agenda Items Accompanying This Paper*

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

<b>Appendix 1</b>	AE&RR Project Team and Activities
<b>Appendix 2</b>	Considerations for Using Technological Tools When Designing and Performing Audit Procedures to Obtain Audit Evidence
<b>Appendix 3</b>	Approach to the Walkthrough of <b>Agenda Items 7–B to 7–D</b>
<b>Agenda Item 7–A</b>	Explanation of Changes
<b>Agenda Item 7–B</b>	Proposed ISA 330 (Revised)
<b>Agenda Item 7–C</b>	Proposed ISA 500 (Revised)
<b>Agenda Item 7–D</b>	Proposed ISA 520 (Revised)
<b>Agenda Item 7–E</b>	Significant Consequential Amendments Proposed to Other ISAs
<b>Agenda Item 7–F</b>	Other Proposed Conforming and Consequential Amendments to ISQMs <sup>5</sup> and ISAs
<b>Agenda Item 7–G (Supplemental)</b>	Addressing the Standard-Setting Actions Included in the AE&RR Project Proposal

#### **Coordination**

##### *Technology Quality Management Workstream*

4. Staff of the AE&RR project met with Staff of the Technology Quality Management Workstream on two occasions in February 2026. At the meetings, an update was received on the draft approach for addressing technology-related matters, including the proposed qualitative considerations aiming to guide the IAASB judgment on the appropriate manner to address such matters through standard setting or non-authoritative material.

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<sup>5</sup> International Standards on Quality Management

### *Technology Consultation Group (TCG)*

5. In February 2026, Staff of the AE&RR project met with Staff and members of the IAASB's TCG to receive their views and input on the inclusion of application material in the format of an Appendix in Proposed ISA 500 (Revised) to address considerations for using technological tools when designing and performing audit procedures to obtain audit evidence and evaluating the information intended to be used as audit evidence (see paragraphs 54–56).

### *ISA 500 Series Project*

6. 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 February 2026, Staff of both projects met to discuss matters of mutual relevance, such as the linkages to foundational concepts and principles addressed by Proposed ISA 330 (Revised) and Proposed ISA 500 (Revised) that are of relevance to the audit evidence standards for inventory and external confirmations and the approach to the conforming and consequential amendments for inventory in ISA 501<sup>6</sup> and ISA 505<sup>7</sup> (see paragraphs 68–69).

### *Professional Skepticism Consultation Group (PSCG)*

7. Staff met with a member of the PSCG to discuss specific feedback received on positioning the conclusion of whether sufficient appropriate audit evidence has been obtained from paragraph 26 of ISA 330 into ISA 700 (Revised)<sup>8</sup> (see paragraph 63).

### **Outreach**

8. Details of outreach activities and meetings since December 2025 are included in **Appendix 1**.

## **Section I – Key Outcomes of the Proposed Revisions to the In-Scope Standards**

### **Project Objectives that Support the Public Interest**

9. **Agenda Item 7–G** sets out a table that compares the standard-setting actions of the AE&RR project proposal with the key revisions proposed to date for the in-scope standards. Because the project objectives that support the public interest are directly related to standard-setting actions, the table also explains how the proposed revisions to the in-scope standards address those objectives.
10. In addition, the table also highlights the qualitative standard-setting characteristics set out in the project proposal and those included in the Public Interest Framework (PIF)<sup>9</sup> that are used to assess the public interest responsiveness of the proposed revisions to the in-scope standards.

### **Promoting Consistent Practice and Changing Auditor Behavior**

11. The diagram (and the related sections) below show (and describe) a roadmap that summarizes the key outcomes of the concurrent revisions for Proposed ISA 330 (Revised), Proposed ISA 500

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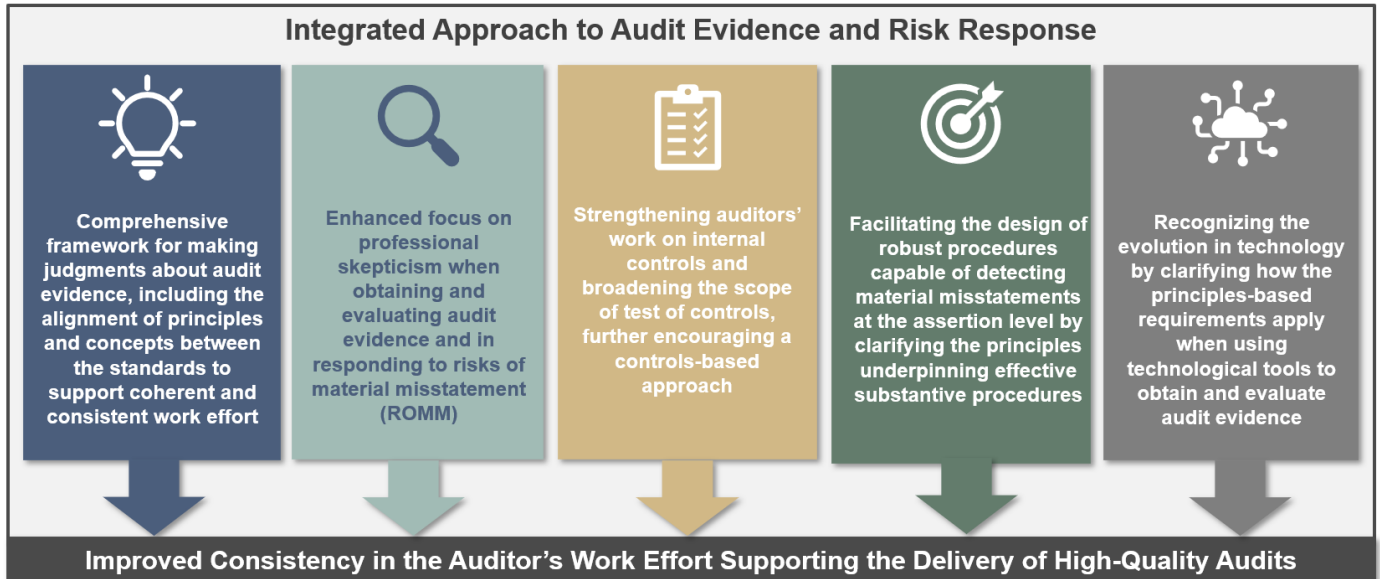
<sup>6</sup> ISA 501, *Audit Evidence—Specific Considerations for Selected Items*

<sup>7</sup> ISA 505, *External Confirmations*

<sup>8</sup> ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

<sup>9</sup> See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

(Revised) and Proposed ISA 520 (Revised) that would most significantly contribute to enhancing consistency and auditor behavior. The project team has remained mindful of these key outcomes when formulating its views and proposals discussed in this Agenda Item, and when reflecting the changes for the drafting to the in-scope standards.



#### *Comprehensive Framework Underpinning Auditor's Judgments About Audit Evidence*

12. The revisions of the in-scope standards aim to address, in an integrated manner, foundational aspects of obtaining and evaluating audit evidence by designing and performing audit procedures to obtain sufficient and appropriate audit evidence. In doing so, the concurrent revisions:
- (a) Set out a comprehensive consideration of all audit evidence obtained in an audit, irrespective whether it was obtained from risk assessment procedures, further audit procedures or other audit procedures required by the ISAs, and embrace the notion that it is the cumulative body of evidence that contributes to its sufficiency and appropriateness.
  - (b) Support consistent interpretations of the work effort requirements, by enhancing the coherence of terms that are relevant to obtaining and evaluating the sufficiency and appropriateness of audit evidence and clarify how the auditor's responses to assessed risks link to the auditor's risk identification and assessment under ISA 315 (Revised 2019).<sup>10</sup>
  - (c) Establish a coherent approach for the architecture of the 'stand-back's' in the ISAs by setting out criteria and scope for such requirements to ensure their consistent inclusion in the body of standards when appropriate to do so. In undertaking this work, the overall conclusion on whether sufficient appropriate audit evidence has been obtained is proposed to be repositioned at the final 'stand-back' stage in ISA 700 (Revised), and a new 'stand-back' evaluation was embedded in Proposed ISA 330 (Revised) that is specific to further audit procedures.

<sup>10</sup> ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

13. Broadly, the following key features underpin the enhanced principle-based reference-framework for making judgments about audit evidence throughout the audit:
- (a) A revised definition of audit evidence, based on the ‘input-output model,’<sup>11</sup> which provides auditors with an appropriate foundation to actively consider *all information* intended to be used as audit evidence, *irrespective of its source* (i.e., whether internal or external). The definition acknowledges that information can only become audit evidence after audit procedures are applied to the information, including audit procedures for evaluating its relevance and reliability. In addition, the definitions of ‘appropriateness (of audit evidence)’ and of sufficiency (of audit evidence)’ have been clarified and the relationship of these terms with the notion of persuasiveness of audit evidence.
  - (b) Strengthened evaluation (instead of consideration) of the relevance and reliability of information intended to be used as audit evidence, by considering the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures which are important new features introduced in the audit evidence standard.
  - (c) Emphasis on the intended purpose(s) on the audit procedures, to obtain sufficient appropriate audit evidence, which includes the entirety of audit procedures designed and performed when planning and performing an audit engagement in accordance with the ISAs.

#### *Reinforcing the Application of Professional Skepticism*

14. The revisions of the in-scope standards emphasize the critical role of professional skepticism when obtaining and evaluating audit evidence and responding to risks of material misstatement (ROMM) by embedding the concept in requirements, introductory and application material, for example, by:
- (a) Highlighting the link to ISA 200<sup>12</sup> and the importance of maintaining professional skepticism in critically assessing audit evidence including being alert to inconsistencies in audit evidence, for information that brings into question the reliability of documents and responses to inquiries to be used as audit evidence and not ignoring information that calls into question the reliability of other information intended to be used as audit evidence.
  - (b) Requiring the auditor to design and perform audit procedures, including those that respond to assessed ROMM, in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.
  - (c) Clarifying the necessary work effort to evaluate information as reliable, which includes performing procedures to address the authenticity of information when the auditor considers that the attribute of authenticity is of significance in the circumstances to meet the intended purpose(s) of the audit procedures.

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<sup>11</sup> The ‘input-output’ model refers to the *information* intended to be used as audit evidence (i.e., the ‘input’) which needs to be subject to *audit procedures* to become *audit evidence* (i.e., the ‘output’).

<sup>12</sup> ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

### Strengthening the Auditors' Work on Internal Controls

#### Facilitating a Broader Use of Tests of Controls

15. The revisions propose clarifications to the definition of *Test of Controls* in Proposed ISA 330 (Revised), broadening its scope to recognize controls that operate more widely than at the assertion level and facilitate effective testing of their operating effectiveness. In doing so, the revisions explicitly recognize that tests of controls may be used for a purpose other than responding to an assertion level ROMM (e.g., when evaluating the relevance and reliability of information intended to be used as audit evidence) or when testing controls that do not fit neatly into the extant definition (e.g., because the controls are not precise enough to prevent or detect and correct material misstatements at the assertion level). The change to the definition aims to support:
  - (a) Recognizing in practice that a test of controls can be used in this manner, irrespective of whether the controls will also be tested to address assessed ROMM at the assertion level.
  - (b) That performing tests of controls in responding to a ROMM at the assertion level may simultaneously provide a basis for evaluating the reliability of information intended to be used as audit evidence.
16. Leveraging the expanded scope of the definition of tests of controls, Proposed ISA 500 (Revised) includes new requirements to support evaluating the reliability of information intended to be used as audit evidence through tests of controls. This change also recognizes that audit evidence about the operating effectiveness of controls may:
  - (a) Pertain to all information used throughout an audit. Given that Proposed ISA 500 (Revised) applies to all audit procedures performed in an audit, tests of controls are not limited to controls over information used only in further audit procedures.
  - (b) Address both direct and indirect controls, including general IT controls (GITCs). This enables the standard to remain future proof and relevant in view of the current pace of technological development by addressing a wide range of controls that are pertinent when evaluating information as reliable.
  - (c) Apply to controls in areas other than financial reporting controls addressed by ISA 315 (Revised 2019). This provides auditors with a framework for identifying, and, if applicable, testing the operating effectiveness of controls over operational and other non-financial information when such information is used by the auditor in performing audit procedures.

#### Encouraging a Controls-Based Approach to Respond to ROMMs

17. In seeking to support auditors to make appropriate judgments about whether and when to test controls, the proposed enhancements encourage auditors to more commonly consider the use of tests of controls to respond to assessed ROMM when appropriate to do so. This is achieved through:
  - (a) Explicitly recognizing that tests of controls alone may be appropriate to address assertion-level ROMMs and providing guidance which sets out factors the auditor may consider to determine that this is an appropriate approach, including specific attributes or characteristics of the controls for which this approach could apply. In doing so, the notion that the auditor is *obtaining audit evidence* about the operating effectiveness of controls is clarified, irrespective of whether such evidence is intended to modify the nature, timing and extent of the substantive procedures

or whether it is supporting a test of controls alone approach to address an assertion-level ROMM.

- (b) Clarifying that substantive procedures alone cannot provide sufficient appropriate audit evidence at the assertion level when it is impossible or impracticable for them to do so. In addition, modernizing the application material with examples and attributes of such circumstances to illustrate a broader range of considerations to aid auditors with consistently identifying such circumstances, thereby enhancing the clarity, consistency of implementation, and the enforceability of the related requirements.
- (c) Retaining and clarifying the requirements and application material for using audit evidence from a previous period about the operating effectiveness of controls and the three-year baseline for retesting a control.
- (d) Clarifying the operation of requirements in the circumstances that direct controls to be tested depend on the operating effectiveness of indirect controls. Specifically, the auditor can either obtain audit evidence about the effective operation of indirect controls (including GITCs) or perform other procedures related to the indirect controls. This recognizes the dependency of direct controls on indirect controls, while acknowledging that, when the circumstances that indirect controls were intended to address have not arisen, deficiencies in indirect controls may not have affected the effective operation of direct controls.

#### *Facilitating Robust Substantive Procedures in Response to ROMM*

##### Emphasis on the Intended Purpose(s) of the Audit Procedures

- 18. Regardless of whether technological tools are used to perform audit procedures, stakeholders broadly recognize that the purpose of an audit procedure remains of most importance. The revisions to Proposed ISA 500 (Revised) support this concept by focusing the auditor on the purpose(s) of the audit procedures when designing and performing audit procedures to obtain sufficient appropriate audit evidence and addressing the need to evaluate whether the audit evidence obtained meets each intended purpose of the audit procedure. However, the project team also acknowledge that the growing use of technological tools in audits may make it more difficult to categorize audit procedures by their purpose, emphasizing the public interest need for the ISAs to remain fit for purpose and future proof.
- 19. In responding to calls for future proofing the standards and not inadvertently inhibiting innovation in view of technological change:
  - (a) The definition of substantive procedures in Proposed ISA 330 (Revised) has been broadened to *include* (rather than *comprise*) test of details and substantive analytical procedures. This change acknowledges the possibility that audit procedures that have attributes other than the defining characteristics of tests of details or substantive analytical procedures may be designed and performed that could be capable of detecting material misstatement at the assertion level.
  - (b) Extant terminology that refers to a ‘dual-purpose test’ and descriptions of ‘multiple-purpose procedures’ has been consolidated in Proposed ISA 500 (Revised) under a broader notion of ‘an audit procedure used for more than one purpose,’ with supporting examples of what such procedures could entail. Doing so enhances clarity and reduces complexity for the standards while continuing to recognize that the auditor may perform an audit procedure that achieves



more than one purpose when designing and performing audit procedures to obtain sufficient appropriate audit evidence.

#### Clarifying How the Auditor Achieves the Purpose of Substantive Procedures

20. The revisions to Proposed ISA 330 (Revised) and Proposed ISA 520 (Revised) include proposals to define tests of detail and substantive analytical procedures as substantive procedures designed for the purpose of detecting a material misstatement at the assertion level, by clarifying the attributes of these two approaches and their distinguishing features (see also paragraphs 24–25 below). The project team are of the view that there are clear public interest benefits for the IAASB to do so, as discussed below, that would result in providing clarity around key terminology used in the ISAs that enable enhancing consistency in practice to deliver high-quality audits:
- (a) Addressing the need for consistency. Input from individual firms indicates that firm audit methodologies interpret the differences between a test of details and substantive analytical procedures in different ways, resulting in differing interpretations when categorizing procedures performed for the purpose of detecting a material misstatement. This indicates a need for standard-setting action to enhance common understanding for these terms. In addition, the diverging approaches may create ambiguity or risk inconsistent application of the requirements in the standards, for example by:
    - Blurring the line between the purpose of an analytical procedure used as a substantive procedure and an analytical procedure used on other aspects of the audit (e.g., for risk assessment or when performing concluding activities on an audit).
    - Inadvertently permitting that, a substantive analytical procedure labeled as a test of details could alone be responsive to significant risk.
  - (b) Implications for audit quality. The manner in which the categories of audit procedures are interpreted or understood in practice has an impact on the extent of the substantive procedures performed and the sufficiency of the audit evidence obtained. This relationship persists, irrespective of whether technological tools are used in obtaining audit evidence. Input from individual firms indicates that firm methodologies commonly rely on the ‘categorization of audit procedures’ to determine the appropriate sample sizes or other selective means of testing, including sample size reductions. If there is uncertainty about whether certain audit procedures qualify as substantive procedures, or if there is lack of a common understanding what the categories of substantive procedures entail, then this may risk auditors choosing sample sizes that are insufficient (or for other selective means of testing), such that auditors may conclude that they have achieved sufficient appropriate audit evidence without having done so.

#### Clarifying Aspects of the Risk Assessment Process to Support Robust Risk Identification and Assessment

21. The revisions to Proposed ISA 330 (Revised) include removing paragraph 18, which requires the performance of substantive procedures for each material class of transactions, account balance and disclosure (COTABD), irrespective of the assessed ROMM, and replacing it with strengthened requirements and application material in ISA 315 (Revised 2019) 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)).<sup>13</sup>

22. In proposing this change, the Board's public interest rationale was that paragraph 18 of ISA 330 is inconsistent with the risk-based approach of an audit as encompassed by ISA 315 (Revised 2019) and with achieving the auditor's objective in an audit in accordance with ISA 200. In addition, the ISAs already include requirements that address the public interest expectation for robust risk assessment procedures (e.g., the 'stand-back' evaluations required by paragraphs 35–36 of ISA 315 (Revised 2019)). This change also has the benefit of aligning more closely with the standards of the Public Company Accounting Oversight Board (PCAOB), which do not include a requirement to perform substantive procedures for each material COTABD regardless of assessed risk.
23. Importantly, the proposed change aims to better support auditors in delivering high quality audits by:
  - (a) Focusing their work effort on those financial statement items where ROMM is identified and assessed.
  - (b) Leading to more robust risk assessments through auditors needing to justify whether the risk assessment procedures provide an appropriate basis for the identification and assessment of ROMM, including the determination that material COTABDs are not significant COTABDs.
  - (c) Avoid a 'checklist' mentality that was driven by paragraph 18 of extant ISA 330 and instead allow for a principle-based approach that is more scalable and allows tailoring across audits for a wide range of entities.

#### Supporting the Auditor's Use of Audit Evidence from Analytical Procedures

24. The revisions to Proposed ISA 520 (Revised) encompass refinements to the definition of analytical procedures and embed a framework in the standard to support auditor's professional judgments when using audit evidence from analytical procedures. The new features of the framework include:
  - (a) Requirements for the auditor to determine the effect of the results of risk assessment analytical procedures on the identification and assessment of ROMM when the results of such procedures identify fluctuations or relationships that are inconsistent with other relevant information, or that differ from expected results. Doing so acknowledges the increasing use of analytical procedures as risk assessment procedures, such as when using technological tools to perform analytical procedures over an entire population of transactions at a detailed, disaggregated level which, when performed effectively, may aid more precise risk identification and assessment. Such results may also assist the auditor to consider the effects on the design of other risk assessment procedures or further audit procedures.
  - (b) Explicit recognition that the auditor may use analytical procedures in combination with tests of controls or tests of details when designing and performing further audit procedures. This change aims to reinforce the notion that all evidence obtained in an audit contributes to the auditor obtaining sufficient appropriate audit evidence, even when the evidence is obtained from an audit procedure that, on its own, is not precise enough to detect a material misstatement. It also acknowledges that analytical procedures that are not substantive

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<sup>13</sup> For material COTABDs that have not been determined to be significant COTABDs, the 'stand-back' evaluation in paragraph 36 of ISA 315 (Revised 2019) requires the auditor to evaluate whether such determination remains appropriate.

analytical procedures, performed alone, are not able to meet the purpose of a substantive procedure which is to detect a material misstatement.

#### Clarified and Strengthened Principles Supporting Robust Substantive Analytical Procedures

25. As a result of the explicit recognition that the auditor may use analytical procedures in combination with tests of controls or tests of details when designing and performing further audit procedures, a new definition of substantive analytical procedures has been introduced (see paragraph 24). The new definition also aims to distinguish substantive analytical procedures from the various uses of analytical procedures across all stages of an audit given their distinct purpose to detect a material misstatement at the assertion level (see paragraph 20). Also, the key elements that determine the necessary precision of the substantive analytical procedures as a whole have been enhanced through revised requirements addressing the:
- (a) Level of precision of the auditor's expectation, premised on reliable information used in designing and performing the procedure and the plausibility and predictability of the relationship on which the procedure is based.
  - (b) Threshold, not exceeding performance materiality, for which differences between the auditor's expectation and the recorded amounts are required to be investigated to establish whether a material misstatement exists.

#### *Facilitating and Encouraging the Appropriate Use of Technology*

##### Improved Coherence for Technology-Related Terminology

26. 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 about the level of 'automation' implied by the extant term. The new term 'technological tools' also emphasizes that the auditor uses technology as a tool to perform an audit procedure rather than the use of technology being an audit procedure itself. Accordingly, the term enables integration with the concept of technological resources used in ISQM 1,<sup>14</sup> improving the coherence of technology-related terminology across the suite of IAASB Standards. It also achieves closer alignment with technology-related terminology used by the International Ethics Standards Board of Accountants (IESBA) technology-related revisions to the IESBA Code<sup>15</sup>.
27. In addition, a new description of the term 'technological tools', with supporting examples, has been developed and placed in both ISQM 1 and ISA 220 (Revised).<sup>16</sup> The description illustrates and clarifies how technological tools (a subset of a technological resource) may be used on audit engagements to facilitate the design or performance of engagement (or audit) procedures in obtaining sufficient appropriate evidence.

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<sup>14</sup> ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

<sup>15</sup> See the [Final Pronouncement: Technology-Related Revisions to the Code](#).

<sup>16</sup> ISA 220 (Revised), *Quality Management for an Audit of Financial Statements*

## Technology-Related Enhancements to Requirements and Application Material

28. During the project, the IAASB determined 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. Instead, the project is exploring application material, in the format of an Appendix, to provide guidance on how the principle-based requirements of the in-scope standards apply when the auditor uses technological tools to obtain and evaluate audit evidence and respond to ROMM. This approach better aligns with the IAASB's ongoing strategic initiatives, including that of the Technology Quality Management Workstream which is presently subject to Board deliberation. In addition, it sets a foundation for the Technology Quality Management Workstream that is well positioned to explore the development of relevant and timely non-authoritative material which addresses the impact of emerging technologies at the firm level and at the engagement level.
29. Specificity has been introduced to the requirement in paragraph 25 of ISA 220 (Revised), about the resources used in engagements which are non-negotiable (i.e., human, technological and intellectual resources). Doing so provides a prominent consideration of technological (and other) resources at the engagement level, which is the level where appropriate resource-related considerations are required to be made. Also, new application material in ISA 220 (Revised) has been developed to support the auditor's determination of whether to use technological resources, that include technological tools, along with examples of circumstances where the use of technological tools may be necessary to address ROMM and obtain sufficient appropriate audit evidence.

## Section II – Key Matters Considered Since December 2025

30. **Agenda Item 7–A** sets out an explanation for certain changes made to the in-scope standards reflected in **Agenda Items 7–B to 7–D**, including refinements in response to Board offline comments provided directly to the project team. In addition, the Sections below provide further discussion about the key matters considered by the project team since December 2025, that are not addressed in the explanation of changes paper.

### Proposed ISA 330 (Revised)

#### *Audit Evidence from Analytical Procedures*

<i>Relevant Paragraphs in <b>Agenda Item 7–B</b>:</i>	<i><b>Paras. A45–A46A</b></i>
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31. In December 2025, the Board agreed to clarify that analytical procedures that are not used as substantive procedures contribute to the cumulation of audit evidence. This was considered necessary because the new framework in Proposed ISA 520 (Revised) clarifies that analytical procedures designed and performed using a threshold that exceeds performance materiality to evaluate differences from expected amounts as acceptable without further investigation does not qualify as substantive analytical procedures.
32. In considering this matter, the project team formed the view that analytical procedures that are not substantive analytical procedures, when performed alone, do not meet the purpose of substantive procedures, on the basis that they lack the necessary precision to detect a material misstatement at the assertion level. However, when such analytical procedures are performed in combination with

tests of details or tests of controls, they contribute to meeting a purpose of either detecting material misstatements at the assertion level or obtaining audit evidence about the operating effectiveness of controls through the cumulation of audit evidence to achieve its overall sufficiency and appropriateness.

33. Accordingly, the project team propose to include in paragraph A46A of **Agenda Item 7–B** an explicit recognition that, in designing and performing further audit procedures, the auditor may design and perform analytical procedures in combination with tests of controls or tests of details to obtain sufficient appropriate audit evidence. Examples were also developed to illustrate what such analytical procedures could entail.
34. In addition, the project team removed from paragraph A45 of **Agenda Item 7–B** the reference to the auditor determining that a combination of substantive analytical procedures and test of details as being most responsive to the assessed risks. While the auditor would not be precluded to do so, this change aims to emphasize that, depending on the circumstances, either substantive analytical procedures or tests of details may be performed as the sole substantive procedures to provide sufficient appropriate audit evidence.

#### *Substantive Procedures Responsive to Significant Risks*

<i>Relevant Paragraphs in <b>Agenda Item 7–B</b>:</i>	<i><b>Paras. 21; A55</b></i>
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35. The project team retains its views from March 2025, that the requirement in paragraph 21 of extant ISA 330 remains appropriate, given that substantive analytical procedures are insufficient by themselves to provide sufficient appropriate evidence to respond to a significant risk, irrespective of whether a technological tool is used or not used. On this basis, no revisions have been proposed to paragraph 21 of **Agenda Item 7–B**.
36. This view is based on the characteristics of a substantive analytical procedure, being a procedure that enables the auditor to predict a recorded amount by comparing it to a precise expectation that is distinct from a test of details, and the circumstances that result in an auditor's assessment for a ROMM as significant. ROMMs are assessed as significant when they are at the higher end of the spectrum of inherent risk given they exhibit characteristics such as complexity, change, subjectivity and management bias. These features would mean that it would be challenging for there to be applicable predictable relationships supporting the auditors use of substantive analytical procedures.
37. In forming its view, the project team also discussed that in December 2025, the Board agreed to broaden the definition for substantive procedures to *include* test of details and substantive analytical procedures in order to future-proof its standards. This change acknowledges the possibility that other substantive procedures may be performed beyond tests of detail and substantive analytical procedures, in combination with tests of controls, that could be specifically responsive to a significant risk.

#### *Indirect Controls*

<i>Relevant Paragraphs in <b>Agenda Item 7–B</b>:</i>	<i><b>Paras. 10(b); A31, A31A–A32AB</b></i>
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38. In response to directional feedback received from the Board in December 2025, the project team has

proposed further revisions to paragraph 10(b) of **Agenda Item 7–B** to clarify the auditor’s responsibilities with respect to obtaining audit evidence about the operating effectiveness of indirect controls that support the effective operation of direct controls. Such revisions:

- (a) Elevate to the requirements the principles described in extant paragraph A31 of ISA 330, which sets out ways that the auditor may obtain audit evidence related to indirect controls. The requirement now clarifies that such actions may involve either directly obtaining audit evidence about the operating effectiveness of indirect controls or performing alternative procedures. The type of procedure performed, and its extent, is a matter of professional judgment. As explained in the application material, such procedures may include, for example, procedures to detect whether the risk that the indirect control was designed to address has arisen, or procedures to detect whether, if the circumstances have arisen, obtaining evidence that enables the auditor to evaluate whether they have affected the continued operation of the direct control.
  - (b) Enhance the application material by integrating the guidance discussing GITCs into this section of the standard and enhancing linkages with terms and concepts of ISA 315 (Revised 2019) (see paragraphs A31, A31A–A32AB of **Agenda Item 7–B**).
39. These revisions seek to support consistent interpretation and practice for designing procedures to obtain sufficient appropriate audit evidence about the operating effectiveness of controls. Further, by clarifying that it may be possible to obtain audit evidence about the operating effectiveness of controls that address an assessed risk even when an entity has not implemented or operated effective indirect controls, as well as how to do so, it aims to reduce a perceived barrier to auditors designing tests of controls as part of their procedures to address assessed risks of material misstatement.

*Evidence Obtained in an Interim Period*

<b>Relevant Paragraphs in <i>Agenda Item 7–B</i>:</b>	<b>Paras. 12; A34–A35</b>
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40. The project team discussed the interaction of the overarching requirement on the timing of tests of controls in extant ISA 330 (i.e., paragraph 11) and the requirement for using audit evidence in an interim period (i.e., paragraph 12). In doing so, clarifications have been proposed to paragraph 12 of **Agenda Item 7–B** which are intended primarily to clarify that:
- (a) The requirement applies when the auditor is seeking to meet the requirement in paragraph 11 by extending conclusions drawn from evidence obtained about the operation of controls at an interim date or for an interim period, to the remaining audit period.
  - (b) The additional audit evidence to be obtained from applying paragraph 12(b) is audit evidence about the operating effectiveness of controls, rather audit evidence from substantive procedures.
41. The related application material in paragraphs A34–A35 of **Agenda Item 7–B** continues to indicate that such additional audit evidence need not be obtained by performing additional tests of controls on a sample selected from a population that includes instances of operation of the control during the remaining period, and instead, may involve obtaining audit evidence about the entity’s monitoring controls, which are indirect controls, in that period. In addition, certain changes have been proposed to these paragraphs to align terms for consistency with ISA 315 (Revised 2019) or Proposed ISA 500 (Revised), and to support the overall coherence of the suite of standards.

### Results of Tests of Controls

<i>Relevant Paragraphs in Agenda Item 7–B:</i>	<i>Paras. 17; A42–A42B</i>
<p>42. The project team revised paragraph 17 of <b>Agenda Item 7–B</b> addressing the results of tests of controls by setting out in subparagraphs (a)–(c) a clarified framework to support auditors’ judgments about whether sufficient appropriate audit evidence has been obtained about the operating effectiveness of controls. In addition, these changes enhance the alignment of the requirement with terms and concepts in ISA 315 (Revised 2019) and support consistent practice in determining the consequences of plausible outcomes of testing controls,</p> <p>43. The proposed revisions emphasize that when evaluating the results of procedures performed, the auditor may determine, in applying paragraph 17(a), that despite identifying deviations in testing, the auditor may be able to conclude that the audit evidence obtained provides an appropriate basis for ‘confirming the auditor’s initial expectation about the operating effectiveness of controls,’<sup>17</sup> by incorporating language from ISA 315 (Revised 2019). If the auditor determines that the evidence does not yet provide such a basis, subparagraph paragraph 17(b) clarifies that the auditor may determine that additional tests of controls may be able to do so. Finally, subparagraph 17(c) clarifies that when the auditor is unable to obtain evidence that provides such a basis, the auditor is required to revise their assessment of control risk in accordance with ISA 315 (Revised 2019) and to revise the nature, timing and extent of substantive procedures to address the assessed risk.</p> <p>44. These changes aim to: (i) clarify that the identification of deviations does not necessarily result in a determination that the tested controls were ineffective; and (ii) provide a clear linkage with the auditor’s assessment of control risk. In doing so, the project team have also emphasized the iterative nature of the audit and the clear linkage between the auditor’s risk assessment and further audit procedures.</p> <p>45. The project team has proposed corresponding enhancements to the application material in paragraphs A42–A42B of <b>Agenda Item 7–B</b>, building on the concepts in paragraph A31 of extant ISA 330, to explain the basis for the work effort. In addition, the application material clarifies how the auditor considers deviations identified in testing controls, and highlights that the auditor need not conclude, on the basis of one deviation, that a control is ineffective. The auditor may compare the identified rate of deviations with the expected rate of deviations and draw conclusions on that basis.</p>	

### Proposed ISA 500 (Revised)

#### *Evaluating the Relevance and Reliability of Information*

<i>Relevant Paragraphs in Agenda Item 7–C:</i>	<i>Paras. 9–10C; A40, A65O–A65R</i>
<p>46. In response to comments from December 2025 for Proposed ISA 500 (Revised), that the:</p> <p style="padding-left: 40px;">(a) Redrafts for paragraph 9(b) inadvertently implied that the auditor is expected to focus on all of the attributes as part of evaluating the reliability of information, the lead in sentence of the requirement was clarified in <b>Agenda Item 7–B</b> to focus only on those that are of significance</p>	

<sup>17</sup> See ISA 315 (Revised 2019), paragraphs 34 and A226

in the circumstances to meet the intended purpose(s) of the audit procedures.

- (b) Proposed requirement in paragraph 10B implied that the auditor is expected to always test controls to establish the reliability of information, clarifications were made in **Agenda Item 7–B** to emphasize the conditionality in the approach by inserting the word ‘either.’ In addition, the project team simplified the wording of the requirement by linking it to the evaluation of relevance and reliability of information required by paragraph 9.
47. The project team also discussed:
- (a) The interaction between the requirements in paragraphs 10 and 10B. In doing so, the project team formed the view that there is an overlap among the redrafted requirements that is redundant and confusing. In order to streamline and resolve the overlap, the project team proposed in **Agenda Item 7–B** to remove the first sentence of paragraph 10 and incorporate the second sentence of the requirement into paragraph 9(b). In addition, the lead in sentence of paragraph 9 now clarifies that the auditor *designs and performs audit procedures* to evaluate the relevance and reliability of information.
  - (b) Whether the requirement in paragraph 10B of **Agenda Item 7–B** could be better placed in Proposed ISA 330 (Revised). The project team formed the view that it is appropriate to retain the requirement in Proposed ISA 500 (Revised) given that this standard applies broadly to all information used in an audit. New application material is provided in paragraph A65O of **Agenda Item 7–B** that explains that the requirements in ISA 330 for tests of controls may be adapted as necessary to support the performance of tests of controls over the reliability of information.
  - (c) That it is necessary to introduce a new requirement in paragraph 10C of **Agenda Item 7–B**, mirroring paragraph 26 of ISA 315 (Revised 2019), to require the auditor to identify controls that address the reliability of the information, evaluate their design and determine their implementation. This is because the framework in ISA 315 (Revised 2019) is focused on the information system relevant to the preparation of financial statements, and the auditor may wish to use information from other aspects of the information system in the entity to evaluate the reliability of information.
48. As a consequence of the changes proposed to the requirements discussed above, the project team also updated the application material in paragraphs A40, A65O–A65R of **Agenda Item 7–B**, for alignment and coherence.

## Technology

### Previous IAASB Deliberation

49. In December 2025, to address certain technology-related actions of the AE&RR project proposal that were informed by the IAASB’s Technology Position and subsequent gap analysis presented as the [Catalog of Issues and Possible Actions](#), the project team proposed to the Board the inclusion of application material in the form of an appendix to address the use of technological tools for matters relevant to the in-scope standards. In addition, in terms of placement, the project team proposed to the Board that such material should be placed in Proposed ISA 500 (Revised).
50. In providing directional feedback, the Board recognized the need to further consider whether



guidance related to technology is appropriate as application material in the in-scope standards or as non-authoritative material outside the in-scope standards and asked the project team to develop a proposal for further deliberation. In addition, in developing the application material (including in an appendix), the Board directed that it should be principles-based to remain future-proof.

#### Appendix Focused on Considerations when Using Technological Tools

51. **Appendix 2** of this Agenda Item sets out draft application material addressing considerations for use of technological tools when designing and performing audit procedures to obtain audit evidence. The application material anchors to the requirements in paragraphs 8 and 9 of Proposed ISA 500 (Revised), aiming to address considerations:
- (a) When designing or performing audit procedures using technological tools to obtain sufficient appropriate audit evidence.
  - (b) Relevant to evaluating the relevance and reliability of information intended to be used as audit evidence when using technological tools.

#### Principle-Based Approach

52. In developing **Appendix 2**, the project team remained mindful of the Board's directional feedback for remaining principle-based and ensuring a future-proof approach for its standards. On this basis the project team have not made references to specific technologies, thereby supporting their continued relevance as technologies continue to evolve. The appendix focuses on explaining matters that the auditor may consider in applying the requirements of the standard when using technological tools, and in doing so leveraged application material from the Pre-finalization Holding Package for Proposed ISA 500 (Revised).<sup>18</sup>
53. Also, the project team considered that all application material, including the considerations when using technological tools, is an integral part of the ISAs and is authoritative, even though application material does not impose requirements. Accordingly, **Appendix 2** is developed to facilitate the use of technological tools when applying the requirements in paragraphs 8 and 9 of Proposed ISA 500 (Revised), without aiming to be prescriptive.

#### Input from the TCG

54. Specific views were also sought from Staff and members of the TCG on a draft version of **Appendix 2**. In particular, the project team sought input on the completeness, scalability and relevance of the guidance. The key themes from the feedback provided are summarized below and the project team will consider this feedback in further depth post March 2026 (e.g., together with the feedback provided by the Board):
- (a) Refine the examples to ensure they remain principles-based and not overly specific or premature in light of evolving technologies. In addition, suggestions were made to consider whether certain examples that extend to matters addressed by other audit evidence ISAs, such

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<sup>18</sup> See the Pre-finalization Holding Package for Proposed ISA 500 (Revised) in [Agenda Item 5](#) discussed by the IAASB at the March 2024 quarterly meeting, that encapsulates the Board's decisions on key aspects addressed in [ED-500](#), including the IAASB's deliberations of proposals and options based on the feedback received on ED-500.

as going concern or external confirmations, are appropriate to be retained in the context of the reference-based audit evidence framework addressed by Proposed ISA 500 (Revised).

- (b) Remain mindful of the intersection with the quality management standards and consider whether certain guidance is better placed in ISA 220 (Revised) rather than in Proposed ISA 500 (Revised). In addition, given the ongoing work of the IAASB's Technology Quality Management Workstream it may be premature to address certain matters as there are further insights yet to be drawn from such work.
- (c) Reconsider the structure and flow of the guidance. For example, reframing the table relating to considerations for using technological tools to more clearly distinguish between situations in which the use of technological tools is necessary, those in which their use may be more effective and in which their use may be inappropriate. In addition, comments were provided that the appendix could take a more encouraging approach to better align with the IAASB's Technology Position, highlighting the potential benefits of using technological tools in audit engagements while remaining principles-based and scalable.

#### Documentation Considerations

- 55. Certain actions of the AE&RR project proposal include consideration to develop requirements or application material about the expected audit documentation when using technological tools in designing and performing audit procedures.<sup>19</sup> However, the project team notes that Proposed ISA 500 (Revised), as a principle-based reference framework standard, does not contain specific documentation requirements. Also, ISA 230 serves a similar 'reference framework' purpose in respect of audit documentation. On this basis, the project team is of the view that **Appendix 2** is not appropriate for placement of technology-related documentation guidance.
- 56. In discussing the matter with members and Staff of the TCG, similar feedback was provided on the placement. In addition, there were calls for remaining mindful to avoid creating a disproportionate documentation burden at the engagement level, including the need for clearly distinguishing the documentation responsibilities at the engagement level and those at the firm level when using technological tools. Suggestions were made that non-authoritative material may be a more suitable format for providing further documentation guidance, such as the guidance issued by the TCG in April 2020 addressing audit documentation when using technological tools.<sup>20</sup>
- 57. On this basis, the project team propose not to pursue developing technology-related documentation considerations in **Appendix 2**. Instead, the project team is of the view that the Board may consider updating its previous guidance issued by the TCG at a future point in time. The project team also intend to continue coordinating with the IAASB's Technology Team on this matter in the context of their ongoing technology-related work.

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<sup>19</sup> See, for example, Actions B.25–B.26 of [Agenda Item 5–P](#) presented to the Board in December 2025 and Issue 6(h) in the Technology Catalog of Issues and Possible Actions.

<sup>20</sup> See [Non-Authoritative Support Material: Audit Documentation When Using Automated Tools And Techniques](#).

**Matters for IAASB Consideration:**

1. The Board is asked for its views on Proposed ISA 330 (Revised) as presented in **Agenda Item 7–B**, including on the matters discussed in paragraphs 31–45 above.
2. The Board is asked for its views on Proposed ISA 500 (Revised) as presented in **Agenda Item 7–C**, including on the matters discussed in paragraphs 46–57 above. In particular:
  - (a) Whether the application material presented in **Appendix 2** should form part of Proposed ISA 500 (Revised).
  - (b) The proposal not to pursue technology-related documentation considerations discussed in paragraphs 55–57 above.
3. The Board is asked for its views on Proposed ISA 520 (Revised) as presented in **Agenda Item 7–D**.

**Section III – Significant Consequential Amendments Proposed to Other ISAs**

58. As anticipated in the AE&RR project proposal, based on the insights obtained in the course of the project's deliberations, the IAASB decided that certain standard-setting actions are more appropriately addressed in standards other than Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised). Such revisions relate to significant consequential amendments to other ISAs arising from the following matters:
- (a) Revisions to ISA 315 (Revised 2019) as a result of the Board's preferred option for removing paragraph 18 of Proposed ISA 330 (Revised) and strengthening requirements and application material in ISA 315 (Revised 2019) to clarify certain aspects of the risk assessment process.
  - (b) Repositioning the conclusion on whether sufficient appropriate audit evidence has been obtained from Proposed ISA 330 (Revised) into ISA 700 (Revised).
59. **Agenda Item 7–E** sets out (in mark-up from December 2025) further refinements to the drafting considered for these matters in response to Board comments, while paragraphs 60–65 below provide the project teams rationale for those changes.

**Material COTABDs**

*Previous IAASB Deliberation*

60. In December 2025, the Board provided directional feedback to the project team to consider further enhancement to the application material of ISA 315 (Revised 2019) to clarify:
- (a) The newly proposed documentation requirement for material COTABDs in order to explain the level at which the 'stand-back' evaluation is required to be performed.
  - (b) The use of the phrase 'of particular importance to users' when making professional judgments about COTABDs that are not material but are significant.

*Further Refinements of ISA 315 (Revised 2019)*

61. In response to feedback, the project team has proposed the following key enhancements and clarifications to application material paragraphs of ISA 315 (Revised 2019) in **Agenda Item 7–E**:
- (a) The example in paragraph A204A was redrafted to convey the notion that, absent inherent risk factors, the auditor has not identified a ROMM and on this basis has determined the COTABD not to be a significant COTABD.
  - (b) The language in paragraph A230C was streamlined and simplified to explain the interaction among the ‘stand-back’ evaluations required by paragraphs 35 and 36.
  - (c) New paragraph A230B was added to provide guidance for the basis on which the auditor may evaluate the audit evidence obtained from the risk assessment procedures by linking to the requirements addressed by paragraphs 15–20 of the standard and as part of the risk assessment process. Doing so clarifies that such evaluation is not the same as the evaluation prior to the end of the audit of whether, based on audit procedures performed and audit evidence obtained, the assessment of ROMM at the assertion level remain appropriate required by paragraph 25 of Proposed ISA 330 (Revised).
  - (d) Paragraph A235A was removed in view of concerns that the term ‘of particular importance to users’ remained unclear. Instead, paragraphs A232A, A232B and A233B were included that set out guidance related to the auditor’s evaluation required by paragraph 36 that material COTABDs are not significant, including the effect of materiality on that determination, and how the auditor may consider the informational needs of users of financial statements.
  - (e) New paragraph A236A was included to provide linkages to the auditor’s revision of risk assessment and the evaluation required by paragraph 36.
  - (f) Paragraph A238A clarifies that the documentation level for the evaluation required by paragraph 36 is for the COTABD as a whole, given that if a material COTABD is not deemed significant, there are no relevant assertions.

### **Proposed ISA 700 (Revised)**

#### *Previous IAASB Deliberation*

62. In December 2025, the project team proposed to the Board to integrate the conclusions on whether sufficient appropriate audit evidence has been obtained with the reasonable assurance conclusion on the basis that this enables better alignment with paragraph 5 of ISA 200<sup>21</sup> and provides an opportunity to streamline the related proposed application material in ISA 700 (Revised).
63. In providing directional feedback, members of the Board and the PSCG, questioned whether in doing so this may have inadvertently changed the meaning of the requirements in the extant standards. It was noted that combining the two conclusions may cause confusion because the combined paragraph could be understood in multiple ways (e.g., a conclusion that sufficient appropriate audit evidence has been obtained, or a conclusion that reasonable assurance has been obtained, or a conclusion that the sufficient appropriate audit evidence obtained has reduced risk to an acceptably

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<sup>21</sup> Paragraph 5 of ISA 200 states that reasonable assurance ‘is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial statements are materially misstated) to an acceptably low level.’

low level).

*Further Refinements to ISA 700 (Revised)*

64. In considering this matter, the project team discussed that while paragraph 5 of ISA 200 does imply an equivalence between ‘obtaining reasonable assurance’ and ‘obtaining sufficient appropriate audit evidence,’ the manner in which the requirements are structured in the extant standards require the auditor to form two conclusions, as follows:
- (a) One, in accordance with paragraph 26 of extant ISA 330, about whether sufficient appropriate audit evidence has been obtained, and
  - (b) Another one in accordance with paragraph 11 of extant ISA 700 (Revised), about whether reasonable assurance has been obtained, by taking into account the matters addressed in subparagraphs (a)–(c).
65. On this basis, the project team formed the view that the auditor’s conclusion about whether sufficient appropriate audit evidence has been obtained is a necessary part of the auditor’s conclusion about whether reasonable assurance has been obtained overall, but they are separate conclusions. Accordingly, the project team propose in **Agenda Item 7–E** to:
- (a) Position paragraph 26 of ISA 330 into a new paragraph of ISA 700 (Revised), following the reasonable assurance conclusion (see paragraphs 11 and 11A). This essentially reverts the drafting as previously proposed to the Board in June 2025, which retains the notion in extant that these are two separate conclusions.<sup>22</sup> In doing so, the words ‘forming an opinion’ were removed on the basis that they are no longer necessary in view of the repositioning of the paragraphs in the section of ISA 700 (Revised) that addresses forming an opinion on the financial statements.
  - (b) Rely on application material to make relevant linkages with paragraph 5 of ISA 200 (see paragraphs A0 and A0B).

**Matter for IAASB Consideration:**

4. The Board is asked for its views on the significant consequential amendments proposed to other ISAs as presented in **Agenda Item 7–E**, including on the matters discussed in paragraphs 60–65 above.

## **Section IV – Other Proposed Conforming and Consequential Amendments to ISQMs and ISAs**

### **Approach to the Conforming and Consequential Amendments**

66. In addition to the significant consequential amendments proposed to other ISAs discussed in **Section III** of this Agenda Item, the project team has also identified in **Agenda Item 7–F** conforming and consequential amendments to ISQMs and other ISAs as a result of the revisions to the in-scope standards. Such amendments were in most cases of a straightforward nature (e.g., aligning with terminology used for the in-scope standards, appropriately referencing to the revised title of the

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<sup>22</sup> See [Agenda Item 4](#) and [Agenda Item 4–A](#) discussed by the Board in June 2025.

standards or for updating cross-references).

67. In developing the proposed conforming and consequential amendments, set out in **Agenda Item 7–F**, the project team:
- (a) Applied the CUSP Drafting Principles and Guidelines that address conforming and consequential amendments to the ISAs.<sup>23</sup> In doing so, the proposed amendments focus on necessary revisions in order to resolve actual or perceived inconsistencies and to maintain coherence with the overall body of standards.
  - (b) Leveraged previous IAASB work for the confirming and consequential amendments deliberated in the course of the Audit Evidence project and as encapsulated in the Pre-finalization Holding Package for Proposed ISA 500 (Revised).
  - (c) Focused on the entire body of ISAs, as published in the IAASB 2025 Handbook (Volume I), including other approved ISAs which are not yet effective.

### Scope of the Conforming and Consequential Amendments

#### *Audit Evidence Standards for Inventory in ISA 501 and External Confirmations in ISA 505*

68. In **Agenda Item 7–F**, the proposed conforming and consequential amendments relating to the considerations in respect of inventory in ISA 501 and external confirmations in ISA 505 have been **grayed out** for the purpose of separately identifying these paragraphs. This is because in coordinating with Staff of the ISA 500 Series project, the AE&RR project team has highlighted these amendments for further consideration in revising the audit evidence standards related to inventory in ISA 501 and external confirmations in ISA 505 (see **Agenda Item 4**).
69. Accordingly, the project team propose not to expose these amendments as part of the AE&RR project, considering that the ISA 500 Series project team is better placed to address any feedback received from respondents on exposure for those matters in a holistic manner with the other revisions that are planned to be undertaken. In doing so, the project team has taken into account that the anticipated project timelines of both the AE&RR and the ISA 500 Series projects allow for sufficient coordination to occur on any matters that may arise as a result of respondents' feedback on exposure.

#### *International Framework for Assurance Engagements*

70. The project team note that certain concepts that have been considered and revised in the course of the AE&RR project are also addressed by the *International Framework for Assurance Engagements* ('Framework for Assurance') (e.g., concepts related to sufficiency and appropriateness of evidence in paragraphs 61–66 or whether records or documents may be accepted as genuine in paragraph 54).
71. The project team has not pursued to align these matters through proposed amendments under the AE&RR project given its view that doing so extends beyond conforming and consequential amendments envisioned to be addressed by the scope of the project. Also, the project team is of the view that a more appropriate approach would be for the IAASB to pursue a holistic update of the Framework for Assurance, rather than a conforming and consequential approach that is insufficient

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<sup>23</sup> See Section 14 'Conforming and consequential amendments to ISAs' of the [CUSP Drafting Principles and Guidelines](#).

on its own to achieve a comprehensive approach.

72. In forming its view, the project team also considered the IAASB's approach to updating the Framework for Assurance in the course of other more recently completed projects and noted that when undertaken such updates they were limited to only updating titles and references of standards or aligning terminology.<sup>24</sup>

## Other Matters

### *Technological Tools*

73. The terms 'automated tools and techniques' and 'computer assisted audit techniques (CAATs)' have been replaced with the new term 'technological tools' throughout the ISAs, including retitling the 'Considerations Specific to Automated Tools and Techniques' to 'Considerations Specific to Technological Tools' set out in the authority section of ISA 200.
74. In addition, as previously agreed by the Board in June 2025, a new description for technological tools has been included in ISQM 1 and ISA 220 (Revised).<sup>25</sup> In **Agenda Item 7–F**, the description for technological tools has been retained as the version presented to the Board in June 2025, with further refinement to paragraph A64A of ISA 220 (Revised). Such refinement includes replacing the term 'engagement procedures' that continues to be used in the context of ISQM 1 with 'audit procedures' that is appropriate in the context of an audit engagement. For purposes of the ISAs, the description of technological tools is explicit about the use of such tools in designing or performing audit procedures to obtain sufficient appropriate audit evidence.

### *Consequences of Broadening the Scope of the Definition for Tests of Controls*

75. In response to concerns that there may be unintended consequences of extending the definition for tests of controls to apply more broadly than testing the operating effectiveness of controls to address ROMM at the assertion level, the project team has performed a detailed review of all instances in the ISAs where the term 'tests of controls' (and related keywords), appear. Upon undertaking this work, the project team formed the view that there is no substantial impact of broadening the definition given that any current usage of 'tests of controls' is by default *included* in the extended definition. In addition, the project team considered and proposed (as necessary) further revisions to Proposed ISA 330 (Revised) and Proposed ISA 500 (Revised) to clarify the context in which tests of controls are required to be used (i.e., as part of the further audit procedures or to evaluate the reliability of information intended to be used as audit evidence).

### *Drafting Conventions Applied*

#### Audit Evidence About the Operating Effectiveness of Controls

76. The project team has considered the terms 'perform tests of controls,' 'test the operating effectiveness of controls,' and 'obtain audit evidence about the operating effectiveness of controls'

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<sup>24</sup> See, for example, the conforming and consequential amendments arising from the ISSA 5000 project ([IAASB-International-Standard-on-Sustainability-Assurance-ISSA-5000.pdf](#)) or for the ISA for LCE project ([IAASB-Audits-Less-Complex-Entities-LCE-Standard\\_0.pdf](#)).

<sup>25</sup> See [Agenda Item 4–B](#) discussed by the Board in June 2025 and the related IAASB approved [meeting minutes](#).



for alignment with the revised definition for tests of controls (i.e., the revised definition for tests of controls states their purpose being to obtain audit evidence about the operating effectiveness of controls).

77. In doing so, and depending on the context in which the various paragraphs are used, the project team has proposed limited amendments, considering that the auditor may obtain audit evidence about the operating effectiveness of controls by different means. In most instances, such audit evidence will be obtained directly by testing a control in the current audit to establish their operating effectiveness. However, the auditor may also obtain audit evidence about the operating effectiveness of controls through other means. For example, performing procedures to confirm the lack of changes when the auditor uses audit evidence from a previous audit or performs procedures to determine whether the risks that the indirect controls were intended to address have not affected the effective operation of direct controls.

#### Phrase ‘Reliance/Rely on Controls’

78. Reference to the term ‘relying/rely on controls’ in other ISAs (when appropriate) have been replaced with the term ‘test controls,’ unless the context of the use of the phrase refers to management’s reliance of controls or when used in the context of a service organization.

#### Electronic versus Digital Information

79. In discussing the form of information, Proposed ISA 500 (Revised) refers to digital information and provides examples of what such information includes.<sup>26</sup> Therefore, the project team proposed amendments to instances where ‘electronic’ is used to describe the form or medium in which information intended to be used as audit evidence may be created, assembled or provided (e.g., distinguishing paper from non-paper formats). In contrast, instances where the term ‘electronic’ is used to describe technological infrastructure or mechanisms (e.g., references to electronic commerce, electronic networks, or electronic trading platforms) were retained.

#### Matters for IAASB Consideration:

5. The Board is asked for its views on the proposed conforming and consequential amendments as presented in **Agenda Item 7–F**, including on the matters discussed in paragraphs 66–79 above.
6. Are there any other matters relevant to conforming and consequential amendments to other ISAs that should be considered in developing the explanatory memorandum that will accompany the exposure draft for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised).

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<sup>26</sup> See paragraph A41 in **Agenda Item 7–C**.

## **Section V – Way Forward**

80. In June 2026, the project team intends to present to the Board an exposure draft for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) for approval. Following the March 2026 IAASB meeting, and based on the Board's feedback, the project team and the Project Board Members will continue to align and refine the drafting for the proposed in-scope standard and the conforming and consequential amendments. Such matters will be subject to further deliberation by the IAASB at its June 2026 meeting.
81. In addition, the project team will continue to engage in coordination activities with other IAASB projects, Consultation Groups and the IESBA, as appropriate, seek advice from IAASB members and continue to engage with stakeholders as part of project-specific outreach and the IAASB's general outreach program.

## **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 (designate)
  - Edo Kienhuis
3. Information about the project can be found [here](#).

### **Interactions with the Board**

4. Since December 2025, Staff have held one virtual 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 March 2026. In addition, Staff held 2 meetings with individual Board members to receive feedback and discuss certain aspects of the project work.

### **Outreach Activities and Meetings**

5. The AE&RR project was specifically addressed in meetings with the following stakeholders during the first quarter of 2026:
  - American Institute of Certified Public Accountants (AICPA).
  - RSM International Limited (RSM).
  - Mindbridge.
6. In addition to the project specific outreach discussed above, the AE&RR project was discussed at the International Organization of Securities Commissions' (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1) on February 2–4, 2026, as part of the IAASB's general outreach program.

## Appendix 2

### Considerations for Using Technological Tools When Designing and Performing Audit Procedures to Obtain Audit Evidence

#### Objective

The objective of this appendix is to highlight certain factors that may assist the auditor in identifying circumstances in which the use of technological tools may be appropriate when designing and performing audit procedures to meet their intended purpose(s). It also sets out considerations for the auditor when using technological tools to design and perform audit procedures, as part of the auditor's evaluation of relevance and reliability of information intended to be used as audit evidence.

This appendix does not mandate the use of technological tools, and the auditor's responsibilities and objectives under the ISAs remain the same regardless of whether audit procedures are designed and performed manually, by using technological tools, or a combination of both.

#### Examples of Factors for Consideration in Identifying Circumstances When the Use of Technological Tools may be Appropriate

1. As explained in ISA 300,<sup>27</sup> when establishing the overall audit strategy, the auditor may consider the effect of information technology on the audit procedures, including the availability of data and the expected use of technological tools to be deployed for specific audit areas. In doing so, ISA 220 (Revised) requires that the engagement partner determines that sufficient and appropriate human, technological and intellectual resources to perform the engagement have been assigned or made available to the engagement team and provides other guidance relevant to the use of technological resources, that include technological tools on the audit engagement.<sup>28</sup>
2. Whether to use technological tools when designing and performing audit procedures to obtain audit evidence is a matter of the auditor's professional judgment. The following table includes examples of factors that may be relevant in considering whether to use technological tools.

Factor	Description
<b>Nature of the Entity's IT Environment and Information</b>	
The entity's use of technology	The nature, extent and complexity of the technologies used by the entity may affect the auditor's use of similar or complementary technological tools.
Degree of digitization	The extent to which transaction information is maintained in digital form within the entity's systems may affect the auditor's use of technological tools to access, query or analyze information that is not otherwise observable.

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<sup>27</sup> ISA 300, *Planning an Audit of Financial Statements*, Appendix

<sup>28</sup> ISA 220 (Revised), paragraphs 25, A63–A67

Factor	Description
Complexity of information	The complexity of information (e.g., number and variety of information sources, interrelationship between data sets) may affect the auditor's use of technological tools to analyze, process or interpret the information.
Volume of information	The volume of information may affect the auditor's use of technological tools to analyze, process, organize or present the information that is not otherwise practicable or effective using manual procedures.
Compatibility of information	The extent to which the information is available in, or can be converted into, a format compatible for use in technological tools may affect the feasibility and extent of the auditor's use of technological tools.
<b>Audit Plan</b>	
The purpose(s) of the audit procedures to be achieved	The purpose(s) of certain audit procedures (e.g., to identify risks of material misstatements by identifying unusual patterns or anomalies in a population of transactions) may be more effectively achieved using technological tools.
The nature of the audit evidence	The audit evidence sought may be more effectively obtained using technological tools (e.g., fair value accounting estimates associated with complicated transactions or accounting entries that involve, for example, complex calculations such as multiple iterations or sophisticated mathematical or statistical processes, or complex modelling, including the use of a complex method with many valuation attributes and interrelationships between them, the use of multiple data sets (or data from multiple sources), or multiple assumptions with various layers of correlation).
<b>Availability of Audit Firm Resources</b> <i>(relevant quality management policies or procedures of the firm may affect the consideration of factors such as these and other factors that may be relevant at the firm or engagement level)</i>	
Availability of appropriate technology	Whether the firm has developed or has access to, and approved for use, technological tools relevant in the circumstances of the audit engagement.
Engagement team competence and expertise	Whether the engagement team members possess the skills to use technological tools appropriately and to interpret the results of the tools, such as understanding the suitability of the tools for the intended purpose, selecting appropriate parameters and identifying false positives.

Factor	Description
Methodology and training support	Whether the use of technological tools is supported by the firm's audit methodology, training programs and access to subject matter experts.
<b>Laws or Regulations</b>	
Data protection, security and privacy requirements	Whether applicable laws or regulations may affect the extent of the auditor's ability to access, transfer, store, or process information using technological tools.

### Using Technological Tools to Meet the Intended Purpose(s) of the Audit Procedures

3. To obtain sufficient appropriate audit evidence, the auditor focuses on planning and performing audit procedures which are appropriate in the circumstances to meet the intended purpose(s) of those audit procedures, regardless of whether audit procedures are performed manually, using technological tools, or a combination of both. The following are a of how the auditor may use technological tools to meet the intended purpose(s) of audit procedures.

Intended purpose(s) of audit procedures:	Examples of how the auditor may use technological tools:
Risk assessment procedures designed and performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels	<ul style="list-style-type: none"> <li>Analyze a population of journal entries to identify unusual or unexpected trends, relationships and activities, such as the existence of manual journal entries within a routine sales process.</li> <li>Gather information from multiple sources to assist the auditor in identifying risks of material misstatement. For example, aggregated news and social media analysis filtered for relevance that may indicate areas of audit risk, such as changes in operations, regulations or other new events and conditions.</li> </ul>
Test of controls designed to obtain audit evidence about the operating effectiveness of controls	<ul style="list-style-type: none"> <li>Evaluate certain IT general access rights and configurations to obtain audit evidence about the operating effectiveness of general IT controls over the entity's IT processes.</li> <li>Reperform the operation of the automated portion of controls throughout the period.</li> </ul>
Substantive procedures designed to detect material misstatements at the assertion level	<ul style="list-style-type: none"> <li>Automate external confirmation procedures to obtain audit evidence regarding the terms of agreements, contracts or transactions between an entity and other parties.</li> </ul>

Intended purpose(s) of audit procedures:	Examples of how the auditor may use technological tools:
	<ul style="list-style-type: none"> <li>Automate the vouching of items selected for tests of details to underlying documentation, such as invoices.</li> </ul>

4. The use of technological tools may assist the auditor in designing and performing audit procedures to meet more than one purpose, and they can also combine types of audit procedures together. In such circumstances it is relevant for the auditor to focus on the appropriateness of the audit procedure to meet its intended purpose(s) rather than the type of audit procedure performed. For example, the auditor may use a technological tool to identify events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. In doing so, the auditor may analyze all journal entries posted to revenue, accounts receivable and cash to inspect whether the entity's sources of earnings are consistent with the auditor's understanding of the entity and its environment (i.e., a risk assessment procedure to identify risks of material misstatement). While performing the analysis, the auditor may also identify unusual cash activity, such as journal entries posted from an unexpected source or against an unusual account. A test of details may be performed for such journal entries to respond to an assessed risk of material misstatement related to the existence of cash (i.e., a substantive procedure to detect misstatements at the assertion level).

#### Examples of Considerations When Using Technological Tools in Evaluating the Relevance and Reliability of Information

5. When the auditor uses technological tools to design and perform audit procedures, the auditor applies professional judgment in evaluating whether the output(s) of the technological tools is relevant and reliable. The following table includes factors that the auditor may consider in making this evaluation. These factors, however, do not address matters related to the development, implementation, operation or maintenance of technological tools. Under ISQM 1, the firm is responsible for assigning or making available human, technological and intellectual resources to engagement teams, including technological tools. In doing so, the firm considers matters such as whether the technological tool operates as designed and achieves the purpose for which it is intended as well as the need to develop procedures that set out how the technological tool operates.<sup>29</sup>

Factor		Effect on the Auditor's Evaluation of Relevance and Reliability of Information Intended to be Used as Audit Evidence
Information used in the technological tool	Volume	The greater the volume of information, the more extensive the auditor's evaluation may be.
	Complexity	The higher the complexity of information, the more extensive the auditor's evaluation may be.

<sup>29</sup> 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*, paragraphs 32, A99–A101.



Factor		Effect on the Auditor's Evaluation of Relevance and Reliability of Information Intended to be Used as Audit Evidence
	Subjectivity and structuredness	The more subjective or less structured the information (e.g., texts, video files), the more extensive the auditor's evaluation may be.
	Integrity	Where integrity is maintained during collection, extraction or transfer from an identified source, the extent of the auditor's evaluation may decrease.
	If the information is from sources that are internal to the entity, the entity's IT environment and controls	The higher the auditor's assessment of control risk, the more extensive the auditor's evaluation may be.
Output(s) of the technological tool	The need to further understand or interpret the output(s)	The more the output(s) is subject to interpretation or judgment, the more extensive the auditor's evaluation may be.
	Traceability, replicability and verifiability	Where it is more difficult to trace the output(s) to inputs, or to replicate or verify the output(s), the more extensive the auditor's evaluation may be.
	Consistency	The higher the degree of inconsistency with the auditor's expectations or other audit evidence available, the more extensive the auditor's evaluation may be.

### Automation Bias

6. As explained in ISA 220 (Revised), the use of technological tools may give rise to a risk of unconscious biases, including automation bias, which may result in overreliance on the relevance and reliability of the output(s) of such tools.<sup>30</sup> An awareness of unconscious biases may help the auditor to design and perform audit procedures in an unbiased manner. The vulnerability to automation bias may be greater when the audit procedures performed using technological tools are complex, such as when they involve multiple inputs and multiple relationships between the inputs, or when there is reduced transparency about how the technological tools are generating the output.
7. Possible actions that the auditor may consider to mitigate the risk of automation bias when using technological tools include:

<sup>30</sup> ISA 220 (Revised), paragraph A36

- Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater.
- Providing relevant training to members of the engagement team who use technological tools, including training on the capabilities and limitations of technological tools.
- Emphasizing the importance of the involvement of more experienced members of the engagement team, or engagement team members with specialized skills and knowledge, as appropriate, to:
  - Understand the data inputs and processing steps, including calculations and modifications to data, used in the technological tools; or
  - Interpret the results from applying the technological tools.

## Appendix 3

### Approach to the Walkthrough of Agenda Items 7–B to 7–D

<b>A. Proposed ISA 330 (Revised)</b>			
<b>No.</b>	<b>Ref: Agenda Item 7–B</b>	<b>Paragraph References</b>	<b>Related Sections in this Agenda Item</b>
A1	Introduction; Objective; Definitions; Overall Responses	1–5; A0A–A3A	–
A2	Audit Procedures Responsive to the Assessed Risks of Material Misstatement at the Assertion Level	6–7; A4–A19AB	
A3	Tests of Controls	8–9; A19A–A25	
A4	Nature and Extent of Tests of Controls	10; A26–A32AB	<b>Section II, Para. 38–39</b>
A5	Timing of Tests of Controls	11–12; A32A–A35	<b>Section II, Para. 40–41</b>
A6	Using Audit Evidence Obtained in a Previous Audit	13–14; A36–A40	–
A7	Evaluating the Outcome of Tests of Controls	16–17; A43–A42B	<b>Section II, Para. 42–45</b>
A8	Substantive Procedures; Selecting Items for Testing	18–23A; A41–A60A	<b>Section II, Para. 31–37</b>
A9	Adequacy of Presentation of Financial Statements; Evaluating the Sufficiency and Appropriateness of Audit Evidence; Documentation	24–30; A61–A65	–
<b>B. Proposed ISA 500 (Revised)</b>			
<b>No.</b>	<b>Ref: Agenda Item 7–C</b>	<b>Paragraph References</b>	<b>Related Sections in this Agenda Item</b>
B1	Introduction; Objective; Definitions; Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence	1–8A; A4A–A26B	–

B2	Relevance and Reliability of Information Intended to Be Used as Audit Evidence	9–10C; A35–A56L; A65N–A65R	<b>Section II, Para. 46–48</b>
B3	Using Audit Evidence Prepared by a Management’s Expert; Doubts About the Relevance and Reliability of Information; Inconsistencies in Audit Evidence	11–14; A66–A90B	–
B4	Relationship with Other ISAs and Types of Audit Procedures; Selecting Items for Testing	Appendices 1–2	
B5	Technological Tools	A2B–A4; A65A–A65M; Appendix 3	<b>Section II, Para. 49–57; Appendix 2</b>
<b>C. Proposed ISA 520 (Revised)</b>			
<b>No.</b>	<b>Ref: Agenda Item 7–D</b>	<b>Paragraph References</b>	<b>Related Sections in this Agenda Item</b>
C1	Introduction; Objectives; Definitions	1–4; A0–A3A	–
C2	Results of Analytical Procedures Performed as Risk Assessment Procedures	4A; A3B–A3C	
C3	Substantive Analytical Procedures	5; A4–A16F	
C4	Analytical Procedures that Assist When Forming and Overall Conclusion	6–7; A17–A21A	