

ISA 500 Series – Issues

Objectives:

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

- (a) Proposed ISA 501 (Revised)¹ as it relates to inventory and Proposed ISA 505 (Revised)² (i.e., in-scope standards); and
- (b) Significant proposed conforming and consequential amendments arising from the revision of the in-scope standards.

Approach to the Board Discussion:

The ISA 500 Series Project Team (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** and **7–C**, together with the key matters discussed in **Section I** and the significant changes described in **Agenda 7–A**.
- Walkthrough the significant proposed conforming and consequential amendments discussed in **Sections I** and **II**, together with the drafting presented in **Agenda Item 7–D** and the significant proposed conforming and consequential amendments described in **Agenda 7–A**.

Introduction

Background

1. At the March and June 2026 IAASB meetings, the Board discussed all key issues and related actions from the ISA 500 Series [project proposal](#).³ In addition, in the June 2026 meeting, the Board discussed preliminary drafting for selected areas of the in-scope standards. The Board 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 June 2026 IAASB draft meeting minutes available in [Agenda Item 1](#).

Materials Presented

Matters Addressed in This Paper

2. This paper has the following sections:
 - (a) **Section I:** Key matters considered since the June 2026 IAASB meeting;
 - (b) **Section II:** Process for developing the proposed conforming and consequential amendments to the IAASB's International Standards; and

¹ Proposed International Standard on Auditing (ISA) 501 (Revised), *Audit Evidence—Specific Considerations for Selected Items*

² Proposed ISA 505 (Revised), *External Confirmations*

³ See [Agenda Item 8](#) discussed by the IAASB at the March 2026 meeting and [Agenda Items 4-A and 4-C](#) discussed by the IAASB at the June 2026 meeting.

(c) **Section III: Way forward.**

Appendices and Other Agenda Items Accompanying This Paper

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

Appendix 1	ISA 500 Series Project Team and Activities
Appendix 2	Approach to the Walkthrough of Agenda Items 7–B and 7–C
Agenda Item 7–A	Explanation of Significant Changes
Agenda Item 7–B	Proposed ISA 501 (Revised) – Inventory
Agenda Item 7–C	Proposed ISA 505 (Revised)
Agenda Item 7–D	Significant Proposed Conforming and Consequential Amendments
Agenda Item 7–E (Supplemental)	Proposed ISA 501 (Revised) – Inventory (Clean Version)
Agenda Item 7–F (Supplemental)	Proposed ISA 505 (Revised) (Clean Version)

Coordination

Technology Consultation Group

4. In August 2026, the Project Team met with the Technology Quality Management Project Team and members of the IAASB’s Technology Consultation Group to provide them with an update on the project and receive their views on the proposed technology-related revisions in the in-scope standards. In particular, the Project Team sought to obtain the Technology Consultation Group’s:
- (a) Feedback on whether the proposed technology-related revisions appropriately address current and emerging technology-enabled business environments, including whether they remain sufficiently principles-based and scalable across jurisdictions and varying levels of technological sophistication;
 - (b) Input on any significant technology-related matters, risks, or practical implementation issues that may not yet be adequately addressed by the proposed revisions; and
 - (c) Views on whether the proposed technology-related revisions are clear, operational, and capable of supporting consistent application in practice without creating unintended consequences.
5. Based on the feedback received during the meeting, the Project Team enhanced the drafting in various places (see **Agenda Item 7–A**).

Audit Evidence and Risk Response

6. In August 2026, the Project Team shared with the Audit Evidence and Risk Response Project Team the significant proposed conforming and consequential amendments to Proposed ISA 330 (Revised)⁴ to obtain their feedback on the appropriateness of the proposed amendments. Based on the feedback received, the Project Team clarified the drafting in various places.

International Ethics Standards Board for Accountants

7. In August 2026, the Project Team circulated the drafts of the in-scope standards and consulted with staff of the International Ethics Standards Board for Accountants (IESBA) to identify matters requiring coordination, or of possible relevance to the project. Topics identified as requiring ongoing coordination include the technology-related revisions and the revisions addressing using the work of an external expert in the IESBA's *International Code of Ethics for Professional Accountants (including International Independence Standards)*.

Outreach

8. Details of outreach activities since the June 2026 IAASB meeting are included in **Appendix 1**.

Section I – Key Matters Considered Since the June 2026 IAASB Meeting

9. **Agenda Item 7–A** sets out an explanation for significant changes made to the in-scope standards reflected in **Agenda Items 7–B** and **7–C**. In addition, the sections below provide further discussion about the key matters considered by the Project Team since the June 2026 IAASB meeting.

Proposed ISA 501 (Revised): Restructuring

Previous IAASB Deliberation

10. In June 2026, the Board directed the Project Team to rethink the structure of the standard to accommodate how inventory counts are performed in practice. Board members noted that depending on the manner in which the entity verifies the existence and condition of inventory, the auditor's approach to obtain sufficient appropriate audit may vary.

Outreach with Inventory Subject-Matter Experts from Firms

11. As noted in Agenda Item 4–A of the June 2026 IAASB meeting, the Project Team performed additional stakeholder outreach to explore whether current or future advancements in inventory systems give rise to circumstances where entities may not perform any form of physical inventory verification and, if so, how:
 - (a) Prevalent this is; and
 - (b) Management verifies the existence and condition of inventory in such circumstances.

⁴ Proposed ISA 330 (Revised), *The Auditor's Responses to Assessed Risks*

12. To date, the Project Team spoke to three firms (see **Appendix 1**) and the table below summarizes the feedback from inventory subject-matter experts from these firms. The Project Team plans to have meetings with inventory subject-matter experts from two more firms.

The inventory subject-matter experts from the firms reached out to:

- Recognized the need to ‘future-proof’ the standard by remaining principles-based, and to avoid dating the standard by including specific references to certain types of technology that may become outdated.
- Highlighted that entities relying on fully automated inventory systems or warehouses already exist in practice (e.g., pharmaceutical manufacturing, consumer packaged goods). In such circumstances:
 - Some entities may solely rely on controls relating to fully automated inventory systems or warehouses and do not perform any type of manual inventory count.
 - Most entities may still perform manual inventory counts to validate the existence and condition of inventory and assess the effectiveness of automated inventory processes.
- Noted that access to fully automated warehouses is usually limited or restricted.
- Noted that the auditor’s approach to design and perform audit procedures may entail tests of controls (controls approach) or the use of tests of controls and substantive procedures (combined approach).
- Noted that, where auditors use a combined approach, substantive procedures usually include performing independent test counts.
- Observed increasing resistance from management to accommodate auditors’ requests to perform independent test counts.

Project Team’s Views and Recommendations

13. Taking into account the Board’s direction and the outreach performed, the Project Team rethought the structure of the standard to accommodate how inventory verifications are performed in practice.
14. In doing so, the Project Team noted that extant ISA 501⁵ was developed at a time when most entities conducted full physical inventory counts and therefore, the standard does not explicitly address circumstances that are common practice in today’s environment.
15. In restructuring Proposed ISA 501 (Revised) to accommodate different ways in which entities may verify the existence and condition of inventory, the Project Team leveraged the construct of paragraph 18 of ISA 540 (Revised)⁶ that sets out different approaches for obtaining sufficient appropriate audit evidence. The Project Team noted that the manner in which entities verify the existence and condition of inventory may vary, for example by:
- (a) Conducting a full inventory count at or near the date of the financial statements;

⁵ ISA 501, *Audit Evidence—Specific Considerations for Selected Items*

⁶ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

- (b) Conducting cycle counts by counting a subset of inventory items on a rotating basis throughout the reporting period;
 - (c) Relying on controls, including general IT controls, relating to an automated inventory system; or
 - (d) Applying a combination of the above approaches.
16. Based on the considerations discussed in paragraphs 13–15, the Project Team added a requirement in paragraph 3A of **Agenda Item 7–B** that:
- (a) Applies if the auditor determines, in accordance with ISA 315 (Revised 2019),⁷ that existence and valuation (in relation to condition) are relevant assertions for inventory; and
 - (b) Requires that the auditor’s further audit procedures⁸ in response to such relevant assertions, depend on the manner in which the entity verifies the existence and condition of inventory.
17. In restructuring the standard, the Project Team considered it important that the requirements establish a clear minimum level of work effort where existence and valuation (in relation to condition) are relevant assertions. The resulting proposed requirements are intended to provide a consistent framework while allowing the auditor to determine the nature, timing and extent of further audit procedures necessary in the circumstances to obtain sufficient appropriate audit evidence.
18. The Project Team also considered the similarities and differences between full inventory counts and cycle counts, including whether the requirements in paragraphs 4 to 7 of extant ISA 501 that address “physical inventory counting” could apply to both full inventory counts and cycle counts (see paragraphs 21–27 for further discussion).
19. The Project Team is of the view that there are a number of similarities between full inventory counts and cycle counts, for example, both would involve management:
- (a) Establishing instructions and procedures in conducting the inventory count;
 - (b) Identifying and investigating differences between the inventory count results and the inventory records; and
 - (c) Making appropriate adjustments where necessary.
20. On the other hand, a key difference is that full inventory counts are generally comprehensive counts of the entity’s inventory at or near the date of the financial statements, whereas cycle counts are performed throughout the reporting period, covering different portions of inventory at different cycle count dates. The Project Team is of the view that this distinction affects the operability of certain requirements in extant ISA 501 if the entity conducts cycle counts.

Testing the Entity’s Full Inventory Count or Cycle Counts

21. In restructuring the standard, the Project Team:
- (a) Moved the conditionality of the requirement previously in paragraph 4 to the core requirement in paragraph 3A. In addition, the Project Team changed the conditionality of the requirement

⁷ ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, paragraph 29

⁸ Proposed ISA 330 (Revised), paragraphs 6–7

from inventory that is “a significant account balance in accordance with ISA 315 (Revised 2019), and that the assessed risks of material misstatement relate to the existence or condition of inventory” to where “existence and valuation (in relation to condition) are relevant assertions for inventory.” This change is in response to the Board’s direction to consider whether the requirements should be framed more directly around assessed risks and relevant assertions as well as in response to Board comments that condition in itself is not an assertion.

- (b) Changed the lead-in of paragraph 4 to explicitly clarify that paragraph 4 applies if the entity conducts a full inventory count or cycle counts. The Project Team notes that both full inventory counts and cycle counts involve management establishing instructions and procedures to determine the existence and condition of inventory, recording the results of the counts and addressing differences between the entity’s inventory records and the results of the count. Therefore, the Project Team is of the view that the specified audit procedures in paragraphs 4(a)(i)–(iv) and 4(b) of the standard would be relevant in both instances.
 - (c) Developed guidance in paragraph A4A about additional matters that are relevant in evaluating management’s instructions and procedures in accordance with paragraph 4(a)(i) when testing the entity’s cycle counts. The application material is intended to assist the auditor when evaluating whether the entity’s cycle count program is designed, implemented and operated in a manner that provides a reasonable basis to support the reliability of the entity’s perpetual inventory system.
22. In addition, the Project Team is of the view that the requirement in paragraph 7 of extant ISA 501 addressing “impracticable” circumstances would also apply if the entity conducts either full inventory counts or cycle counts. As explained in paragraph A12, circumstances may be considered “impracticable” when, despite reasonable efforts by the auditor to attend the entity’s inventory count, attendance cannot reasonably be accomplished due to factors such as the nature and location of the inventory.

Cycle Counts

23. The Project Team recognizes that unlike a full inventory count, cycle counts do not ordinarily provide audit evidence about all inventory items or inventory locations at a single point in time (e.g., at the date of the financial statements). The frequency and coverage of the cycle count program may vary across inventory items and locations, and the differences identified through cycle counts may indicate deficiencies in the entity’s processes and controls for maintaining the reliability of its perpetual inventory systems. In addition, auditors will often test the cycle count throughout the year and not necessarily at the date of the financial statements.
24. Accordingly, the Project Team is of the view that:
- (a) Paragraph 5 of extant ISA 501 applies for full inventory counts but not for cycle counts as cycle counts are not often performed at (or around) the date of the financial statements; and
 - (b) There is need for the auditor to consider whether the audit evidence obtained when testing the entity’s cycle counts in accordance with paragraph 4 is sufficient and appropriate to address the existence and condition of inventory at the date of the financial statements.

Therefore, the Project Team added a requirement in paragraph 6A that addresses these matters. Adding this requirement avoids the assumption that testing cycle counts in accordance with

paragraph 4 will, in all circumstances, provide sufficient appropriate audit evidence.

25. In developing the requirement in paragraph 6A, the Project Team considered whether the standard should prescribe specific additional audit procedures when testing cycle counts. On balance, the Project Team is of the view that an appropriate auditor's response will depend on the circumstances, including, among other matters:
- (a) The assessed risks of material misstatement at the assertion level, including the reasons for the assessment of inherent risk and of control risk for the existence and condition of inventory in accordance with ISA 315 (Revised 2019).
 - (b) The reliability of the entity's perpetual inventory system, including the results of the cycle counts and the reasons for significant differences between the entity's perpetual inventory records and the results of its cycle counts. The Project Team is of the view that such differences are an important indicator in determining whether additional audit procedures may be necessary. Such differences may indicate that the entity's cycle count program, or other controls supporting the entity's perpetual inventory system, are not designed, implemented or operating effectively.
 - (c) The period between the date the auditor tested the cycle count and the date of the financial statements. The Project Team notes that if the auditor obtains audit evidence about the operating effectiveness of controls during an interim period and intends to extend the conclusions of those tests of controls for the remaining period, Proposed ISA 330 (Revised)⁹ requires the auditor to perform further audit procedures.
26. The Project Team also developed application material in paragraphs A10 to A11A to support auditors in applying the requirement in paragraph 6A.
27. In addition, the Project Team is of the view that the requirement in paragraph 6 addressing "unforeseen circumstances" would not apply where the entity conducts cycle counts. If the auditor is unable to attend a particular cycle count due to unforeseen circumstances, the auditor may still be able to attend subsequent cycle counts within the cycle count program and obtain audit evidence regarding the existence and condition of inventory in accordance with paragraphs 4 and 6A.

Testing How the Entity Addresses the Existence and Condition of Inventory Where the Entity Does Not Conduct a Full Inventory Count or Cycle Counts

28. As noted above, inventory subject-matter experts from firms indicated that there are entities relying on fully automated inventory systems or warehouses in practice. They noted that, in certain cases, entities relying on fully automated inventory systems or warehouses are not performing cycle counts or full inventory counts anymore. The Project Team notes that paragraph 4(a) of extant ISA 501 is not operable in these circumstances.
29. If the entities are not performing cycle counts or full inventory counts anymore, the verification of the existence and condition of inventory is often embedded within ongoing processes and controls. Such ongoing processes and controls may operate throughout the reporting period, for example, controls over the receipt, shipment and transfer of inventory, controls supporting the operation of those ongoing processes, including relevant general IT controls, and controls over the reconciliation of the

⁹ Proposed ISA 330 (Revised), paragraph 21

automated inventory system to the general ledger.

30. To address these circumstances, the Project Team added a requirement in paragraph 6B that applies if the entity does not conduct a full inventory count or cycle counts. In particular, it requires the auditor:
- (a) Test controls that address risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, which aligns with the foundational requirement in Proposed ISA 330 (Revised).¹⁰ The Project Team added this requirement because, in fully automated inventory systems or warehouses, the existence and condition of inventory may depend on the effective operation of automated processes and controls throughout the inventory lifecycle, such as controls over receipt, shipment and transfer of inventory, and the interfaces between the inventory management system and the general ledger. The volume, frequency and continuous nature of inventory movements may also make it impracticable for substantive procedures alone to provide sufficient appropriate audit evidence.
 - (b) Determine whether additional substantive procedures, tests of controls, or a combination of both, are necessary in the circumstances. This requirement aligns with the foundational requirement in Proposed ISA 330 (Revised).¹¹ The Project Team added this requirement because the test of controls performed in accordance with paragraph 6B(a) may not, by themselves, provide sufficient appropriate audit evidence.
31. In developing this approach, the Project Team considered whether the proposed requirements in paragraph 6B should be anchored in the core requirements in Proposed ISA 330 (Revised) or be more prescriptive, for example, by prescribing specific controls or substantive procedures that the auditor must perform.
32. The Project Team considers that the combination of requirements in paragraphs 6B(a) and 6B(b) provides an appropriate balance between specificity and flexibility. The Project Team is of the view that this approach is principles-based and future-proof by avoiding references to specific technologies that may quickly become obsolete or specifying procedures that may only accommodate a specific or narrow range of circumstances. In particular, the requirements focus on the entity's processes and controls for addressing the existence and condition of inventory, rather than prescribing audit procedures based on specific technologies or inventory systems that may change over time.
33. The Project Team also developed the following application material to support auditors in applying the requirement in paragraph 6B:
- (a) In paragraph A11B, the Project Team provided examples of controls relating to an automated inventory system.
 - (b) In paragraph A11C, the Project Team provided guidance that substantive procedures alone may not provide sufficient appropriate audit evidence. This is intended to provide useful inventory-specific guidance on applying the requirement in paragraph 6B(a).
 - (c) In paragraph A11D, the Project Team provided guidance about circumstances in which additional tests of controls or substantive procedures may be necessary to obtain sufficient appropriate audit evidence, even after performing the tests of controls required in paragraph

¹⁰ Proposed ISA 330 (Revised), paragraph 14

¹¹ Proposed ISA 330 (Revised), paragraph 7(b)

6B(a).

Matters for IAASB Consideration

1. The Board is asked for its views on:
 - (a) The restructuring of Proposed ISA 501 (Revised) generally as discussed in paragraphs 10–33 above.
 - (b) Proposed ISA 501 (Revised) as it relates to inventory presented in **Agenda Item 7–B**. See **Appendix 2** for the approach to the walkthrough of the standard.
 - (c) Whether there are any other matters regarding inventory that need to be considered, including whether additional guidance would be useful to address inventories held in multiple locations (in addition to paragraph A0E of **Agenda Item 7–B**).

Proposed ISA 505 (Revised)

34. All significant changes made to Proposed ISA 505 (Revised) are explained in the Explanation of Significant Changes paper in **Agenda Item 7–A**.

Matters for IAASB Consideration

2. The Board is asked for its views on:
 - (a) Proposed ISA 505 (Revised) as presented in **Agenda Item 7–C**. See **Appendix 2** for the approach to the walkthrough of the standard.
 - (b) Whether there are any other matters regarding external confirmation procedures that need to be considered.

Significant Proposed Conforming and Consequential Amendments to Proposed ISA 330 (Revised): Determining Whether External Confirmation Procedures Are to be Performed as Substantive Procedures for Accounts Receivable

Previous IAASB Deliberations

35. In March 2026, the Board supported the Project Team’s recommendations on requiring auditors to consider whether to perform external confirmations procedures for certain account balances, including that it covers cash and cash equivalents held by third parties and accounts receivable.¹²
36. In June 2026, the Board had mixed views on whether to introduce a specific “determination” requirement covering cash and cash equivalents held by third parties and accounts receivable in Proposed ISA 505 (Revised) as proposed by the Project Team. On one hand, certain Board members noted that introducing a stronger requirement would better respond to public expectations following high-profile audit failures and promote greater consistency in audit practice. On the other hand, other Board members expressed concern that a separate “determination” requirement could duplicate decisions already required by ISA 315 (Revised 2019) and Proposed ISA 330 (Revised).¹³

¹² See the approved [March 2026](#) meeting minutes.

¹³ See [Agenda Item 1](#) for the draft June 2026 meeting minutes.

37. The Board also directed the Project Team to:
- (a) Reconsider the location of the requirement, noting that it may be best placed in Proposed ISA 330 (Revised);
 - (b) Refine the drafting further, particularly regarding the appropriate work effort and the relationship with ISA 315 (Revised 2019) and Proposed ISA 330 (Revised); and
 - (c) Explore drafting approaches similar to those adopted in Proposed ISA 500 (Revised)¹⁴ and develop revised proposals for the Board's further consideration.

Project Team Views and Recommendations

38. Following the Board discussion, the Project Team decided to retain the requirement for the auditor to determine whether to perform external confirmation procedures for cash and cash equivalents held by third parties. The Project Team considers that this work effort is appropriate as introducing a stronger requirement would better respond to public expectations following from high-profile audit failures and promote greater consistency in audit practice. The Project Team is also of the view that the requirement does not duplicate the requirements in Proposed ISA 330 (Revised), but rather builds on, and complements, the requirement in paragraph 11 of Proposed ISA 330 (Revised).
39. With respect to the threshold used in paragraph 11A (i.e., the assessment of inherent risk is not on the lower end of the spectrum of inherent risk), the Project Team is of the view that this establishes an appropriate threshold as the threshold encompasses inherent risk assessments in the middle and at the higher end of the spectrum of inherent risk. This threshold provides a sufficiently robust work effort for cash and cash equivalent balances where the inherent is not low (which addresses the public interest issues identified), while avoiding unnecessary work effort when the inherent risk is at the lower end of the spectrum.

Location of the Requirement

40. In response to the Board's direction, the Project Team relocated the proposed requirement from paragraph 6A of Proposed ISA 505 (Revised) to paragraph 11A of Proposed ISA 330 (Revised). The Project Team considers that the requirement is more appropriately addressed in Proposed ISA 330 (Revised) because it relates to the auditor's design and performance of further audit procedures in response to assessed risks of material misstatement, which is addressed in Proposed ISA 330 (Revised) (i.e., it relates to whether the auditor is going to perform external confirmation procedures). In contrast, Proposed ISA 505 (Revised) applies when the auditor has decided to perform external confirmation procedures and addresses the design and performance of those procedures. Upon reflection, the Project Team agreed that including the requirement in Proposed ISA 505 (Revised) would widen the standard and could blur the distinction between the respective objectives of the two standards by implying that Proposed ISA 505 (Revised) addresses the auditor's broader determination of how to respond to assessed risks of material misstatement.
41. The related application material was also relocated to Proposed ISA 330 (Revised) except for paragraph A0A which provided a linkage between Proposed ISA 505 (Revised) and Proposed ISA 330 (Revised).

¹⁴ Proposed ISA 500 (Revised), *Audit Evidence*

Drafting

42. In response to the Board's direction, the Project Team enhanced the requirement by using "in complying with" to clarify the linkage between paragraphs 11 and 11A. The Project Team noted that this approach is similar to that in paragraphs 11 and 12 of Proposed ISA 500 (Revised) and is of the view that the construct is appropriate given the different work effort verbs used in paragraphs 11 and 11A (i.e., consider versus determine).

Accounts Receivable

43. The Project Team also reconsidered the scope of the proposed requirement in paragraph 11A of Proposed ISA 330 (Revised), in particular as it relates to requiring the auditor to determine whether to perform external confirmation procedures in responding to the assessed risks of material misstatement for accounts receivable. In doing so, the Project Team:
- (a) Acknowledged that the Public Company Accounting Oversight Board (PCAOB)'s and the American Institute of Certified Public Accountants' (AICPA) confirmation standards¹⁵ include requirements relating to sending external confirmations for accounts receivable balances.
 - (b) Questioned whether extending the proposed requirement in paragraph 11A to accounts receivable:
 - (i) May not be globally operable seeing that in some jurisdictions external confirmation procedures for accounts receivable are not used as it is challenging to obtain a response. Also, in some jurisdictions alternative procedures are widely used (e.g., subsequent cash receipts testing); and
 - (ii) Could result in unnecessary work effort as the auditor will be required to document their conclusion when determining not to perform external confirmation procedures for accounts receivable.
44. Given the above, the Project Team proposes not to add accounts receivable in paragraph 11A of Proposed ISA 330 (Revised). The Project Team did add application material in paragraph A34A to explain that, depending on circumstances, the auditor may conclude that external confirmation procedures, together with other audit procedures, are an effective response to the assessed risks of material misstatement at the assertion level.

Matter for IAASB Consideration

3. The Board is asked for its views on the significant proposed conforming and consequential amendments to Proposed ISA 330 (Revised) as presented in **Agenda Item 7–D**.

Section II – Process for Developing the Proposed Conforming and Consequential Amendments to the IAASB's International Standards

45. In developing the proposed conforming and consequential amendments to the IAASB's International Standards, the Project Team will:

¹⁵ The PCAOB and the AICPA have recently revised their respective confirmation standards, [Auditing Standard 2310, The Auditor's Use of Confirmation](#) and [Statement on Auditing Standards No. 150, External Confirmations](#).

- (a) Apply the Complexity, Understandability, Scalability and Proportionality (CUSP) Drafting Principles and Guidelines that address conforming and consequential amendments to the ISAs.¹⁶
- (b) Search through the IAASB's International Standards as included in Parts I, III, IV and V of the IAASB's Handbook, including other approved ISAs which are not yet effective.¹⁷

Approach for Developing Proposed Conforming and Consequential Amendments to Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised)¹⁸

46. Considering the close proximity of the project timelines between the ISA 500 Series and Audit Evidence and Risk Response projects (i.e., 6-month difference in the approval of their respective exposure drafts and 3-month difference in the approval of their respective final revised standards), the proposed amendments relating to Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) arising from the revision of the in-scope standards will be developed based on the corresponding text in their approved and published [exposure drafts](#) in August 2026. In proposing conforming and consequential amendments to Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised), the Project Team will liaise with the Audit Evidence and Risk Response Project Team.

Approach for Developing Proposed Conforming and Consequential Amendments to Other International Standards

47. Proposed amendments relating to International Standards on Quality Management and ISAs other than Proposed ISA 330 (Revised), Proposed ISA 500 (Revised) and Proposed ISA 520 (Revised) will be developed based on the corresponding text as published in the IAASB 2025 Handbook.

Approach for Presenting Proposed Conforming and Consequential Amendments to the Board

48. Since the June 2026 meeting, the Project Team has performed an initial search through the IAASB's International Standards as included in Parts I, III, IV and V of the IAASB's Handbook and the Audit Evidence and Risk Response Exposure Draft to identify possible conforming and consequential amendments. Except for the significant proposed conforming and consequential amendments to Proposed ISA 330 (Revised) as set out in **Agenda Item 7–D**, which relate to:
- (a) Determining whether external confirmation procedures are to be performed for cash and cash equivalent balances held by third parties (see paragraphs 11A and A34A, A37B and A37C of **Agenda Item 7–D**); and
 - (b) Directly accessing information maintained by a knowledgeable external source (see paragraph A37A of **Agenda Item 7–D**),
- the Project Team has not identified other significant consequential amendments.

¹⁶ See Section 14 'Conforming and consequential amendments to ISAs' of the [CUSP Drafting Principles and Guidelines](#).

¹⁷ The Project Team notes that the conforming and consequential amendments to the *International Standard on Auditing for Audits of Financial Statements of Less Complex Entities* (the ISA for LCE) will be addressed through the [IAASB's Approach for Maintaining the ISA for LCE](#).

¹⁸ Proposed ISA 520 (Revised), *Analytical Procedures*

49. Other identified proposed conforming and consequential amendments are straightforward in nature and include:
 - (a) Aligning with terminology, including definitions in the in-scope standards.
 - (b) Aligning with proposed changes to the requirements in the in-scope standards.
 - (c) Appropriately referencing the revised titles of the standards.
 - (d) Updating cross-references.
50. The Project Team will present the remaining proposed conforming and consequential amendments to the Board at the December 2026 meeting.
51. This sequencing also allows the Project Team to identify and address any further conforming and consequential amendments arising from the Board's September 2026 deliberations, particularly in consideration of the restructuring of Proposed ISA 501 (Revised) as discussed in **Section I** of this paper.

Matter for IAASB Consideration:

4. The Board is asked for its views on the process for developing the proposed conforming and consequential amendments to the IAASB's International Standards as discussed in paragraphs 45–51 above.

Section III – Way Forward

52. In December 2026, the Project Team intends to present to the Board exposure drafts for the in-scope standards for approval.
53. Following the September 2026 IAASB meeting, and based on the Board's feedback, the Project Team will continue to align and refine the drafting for the in-scope standards and the proposed conforming and consequential amendments to the IAASB's International Standards. Such matters will be subject to further deliberation by the IAASB at its December 2026 meeting.
54. 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.

ISA 500 Series Project Team and Activities

Project Team

1. The Project Team is composed of:
 - Jasper van den Hout
 - Hankenson Jane L. Talatala
 - Nathalie Baumgaertener Dutang
 - Megan Leicht

Project Board Members

2. The Project Board Members for this project are:
 - James Ferris
 - Greg Schollum
3. Information about the project can be found on the IAASB website, [here](#).

Activities in the Period

4. Since June 2026, the Project Team held one physical meeting and one virtual meeting with the Project Board Members to receive strategic and technical advice.
5. During the quarter, the Project Team conducted outreach activities with the following stakeholders:

Stakeholder	Date Held	Details
Ernst & Young	July 16, 2026	The Project Team discussed the following selected topics: • Automated inventory warehouses; and • Inventory cycle counts.
PricewaterhouseCoopers	July 17, 2026	The Project Team discussed the following selected topics: • Automated inventory warehouses; and • Inventory cycle counts.
Deloitte	July 22, 2026	The Project Team discussed the following selected topics: • Automated inventory warehouses; and • Inventory cycle counts.

Stakeholder	Date Held	Details
AICPA	July 22, 2026	The Project Team discussed status updates on respective project-related activities with the AICPA Auditing Standards Board Members and Staff.

Appendix 2

Approach to the Walkthrough of Agenda Items 7–B and 7–C

A. Proposed ISA 501 (Revised) – Inventory			
No.	Ref: Agenda Item 7–B	Paragraph References	Related Sections in this Agenda Item
A1	Introduction; Objective; and Requirements – Inventory	1–3A	Section I , paragraphs 10–20
A2	Requirements – Testing the Entity’s Full Inventory Count or Cycle Counts; and Full Inventory Counts	4–6	Section I , paragraphs 21–22
A3	Requirements – Cycle Counts; and Testing How the Entity Addresses the Existence and Condition of Inventory Where the Entity Does Not Conduct a Full Inventory Count or Cycle Counts	6A–6B	Section I , paragraphs 23–33
A4	Requirements – Attendance at the Entity’s Full Inventory Count or Cycle Counts Is Impracticable; Inventory Under the Custody and Control of a Third Party; and Unable to Obtain Sufficient Appropriate Audit Evidence	7–8A	–
A5	Application Material – Inventory	A0A–A0G	–
A6	Application Material – Testing the Entity’s Full Inventory Count or Cycle Counts; and Full Inventory Counts	A0H–A9B	–
A7	Application Material – Cycle Counts; and Testing How the Entity Addresses the Existence and Condition of Inventory Where the Entity Does Not Conduct a Full Inventory Count or Cycle Counts	A10–A11D	–
A8	Application Material – Attendance at the Entity’s Full Inventory Count or Cycle Counts Is Impracticable; Inventory Under the Custody and Control of a Third Party; and Unable to	A12–A15A	–

	Obtain Sufficient Appropriate Audit Evidence		
B. Proposed ISA 505 (Revised)			
No.	Ref: Agenda Items 7–C	Paragraph References	Related Sections in this Agenda Item
B1	Introduction; Objective; and Definitions	1–6	–
B2	Requirements	7–14	
B3	Application Material – External Confirmation Procedures; and Using an Intermediary	A1–A7D	–
B4	Application Material – Negative Confirmation Requests; and Reliability of Responses to Confirmation Requests	A7E–A17	–
B5	Application Material – Non-Responses; When a Response to a Positive Confirmation Request Is Necessary to Obtain Sufficient Appropriate Audit Evidence; and Exceptions	A17A–A22B	–