

Targeted Matters on Audit Evidence and Risk Response

This agenda item shows in mark-up changes made to selected paragraphs of **Agenda Items 2–F, 2–G and 2–H** as a result of comments received in plenary on June 15, 2026 on selected topics.

Selected Paragraphs of Proposed ISA 330 (Revised), The Auditor's Responses to Assessed Risks

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Requirements

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Tests of Controls

Designing and Performing Tests of Controls

9. If the auditor plans to obtain audit evidence about the operating effectiveness of controls in responding to assessed risks of material misstatement at the assertion level, including controls that address risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, the auditor shall design and perform tests of controls.¹ (Ref: Para: A28–A34)

~~The auditor shall design and perform tests of controls in responding to assessed risks of material misstatement at the assertion level if the auditor's assessment of control risk is based on: (Ref: Para: A28–A34)~~
 - ~~(a) The auditor's plan to obtain audit evidence about the operating effectiveness of the controls;²~~
~~or~~
 - ~~(b) The auditor's determination that substantive procedures alone cannot provide sufficient appropriate audit evidence in responding to the risks.³ (Ref: Para: A32–A33)~~
10. The auditor shall obtain more persuasive audit evidence about the operating effectiveness of controls, the greater the reliance the auditor places on such audit evidence in responding to assessed risks of material misstatement at the assertion level. (Ref: Para. A34)
11. If ~~T~~the auditor plans to shall respond to assessed risks of material misstatement at the assertion level through tests of controls alone, the auditor shall only do so whenif:
 - (a) The assessed inherent risk related to such risks is not assessed on the higher end of the spectrum of inherent risk and no such risks are determined to be significant risks;⁴ and

¹ ISA 315 (Revised 2019), paragraphs 33–34

² ISA 315 (Revised 2019), paragraph 34

³ ISA 315 (Revised 2019), paragraph 33

⁴ ISA 315 (Revised 2019), paragraphs 31–32

- (b) The auditor's expectation about the operating effectiveness of the controls that address inherent risk is such that the risks of material misstatement at the assertion level are at an acceptably low level. (Ref: Para. A35)

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Application and Other Explanatory Material

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Substantive Procedures

Nature and Extent of Substantive Procedures (Ref: Para. 6, [8A22](#))

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- A66. [Proposed ISA 500 \(Revised\) provides a non-exhaustive list of types of audit procedures.](#)⁵ When designing and performing further audit procedures, the auditor may design and perform analytical procedures, [that are not substantive analytical procedures, which,](#) in combination with tests of controls or tests of details, [The combination of such analytical procedures and tests of controls or tests of details may increase the persuasiveness of the audit evidence obtained in the circumstances, may provide sufficient appropriate audit evidence at the assertion level. Such analytical procedures are not substantive analytical procedures as contemplated in Proposed ISA 520 \(Revised\).](#)⁶ [However, the combination of, such analytical procedures and tests of details, may, for example, increase the persuasiveness of the audit evidence obtained in the circumstances.](#)

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⁵ [Proposed ISA 500 \(Revised\), Appendix 1](#)

⁶ [Proposed ISA 520 \(Revised\), paragraphs 6\(b\) and 8](#)

Selected Paragraphs of Proposed ISA 500 (Revised), Audit Evidence

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Requirements

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Information Intended to Be Used as Audit Evidence

Evaluating the Relevance and Reliability of Information Intended to Be Used as Audit Evidence

11. When designing and performing audit procedures in accordance with paragraph 9, the auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall consider: (Ref: Para. A27–A28, A34–A40, A60)
 - (a) The source of the information; and (Ref: Para. A29–A33)
 - (b) The attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. (Ref: Para. A28, A41–A53)
12. If information intended to be used as audit evidence is information produced by the entity, is from sources internal to the entity, as part of the auditor's evaluation in accordance with in complying with the requirement in paragraph 11, the auditor shall evaluate, to the extent necessary, obtain audit evidence about the accuracy and completeness of the information, as necessary in the circumstances, to meet the intended purpose(s) of the audit procedures. (Ref: Para. A33A, A44–A44A, A60)

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Application and Other Explanatory Material

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Information Intended to Be Used as Audit Evidence ~~(Ref: Para. 11–16)~~

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Sources of Information (Ref: Para. 11(a))

- A29. ~~The source of the information refers to the party who provides the information to the auditor or from whom the auditor accesses the information from.~~ Information intended to be used as audit evidence may come from internal sources, ~~or~~ external sources or a combination of internal and external sources. For example, information may come from:
- Internal sources, such as the entity's accounting records, management or other sources internal to the entity (see also paragraph A33A) including:
 - [Moved to Para. A33A]
 - [Moved to Para. A33A]

- **[Moved to Para. A33A]**

- External sources include:

- ~~An~~ An external individual or organization that provides information suitable for use by a broad range of users, ~~which~~ and that the entity uses in preparing the financial statements, or the auditor intends to use as audit evidence when such information is suitable for use by a broad range of users. Such sources are referred to as an “external information source.” A particular set of information is more likely to be suitable for use by a broad range of users and less likely to be subject to influence by any particular user if the external individual or organization provides it to the public for free or makes it available to a wide range of users in return for payment of a fee. The auditor’s determination of whether the information is suitable for use by a broad range of users, and therefore if it is information from an external information source, is a matter of professional judgment, taking into account the ability of management to influence the external information source.

Examples:

Pricing services, governmental organizations, central banks or recognized stock exchanges may provide information such as:

- Foreign exchange rates and interest rates.
- Prices and pricing related data, including company share prices.
- Macro-economic data, such as historical and forecast unemployment rates and economic growth rates⁷, or census data.
- Credit history data.
- Industry specific data, such as an index of reclamation costs for certain extractive industries, or viewership information or ratings used to determine advertising revenue in the entertainment industry.
- Mortality tables used to determine liabilities in the life insurance and pension sectors.

- ~~An information specifically related to the entity that the auditor obtains directly from an~~ external party, for example, a bank, external legal counsel, suppliers, customers or other individuals or organizations the entity interacts with or that provide entity-specific information to the auditor or the entity.
- An auditor’s expert.⁷
- A service organization.⁸

⁷ ISA 620, Using the Work of an Auditor’s Expert

⁸ ISA 402, Audit Considerations Relating to an Entity Using a Service Organization

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Information Produced by the Entity (Ref: Para. A1229)

A33A. Information produced by the entity includes the entity's accounting records, information from management or from other sources internal to the entity, such as:

- Information generated internally from the entity's information systems that relates to transactions and other events or conditions initiated or captured, processed and recorded, or incorporated in the entity's accounting records. [Moved from Para. A29]
- Outputs generated by the entity's information system that has processed or incorporated external information. [Moved from Para. A29]

Examples:

- Trial balances, subledgers or listings of transactions.
- System-generated reports, custom reports from report writers and spreadsheets used for cost allocations or computations.
- Budgets, forecasts and minutes of meetings and internal audit reports.
- Reconciliations, and marketing information (e.g., sales data used as an assumption for warranty provisions).
- Outputs generated by the entity's information system that have processed or incorporated data obtained from, for example, the entity's customers, suppliers, banks, consultants or legal counsel or external information sources.
- Responses by management to inquiries from the auditor.
- Information from a management's expert.

[Moved from Para. A29]

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Attributes of Reliability (Ref: Para. 11(b) and 12)

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Accuracy and eCompleteness

A44. The auditor uses professional judgment in considering whether accuracy and completeness are of significance in the circumstances, and, if so, whether the information is sufficiently accurate and complete such that any potential inaccuracies or omissions would not undermine the intended purpose(s) of the procedures.

Examples where accuracy and completeness are of significance in the circumstances:

- If a population of journal entries is not complete, this will limit the effectiveness of the audit

procedures in responding to the risk of management override of controls associated with fraudulent journal entries and other adjustments.

- The auditor may use a technological tool to analyze an entire population of transactions to facilitate the identification and assessment of risks of material misstatement. If the population of transactions is not accurate and complete, the auditor may not have an appropriate basis for the identification and assessment of the risks of material misstatement.
- ~~When identifying the risks of material misstatement for a warranty provision, the existence of a large volume of sale returns for a product or service after year end may be sufficient to support the auditor's assessment that there is a risk of material misstatement of the warranty provision even though the number of sales returns may be incomplete.~~

A44A. For information produced by the entity, the attributes of accuracy and completeness are considered to be of significance. However, the extent of the auditor's evaluation as required by paragraph 12 may vary depending on the circumstances and the intended purpose(s) of the audit procedures.

Example:

The auditor obtains from the entity a list of sales returns for a product or service. The auditor inspects the list and determines there is a large volume of sales returns after year end. Based on the auditor's inspection of the list, the auditor may evaluate that the information produced by the entity is sufficiently relevant and reliable to support the auditor's assessment that there is a risk of material misstatement of the warranty provision.

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Appendix 1

(Ref: Para. 3, A17)

The Relationship of Proposed ISA 500 (Revised) to the Other ISAs and Examples of Types of Audit Procedures

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Types of Audit Procedures

Analytical Procedures

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10. Analytical procedures involve evaluations of financial information through analysis of plausible

relationships among financial information, non-financial information, or both.⁹

11. The auditor may perform analytical procedures for various purposes, including as:

- Risk assessment procedures in accordance with ISA 315 (Revised 2019);¹⁰

Example:

The auditor may use technological tools to scan an entire population of transactions and identify those transactions meeting the auditor's criteria for a transaction being unusual that affects the design of further audit procedures to investigate such items. Analytical procedures also provide audit evidence that forms a basis for the identification and assessment of the risks of material misstatement about the items in the population not exhibiting characteristics of risks of material misstatement.

- Substantive analytical procedures designed and performed to detect material misstatements at the assertion level, or
- Analytical procedures performed near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements.

12. Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ significantly from expected results. See Proposed ISA 520 (Revised) for further guidance.

12A. When performing further audit procedures, analytical procedures may provide audit evidence. However, analytical procedures that are not substantive analytical procedures, when performed alone, do not provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level.

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Selected Paragraphs of Proposed ISA 520 (Revised), Analytical Procedures

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Application and Other Explanatory Material

Scope of this ISA (Ref: Para. 3)

A1. ~~As explained by Proposed ISA 330 (Revised), when designing and performing further audit procedures, the auditor may design and perform analytical procedures which, in combination with tests of controls or tests of details, may provide sufficient appropriate audit evidence at the assertion level.¹⁴ Such analytical procedures are not substantive analytical procedures as contemplated by this~~

⁹ Proposed ISA 520 (Revised), *Analytical Procedures*, paragraph 6(a)

¹⁰ See ~~Proposed ISA 520 (Revised)~~ and ISA 315 (Revised 2019), paragraph 14(b) and Proposed ISA 520 (Revised), paragraph 7.

¹⁴ Proposed ISA 330 (Revised), paragraph A66

~~ISA. However, the combination of, such analytical procedures and tests of details, may, for example, increase the persuasiveness of the audit evidence obtained in the circumstances.~~

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Definitions of Analytical Procedures (Ref: Para. 6(a))

Analytical Procedures (Ref: Para. 6(a))

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A4A. Proposed ISA 500 (Revised) provides a non-exhaustive list of types of audit procedures and explains that analytical procedures may provide audit evidence. However, analytical procedures that are not substantive analytical procedures, when performed alone, do not provide sufficient appropriate audit evidence of the absence of a material misstatement at the assertion level.¹²

¹² Proposed ISA 500 (Revised), Appendix 1