

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

Objectives

The objective of the IAASB discussion in June 2026 is to approve the exposure drafts of Proposed ISA 330 (Revised),¹ Proposed ISA 500 (Revised)² and Proposed ISA 520 (Revised)³, and the related conforming and consequential amendments arising from the revisions, as set out in **Agenda Item 2–B to Agenda Item 2–E**, respectively.

Request for Board Comments in Advance of the Meeting

Board members are requested to communicate any significant matters to the AE&RR project team by **June 11, 2026**. This request is intended to assist the project team in planning for the turnaround of the exposure drafts during the June 2026 IAASB meeting. All significant matters should still be raised and discussed in the Board plenary session to ensure that such matters are on public record.

Approach to the Board Discussion

During the June 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 2–B to 2–E**, together with the key matters discussed in **Section I**, seeking comments on the requirements and related application material in the order set out **Appendix 2** of this paper.

Introduction

Background

1. At the March 2026 IAASB meeting, the Board provided directional input and specific comments on the full draft standards of Proposed ISA 330, Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) ("in-scope standards"), together with conforming and consequential amendments to ISQMs⁴ and other ISAs that arise as a result of the proposed revisions.⁵
2. In May 2026, the Board discussed targeted matters for selected paragraphs of Proposed ISA 330 (Revised) and Proposed ISA 500 (Revised) and provided directional feedback to assist the project team in finalizing the Board materials for the June 2026 IAASB meeting.⁶
3. The Board's decisions, directions and other substantial matters from the March and May 2026 IAASB meetings are outlined in the draft meeting minutes available in [Agenda Item 1](#) on the *IAASB Quarterly Board Meeting – June 15–18, 2026* webpage.

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

² Proposed ISA 500 (Revised), *Audit Evidence*

³ Proposed ISA 520 (Revised), *Analytical Procedures*

⁴ International Standards on Quality Management

⁵ See [Agenda Item 7](#) discussed by the Board at the March 2026 IAASB meeting.

⁶ See [Agenda Item 1](#) discussed by the Board at the May 2026 IAASB meeting.

Materials Presented

Matters Addressed in This Paper

4. This paper sets out:
- **Section I:** explanation of *key matters* relevant to the in-scope standards.
 - **Section II:** overview of *due process matters* for the exposure drafts of Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised).
 - **Section III:** matters related to the *Explanatory Memorandum(s)* accompanying the exposure drafts for the in-scope standards.

Appendices and Other Agenda Items Accompanying This Paper

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

Appendix 1	AE&RR Project Team and Activities
Appendix 2	Approach to the Walkthrough of Agenda Items 2–B to 2–E
Agenda Item 2–A	Explanation of Changes
Agenda Item 2–B	Proposed ISA 330 (Revised) (Marked from March/May 2026)
Agenda Item 2–C	Proposed ISA 500 (Revised) (Marked from March/May 2026)
Agenda Item 2–D	Proposed ISA 520 (Revised) (Marked from March 2026)
Agenda Item 2–E	Proposed Conforming and Consequential Amendments to ISQMs and Other ISAs
Agenda Item 2–F	Proposed ISA 330 (Revised) (Clean and Renumbered)
Agenda Item 2–G	Proposed ISA 500 (Revised) (Clean and Renumbered)
Agenda Item 2–H	Proposed ISA 520 (Revised) (Clean and Renumbered)
Agenda Item 2–I (Supplemental)	Addressing the Standard-Setting Actions Included in the AE&RR Project Proposal

Coordination

Technology Quality Management Workstream

6. Staff of the AE&RR project met with Staff of the Technology Quality Management Workstream in May 2026. At the meeting, an update was provided on how the technology-related actions of the AE&RR project proposal have been considered to date to aid the update of the IAASB Technology Position's Catalog of Issues and Possible Actions.

Technology Consultation Group (TCG)

7. In May 2026, Staff of the AE&RR project met with Staff and members of the 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 (see Appendix 3 of **Agenda Item 2–C**). Members of the TCG noted their overall support for the updates made to the guidance since March 2026, including not pursuing technology-related documentation considerations.
8. The project team also sought views from Staff and members of the TCG in an offline submission addressing proposed application material paragraphs of Proposed ISA 330 (Revised) (i.e., paragraphs A27, A29 and A29a of **Agenda Item 2–B**) that aim to raise awareness about the implications of emerging technologies on the consistency of the operation of controls. In particular, views were sought on the appropriateness of the terminology used in the paragraphs, including potential risks for dating the standards.
9. The feedback and input provided by the TCG has been considered and incorporated, as appropriate, in the updates to **Agenda Items 2–B** and **Agenda Item 2–C**.

ISA 500 Series Project

10. Staff of the AE&RR project met with Staff of the ISA 500 Series project in May 2026 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.

Outreach

11. Details of outreach activities and meetings since March 2026 are included in **Appendix 1**.

Applying the CUSP Drafting Principles and Guidelines⁷

12. Since March 2026, an independent review was undertaken to ensure that the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines have been consistently applied in the development of the in-scope standards included in **Agenda Items 2–B to 2–E**.

Project Objectives that Support the Public Interest

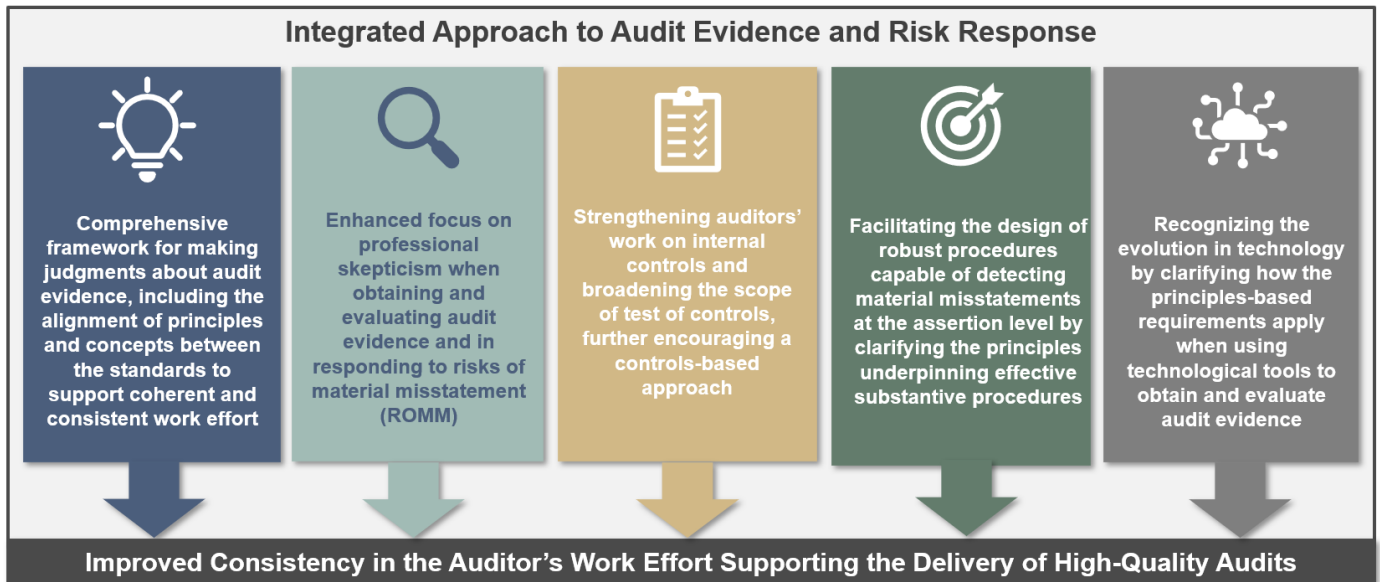
13. **Agenda Item 2–I** sets out a table that compares the standard-setting actions of the AE&RR [project proposal](#) with the key revisions proposed to date for the in-scope standards. Because the project objectives that support the public interest are directly related to the standard-setting actions, the table also explains how the proposed revisions to the in-scope standards address those objectives.
14. 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)⁸ that are used to assess the public interest responsiveness of the proposed revisions to the in-scope standards.

⁷ See the [CUSP Drafting Principles and Guidelines](#).

⁸ See the Monitoring Group report [Strengthening the International Audit and Ethics Standard-Setting System](#).

Promoting Consistent Practice and Changing Auditor Behavior

15. The diagram below shows a roadmap that summarizes the key outcomes of the concurrent revisions for Proposed ISA 330 (Revised), Proposed ISA 500 (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.



Section I – Key Matters Considered

16. To assist the Board with the walkthrough of Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised), the Section below highlights the key matters considered by the project team since March 2026 which are of a more substantial nature. In addition, **Agenda Item 2–A** sets out an explanation for certain changes made to the in-scope standards reflected in **Agenda Items 2–B to 2–E**.
17. Broadly, the reasons for the changes to the in-scope standards since March 2026 include:
- (a) Changes based on the Board's comments (i.e., comments provided in plenary discussion in March and May 2026 as well as offline comments provided directly to the project team).
 - (b) Incorporating input from Staff and members of the TCG, as appropriate.
 - (c) Responding, as appropriate, to additional stakeholder feedback from the ongoing project outreach activities.
 - (d) Changes to address consistent application of the CUSP Drafting Principles and Guidelines.
 - (e) Refinements to the in-scope standards that are necessary to enhance their interoperability, in view of the concurrent manner in which the revisions are being undertaken. This includes changes as a result of repositioning paragraphs of the in-scope standards, to improve their flow and structure (also see paragraphs 27–28 and 31–35 below).
 - (f) Enhancements of the consistency of terms that are relevant to obtaining and evaluating the

sufficiency and appropriateness of audit evidence, including those related to technology.

Proposed ISA 330 (Revised)

Tests of Controls

<i>Relevant Paragraphs in Agenda Item 2–B:</i>	<i>Paras. 9A; A25–A25aa</i>
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Previous IAASB Deliberations

18. In March 2026, the Board reaffirmed its view to clarify that the ISAs are permissive of an approach to responding to risks of material misstatement (ROMM) at the assertion level through tests of controls alone, and by doing so, future-proof the standards so they are able to stand the test of time in view of technological change.
19. In May 2026, the Board discussed the project team’s proposals to introduce a requirement setting a “risk-based” threshold for when it is appropriate for the auditor to respond to assessed ROMM at the assertion level through a tests of controls alone approach. In developing the proposal, the project team considered feedback from ongoing outreach, which indicated a preference for establishing adequate guardrails in order to support establishing a consistent basis for sound professional judgments about when such an approach would be appropriate.

Placement

20. The project team formed the view that it is more logical to place the requirement discussed above in the section addressing *Tests of Controls*, given that this section addresses matters relevant to designing and performing tests of controls. On this basis, since May 2026, the requirement has been relocated to new paragraph 9A of **Agenda Item 2–B**, preceding the section on *Nature and Extent of Tests of Controls*.

“Risk-Based” Threshold

21. In considering whether both conditions addressed by subparagraphs 9A(a)–(b) of **Agenda Item 2–B** should be retained, the project team believe that both inherent and control risk influence the auditor’s decision on whether a controls-alone approach is appropriate. Therefore, the project team proposed to retain both conditions
22. In discussing the “risk-based” references in subparagraph 9A(a) of **Agenda Item 2–B**, the project team formed the view that it is appropriate to retain the references to risks not assessed *at the higher end* of the spectrum of inherent risk. However, because the requirement in paragraph 18B of **Agenda Item 2–B** already requires the auditor to design and perform substantive procedures that are specifically responsive to significant risks, it is not necessary to retain the reference to “significant risks” in subparagraph 9A(a) of **Agenda Item 2–B**.
23. The project team also considered comments from the Board in May 2026, which highlighted that in practice, although entities may have different risk appetites and risk management strategies, it would likely be rare for an entity to design, implement, operate and monitor controls that specifically, and with a high degree of precision, address risks that have a relative low chance of occurring. Consequently, it would be rare for an auditor to plan to obtain audit evidence about the operating effectiveness of such controls. Additionally, when controls are not documented, the auditor may not

consider that the audit evidence that is expected to be available about the effective operation of the controls would be sufficiently persuasive for the auditor’s purposes.

Other Refinements

24. The project team also:

- (a) Reworded the lead-in to the requirement, by reconsidering the placement of the condition in the sentence and removing the reference to “determine.” This is because such determination would have already been carried out in accordance with ISA 315 (Revised 2019)⁹ so it would be duplicative to word the requirement in this manner.
- (b) Enhanced the application material in paragraphs A25–A25aa of **Agenda Item 2–B** to emphasize that in deciding whether to plan a tests of controls alone approach to meet the criteria addressed by the requirement, the auditor considered:
 - The *persuasiveness* of the audit evidence that is expected to be obtained about the operating effectiveness of the controls; and
 - The extent to which the controls address inherent risk, that is, the *level of precision* with which the controls have been designed to respond to the reasons for the assessment of inherent risk, and the level of precision with which the controls are expected to operate. In this regard, the application material draws attention to matters such as consideration of whether the control has been documented by the entity and whether it is monitored by the entity’s system of internal control.

Substantive Procedures

<i>Relevant Paragraphs in Agenda Item 2–B:</i>	<i>Para. 6–7B; 18A</i>
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Previous IAASB Deliberations

25. In March 2026, the Board provided directional input to consider ways of addressing concerns that the collective revisions to the standard may unintentionally suggest that tests of controls are considered “more important” than substantive procedures in responding to ROMM at the assertion level, including enhancements to the flow and readability of the standard.
26. In May 2026, the Board discussed the project team’s proposals to explicitly state in paragraph 7(b) of **Agenda Item 2–B** that designing further audit procedures that are responsive to the assessed ROMM at the assertion level involves planning to perform substantive procedures, tests of controls, or a combination of both, in a manner that addresses the assessments of inherent risk and of control risk. In proposing this change, the project team aimed to address concerns around providing undue prominence to tests of controls, relative to substantive procedures, and to establish a clear linkage between the assessed ROMM at the assertion level, the planned further audit procedures, and the persuasiveness of audit evidence to be obtained.

⁹ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*

Improvements to the Flow and Readability

27. The project team discussed that the requirement to respond to the assessed ROMM in an unbiased manner intends to apply to both overall responses and to audit procedures responsive to assessed ROMM at the assertion level. As such, its placement in the section addressing *Audit Procedures Responsive to Assessed ROMM at the Assertion Level* is illogical and may cause confusion around its applicability and scope. On this basis, the project team proposes to reallocate the requirement in a separate section of the standard with a separate subheading for clarity (see paragraph 7B of **Agenda Item 2–B**).
28. The project team also discussed that there are benefits for understandability and readability if the baseline requirements for responding to assessed ROMM at the assertion level are placed sequentially in a single section of the standard (i.e., paragraphs 6 and 7 of **Agenda Item 2–B**). In addition, the project team believes that elevating the “order” of the sections for *Tests of Controls* and *Substantive Procedures* as standalone sections (in bold headings) also helps to provide both equal prominence in the standard for both.

New Baseline Requirement for Substantive Procedures

29. From the ongoing project outreach activities, certain stakeholders continue to raise concern around overemphasizing the requirements and application material related to tests of controls over those for substantive procedures. In response, the project team has proposed paragraph 18A of **Agenda Item 2–B** as a baseline requirement for designing and performing substantive procedures in responding to assessed ROMM at the assertion level.
30. While such requirement does not impose additional obligations than those already addressed by the baseline requirements to design and perform further audit procedures in paragraphs 6 and 7 of **Agenda Item 2–B**, the project team is of the view that a standalone requirement related to performing substantive procedures helps highlighting the connectivity of the requirements in the standard, thereby enhancing understandability.

Proposed ISA 500 (Revised)

Reordering of Application Material

<i>Relevant Paragraphs in Agenda Item 2–C:</i>	Para. A4Aa–A4Ad; A12A; A35–A35A; A53–A56C
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31. In view of comments from the Board in March and May 2026, substantial reordering was made to the application material of the standard, aiming to achieve the following improvements:
 - (a) Provide prominence to the concepts of relevance and reliability of information, including the attributes of reliability of information, earlier in the standard. In doing so, a new section includes reallocated paragraphs A4Aa–A4Ad of **Agenda Item 2–C** as the first application material paragraphs of the standard to addresses the principal descriptions for the concepts of: “information intended to be used as audit evidence,” “relevance” and “reliability of information.”
 - (b) Highlight earlier in the standard the description for the notion of “attributes of reliability of information that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures” and the factors relevant to the auditor’s professional judgment for this notion. Accordingly, paragraph A35A of **Agenda Item 2–C** has been repositioned much earlier in the

application material of the standard. Such positioning allows enhanced connectivity with the guidance in paragraph A35 of **Agenda Item 2–C** that explains how the auditor may evaluate the relevance and reliability of information (which could be either as an integral part of the audit procedures, or as a separate evaluation).

32. New or revised application material in **Agenda Item 2–C** provides emphasis for the following matters:
- (a) Paragraph A56Ba addresses the interrelationship among the attributes that apply to the information, with supporting examples to explain their synergy, noting that the auditor may consider one or more attributes to be of significance when evaluating the reliability of information.
 - (b) Paragraph A56Bb discusses the interrelationship among the source of the information and the attributes of reliability, noting that the source of the information affects the auditor’s professional judgment about which attributes of reliability are of significance in the circumstances. The guidance also discusses how the auditor’s consideration for the significance of the attributes of reliability of information may differ based on whether the source of the information is from internal or external sources.
 - (c) Paragraph A56C addresses guidance for accuracy and completeness, regardless of the source of the information, and provides examples to support the auditor’s professional judgment for the reliability of the information when performing risk assessment and further audit procedures.
33. The project team also deliberated whether it remains logical for the application material (and related requirements) to first address the source of the information, followed by the application material (and related requirements) for the attributes of reliability of information. In considering this matter, the project team noted that the source of the information affects the auditor’s professional judgments for relevance of information, in addition to those for evaluating the reliability of information. On this basis, the project team proposes to retain the ordering of subparagraphs (a) and (b) in the requirement in paragraph 9 of **Agenda Item 2–C** (and of the related application material).

Form, Availability, Accessibility and Understandability of Information

<i>Relevant Paragraphs in Agenda Item 2–C:</i>	<i>Para. A40E–A47B; Appendix 4</i>
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34. The project team remains mindful about the length of the proposed standard. In this regard, the project team undertook an exercise to streamline the application material in **Agenda Item 2–C**. This included identifying opportunities to condense certain examples or remove examples which were similar and duplicative.
35. In undertaking this exercise, the project team discussed that the section addressing the form, availability, accessibility and understandability of information, includes more extensive and comprehensive examples that could be better placed in **Appendix 4** of **Agenda Item 2–C**, rather than remain in the main body of the standard. In proposing this change, the project team referred to the CUSP Drafting Principles and Guidelines, that explain when the use of an Appendix in the ISAs is appropriate.¹⁰

¹⁰ See Section 10: “Application and Other Explanatory Material of ISAs” of the [CUSP Drafting Principles and Guidelines](#).

Matters for IAASB Consideration:

1. The Board is asked for its views on:
 - (a) Proposed ISA 330 (Revised) as presented in **Agenda Item 2–B**, including on the matters discussed in paragraphs 18–30 above.
 - (b) Proposed ISA 500 (Revised) as presented in **Agenda Item 2–C**, including on the matters discussed in paragraphs 31–35 above.
 - (c) Proposed ISA 520 (Revised) as presented in **Agenda Item 2–D**.
2. The Board is asked for its views on the proposed conforming and consequential amendments as presented in **Agenda Item 2–E**.

Section II – Due Process Matters

Exposure Period

36. Subject to the Board's planned approval in June 2026, the project team expects that the exposure draft will be published in early August 2026 for an approximate 130-day comment period. Responses would be due mid December 2026.
37. The above comment period takes into account the time that would be needed by the project team to analyze the comment letters received, undertake additional targeted outreach and coordinate with other projects and workstreams to be able to present the Board with the feedback received and proposals to finalize the proposed standards in accordance with the IAASB work plan to complete the project by the end of 2027.

Proposed Implementation Period

38. The project team propose to include in the Explanatory Memorandum(s) a proposal for an implementation period of approximately 18 months after approval by the IAASB of Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised). The project team notes that completion of the project by the end of 2027, would allow for an implementation period of 18-24 months after planned certification of the standards by the Public Interest Oversight Board (PIOB). The project team views such period as allowing sufficient time to implement the standards, including adoption and translation by jurisdictions, and incorporating the changes into firm methodologies, enablement tools and training materials.
39. A question will be asked in the Explanatory Memorandum(s) about the expected implementation efforts and the appropriateness of the proposed implementation period.

Consideration of Due Process

40. In the project team's view, the significant matters identified as a result of deliberations since the beginning of this project have been included in the issues papers presented to the IAASB for discussion. The project team believes that there are no significant matters that have not been brought to the attention of the IAASB.
41. The project team does not believe that a public forum or roundtable, consultation paper or field testing is needed at this stage of the project, as the development of Proposed ISA 330 (Revised), Proposed

ISA 500 (Revised) and Proposed 520 (Revised) leveraged input from comprehensive outreach activities undertaken during the course of the project, across various stakeholder groups from different geographies. In addition, a plan for further outreach during the exposure period is being developed.

42. The project team proposes to highlight in the Explanatory Memorandum(s) that the IAASB encourages field testing of (certain) proposals by auditors or others, if they choose to do so, and welcomes the sharing of the results of any field testing performed with the IAASB as part of their responses to the exposure drafts.

Matter for IAASB Consideration:

3. The Board is asked whether there are any other matters the project team should consider in respect to the matters described in this paper, including the due process matters set out in paragraphs 36–42 above.

Section III – Matters for the Explanatory Memorandum(s)¹¹

Approach and Structure of the Explanatory Memorandum(s)

43. Given that the AE&RR project addresses the concurrent revisions to three ISAs, the project team proposes to develop a separate Explanatory Memorandum (EM) to accompany each of the exposure drafts for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised). The separate EMs will request comments from respondents to solicit feedback on the significant matters relevant for each in-scope standard separately.
44. However, considering the integrated nature of the project, in addition to the separate EMs, the project team also intends to develop a Cover EM to address overarching matters relevant for all the in-scope standards.

Significant Matters for the Cover EM

45. Below are indicative matters that are intended to be addressed by the Cover EM:
- (a) Background to the AE&RR project and the drivers for the concurrent revisions of Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised).
 - (b) A sections to provide relevant background regarding the revisions to extant ISA 500, recognizing the initial project to revise the standard (and the related exposure draft: [ED-500](#) that was issued in October 2022), the Board's decision to pursue an integrated project to revise extant ISAs 330, 500 and 520 as part of its Strategy and Work Plan for 2024–2027, and the resulting Pre-Finalization Holding Package of Proposed ISA 500 (Revised) in March 2024.¹²
 - (c) Interrelationship among the in-scope standards and a discussion of how the collective outcomes of the proposed revisions most significantly contribute to enhancing consistency in practice and modifying behavior.

¹¹ The matters discussed in this section are subject to the Board's approval for exposure of the in-scope standards.

¹² See [Agenda Item 5](#) discussed at the March 2024 IAASB meeting.

- (d) The project objectives that support the public interest and how the proposed revisions to the in-scope standards support the identified public interest issues for the project (see **Agenda Item 2–I**).
- (e) Conforming and consequential amendments to ISQMs and other ISAs as a result of the revisions to the in-scope standards, including a description and the Board's rationale, for significant consequential amendments that arise from the following matters:
 - Replacement of the term “automated tools and techniques” with a new term “technological tools” and positioning a description of “technological tools” in ISQM 1¹³ and ISA 220 (Revised).¹⁴
 - Revisions to ISA 315 (Revised 2019) as a result of the Board's preferred option for replacing paragraph 18 of extant ISA 330.¹⁵
 - Repositioning the conclusion on whether sufficient appropriate audit evidence has been obtained from paragraph 25 of extant ISA 330 into ISA 700 (Revised).¹⁶
 - Aligning the application material in extant paragraph A24 of ISA 200,¹⁷ which allows the auditor to accept documents and records as genuine unless there are indications to the contrary, with the revisions for authenticity of information addressed by ISA 240 (Revised)¹⁸ and Proposed ISA 500 (Revised).

Significant Matters for the Separate EMs

46. The project team proposes that the key matters, outlined below, be address in the separate EMs accompanying the exposure drafts for Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised). These include, but are not limited to:

Proposed ISA 330 (Revised)

- (a) Consideration of matters of alignment nature with the work effort performed as part of the auditor's risk identification and assessment under ISA 315 (Revised 2019), including improvements to increase the consistency of terms and concepts among the standards.
- (b) Clarifying the definition of substantive procedures and introducing a definition for tests of detail, including the rationale for doing so.
- (c) Broadening the scope of the definition for tests of controls to facilitate effective testing of their operating effectiveness for a purpose other than responding to an assertion level ROMM.

¹³ ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

¹⁴ ISA 220, *Quality Management for An Audit of Financial Statements*

¹⁵ Paragraph 18 of extant ISA 330 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance and disclosure (COTABD), irrespective of the assessed ROMM.

¹⁶ ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*

¹⁷ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*

¹⁸ ISA 240 (Revised), *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

- (d) Description of the enhancements to the baseline requirements for responding to assessed risks of material misstatement.
- (e) Discussion of the enhancements made to emphasize a more robust exercise of professional skepticism when responding to the assessed ROMM in an unbiased manner.
- (f) Overview of the revisions that aim to collectively encourage auditors to consider the use of tests of controls and support appropriate judgments about whether and when to test controls. These include the new or enhanced requirements and application material for:
 - Using tests of controls alone in responding to assessed ROMMs at the assertion level.
 - When substantive procedures alone cannot provide sufficient appropriate audit evidence.
 - Using audit evidence from a previous period about the operating effectiveness of controls and the three-year baseline for retesting a control.
 - Circumstances when the controls to be tested depend on the operating effectiveness of other controls, including general information technology controls (GITCs) and other indirect controls.
 - Evaluating the operating effectiveness of controls and the results of tests of controls.
- (g) Explanation of the IAASB rationale for the removal of paragraph 18 of extant ISA 330, including the Board's outcomes of deliberations on why other alternative proposals considered have not been pursued.
- (h) Description of the revisions that facilitate the design of robust substantive procedures capable of detecting material misstatements at the assertion level by:
 - Introducing a new baseline requirement for designing and performing substantive procedures in responding to assessed ROMM at the assertion level.
 - Retaining the requirements to perform substantive procedures responsive to significant risks.
- (i) Discussion of the enhancements proposed to strengthen the auditor's evaluation of the sufficiency and appropriateness of the audit evidence obtained in responding to the assessed ROMM.

Proposed ISA 500 (Revised)

- (j) Overview of the IAASB's Audit Evidence project, the significant matters considered by ED-500 and the IAASB's deliberations of proposals and options based on the feedback received on ED-500.
- (k) Discussion of the purpose and scope of the standard, including its linkages to other standards, and its role in addressing foundational audit evidence concepts by establishing as a principle-based reference framework for making judgments about audit evidence throughout the audit.
- (l) Description of the key enhancements for professional skepticism and professional judgment.
- (m) Clarifications to terminology, including the revised definitions of audit evidence,

appropriateness and sufficiency of audit evidence and the relationship of sufficiency and appropriateness with the notion of persuasiveness of audit evidence.

- (n) Overview of the new requirements and application material for:
- Designing and performing audit procedures to obtain sufficient appropriate audit evidence, including when using an audit procedure for more than one purpose.
 - Evaluating the relevance and reliability of information intended to be used as audit evidence, including:
 - Consideration of the source and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.
 - Requirements and related application material addressing the information prepared by a management's expert and doubts about relevance and reliability of information.
 - Addressing inconsistencies in audit evidence.
- (o) Addressing considerations for using technological tools when designing and performing audit procedures to obtain audit evidence.

Proposed ISA 520 (Revised)

- (p) Rationale for the revised scope and objectives that embed a comprehensive framework in the standard to support auditor's professional judgments when using audit evidence from analytical procedures.
- (q) Overview of the clarifications for terminology and key concepts, including:
- Refining the definition of analytical procedures and defining substantive analytical procedures to distinguish them from the various uses of analytical procedures across all stages in an audit.
 - Clarifying that the auditor may use analytical procedures to obtain audit evidence in combination with tests of controls or tests of details when designing and performing further audit procedures.
- (r) Description of the new requirements and application material addressing the effects of the results of risk assessment analytical procedures on the identification and assessment of ROMM.
- (s) Discussion about the clarified principles supporting the performance of robust substantive analytical procedures capable of detecting material misstatement at the assertion level, by strengthening the key elements that determine the necessary precision of the substantive analytical procedures as a whole. These include new or enhanced requirements and application material for the:
- 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.

- 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 misstatement exists.

Response Templates and Outreach

47. To facilitate effective written comments, the exposure drafts will be accompanied by response templates to aid respondents in preparing their comment letters. In developing the questions for respondents in the EMs, due consideration will be given to the qualitative standard-setting characteristics to facilitate the IAASB in assessing the responsiveness of the proposed revisions to the public interest.
48. The project team also intends to undertake outreach during and post the exposure period with various stakeholder groups to supplement the written responses.

Matter for IAASB Consideration:

4. The Board is asked whether there are any key matters, other than those discussed above, that should be addressed in the Cover EM and the separate EMs for the in-scope standards.

Appendix 1

AE&RR Project Team and Activities

Project Team

1. In addition to the following IAASB Staff, the project team includes Susan Jones (Technical Advisor to IAASB member, Neil Morris):
 - Kalina Shukarova Savovska
 - 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 March 2026, the project team held four virtual meetings over three days with the Project Board Members to receive input and advice in the development of the issues presented to the Board in June 2026.

Outreach Activities and Meetings

5. The AE&RR project was specifically addressed in meetings with the following stakeholders during the second quarter of 2026:
 - Standards Setting Working Group (SSWG) of the Global Public Policy Committee (GPPC).
 - International Organization of Securities Commissions' (IOSCO) Committee on Issuer Accounting, Audit and Disclosure (Committee 1).
 - American Institute of Certified Public Accountants (AICPA).
 - Small and Medium Practices Advisory Group (SMPAG).

Appendix 2

Approach to the Walkthrough of Agenda Items 2–B to 2–E

A. Proposed ISA 330 (Revised)			
No.	Ref: Agenda Item 2–B	Paragraph References	Related Para. in Section I of this Agenda Item
A1	Introduction; Objective; Definitions; Overall Responses	1–5; A0A–A3A	–
A2	Audit Procedures Responsive to the Assessed ROMM at the Assertion Level; Responding to Assessed ROMM in an Unbiased Manner	6–7B; A4A–A19ABa	Para. 25–30
A3	Designing and Performing Test of Controls	8–9A; A19ABb–A25aa	Para. 18–24
A4	Nature and Extent of Tests of Controls; Timing of Tests of Controls; Using Audit Evidence Obtained in a Previous Audit	10–14; A25A–A40	–
A5	Evaluating the Operating Effectiveness of Controls; Results of Tests of Controls	16–17A; A41–A42B	–
A6	Substantive Procedures; Selecting Items for Testing	18A–23A; A45–A60A	Para. 25–30
A7	Adequacy of Presentation of Financial Statements; Evaluating the Sufficiency and Appropriateness of Audit Evidence; Documentation	23B–30; A60B–A65	–
B. Proposed ISA 500 (Revised)			
No.	Ref: Agenda Item 2–C	Paragraph References	Related Para. in Section I of this Agenda Item
B1	Introduction; Objective; Definitions; Designing and Performing Audit Procedures to Obtain Sufficient Appropriate Audit Evidence	1–8A; A4A–A26B	–
B2	Evaluating the Relevance and Reliability of Information	9–9A; A4Aa–A4Ad; A35–A56L, Appendix 4	Para. 31–35

B3	Evaluating the Reliability of Information	10B; A65Oa–A65Qb	–
B4	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	–
B5	Relationship with Other ISAs and Types of Audit Procedures; Selecting Items for Testing; Considerations for Using Technological Tools	Appendices 1–3	–
C. Proposed ISA 520 (Revised)			
No.	Ref: Agenda Item 2–D	Paragraph References	Related Para. in Section I of this Agenda Item
C1	Introduction; Objectives; Definitions; Results of Analytical Procedures Performed as Risk Assessment Procedures	1–4A; A0–A3C	–
C2	Substantive Analytical Procedures	5; A4–A16F	–
C3	Analytical Procedures that Assist When Forming and Overall Conclusion	6–7; A17–A21A	–
D. Proposed Conforming and Consequential Amendments			
No.	Ref: Agenda Item 2–E	Related Para. in Section I of this Agenda Item	
D1	ISQMs; ISA 200 to ISA 250 (Revised) ¹⁹	–	
D2	ISA 315 (Revised 2019)	–	
D3	ISA 320 ²⁰ to IAPN 1000 ²¹	–	

¹⁹ ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*

²⁰ ISA 320, *Materiality in Planning and Performing an Audit*

²¹ International Auditing Practice Note (IAPN) 1000, *Special Considerations In Auditing Financial Instruments*