

Webinar #1: Overview of AE&RR Exposure Drafts and Reference Framework – Proposed ISA 500 (Revised)

Exposure Drafts for the IAASB Audit Evidence & Risk Response Project

|September 29, 10:00 UTC |

|September 30, 19:00 UTC |

Webinar Agenda

01	Welcome and Opening Remarks
02	Overview of the Audit Evidence and Risk Response (AE&RR) Project
03	Technology-related Enhancements
04	A Modern Framework for Audit Evidence – Proposed ISA 500 (Revised)
05	Professional Skepticism and Other Matters
06	Q&A
07	Public Consultation and Ways Forward

Webinar Presenters



Willie Botha

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Overview of the AE&RR Project

Drivers for the Project



Project Objectives in the Public Interest



Objective 1

Enhance the application of **professional judgment** and **professional skepticism** exercised by auditors



Objective 2

Promote consistent practice and auditor behaviors by **facilitating effective responses to risks of material misstatement**, including by strengthening auditors' work on **internal controls**

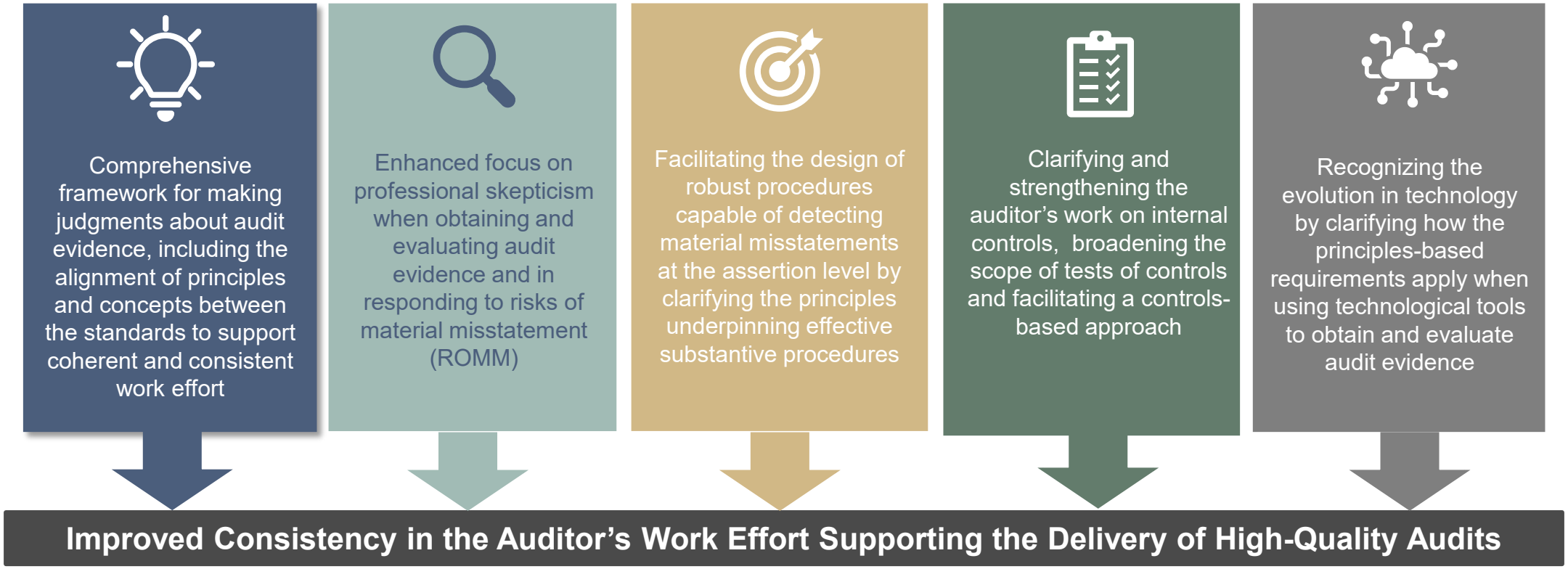


Objective 3

Facilitate, and where appropriate, encourage auditors' **use of technology** in obtaining audit evidence and evaluating its sufficiency and appropriateness

Key Outcomes from an Integrated Approach

Integrated Approach to Audit Evidence and Risk Response



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Technology Related Enhancements

Changing Landscape in Technology

A FUNDAMENTAL DRIVER OF THE PROPOSED REVISIONS

Increased Use of Technology

Increasingly sophisticated technological systems are being used by…



Audited entities, in their financial reporting processes



Auditors, in performing audit engagements

The proposed revisions seek to **modernize the standards** to **reflect this reality**, in a way that does **not require the use of technology and is able to stand the test of time**

… the overall objective of an audit remains the same!

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Overall Approach to Technology in the ISAs

A MORE INTELLIGENT, RISK-BASED AUDIT

The proposed revisions recognize that the continued evolution of technology changes **how auditors work** and how audited **entities operate**, including their **control environment**

Proposed revisions **leverage technology** to be **future-ready** and **scalable**

Renewed focus on the **reliability of information** intended to be used as audit evidence, acknowledging the increase in digital sources of information

Strengthened work on internal controls, with **clear frameworks** for those who choose to leverage them



IAASB's Technology Position

Technology Used by the Entity

IMPACT ON PROPOSED ISA 330 (REVISED)

Proposed ISA 330 (Revised) recognizes the increased automation in an entity's information system and system of internal control

- Automated Controls & Real-Time Monitoring
- Intelligent Automation & Advanced Data Processing
- Cybersecurity & Access Governance
- Data Governance & Analytics Controls

Recognition that this may influence auditors' decisions about whether to perform tests of controls

Three ways that the proposed revisions seek to support such decisions:

01.

Making explicit that tests of controls may in certain circumstances be used to address an assertion level ROMM

02.

Revised requirements and application material related to general IT controls

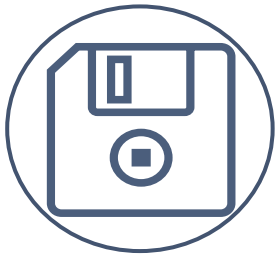
03.

Examples of controls operating in technologies that produce variable outputs

Technology Used by the Entity (Continued)

IMPACT ON PROPOSED ISA 500 (REVISED)

Proposed ISA 500 (Revised) recognizes the disruptive impact of technology



Information intended to be used as audit evidence



Audit Evidence

Evaluating Relevance & Reliability of Information

Framework to support judgements about all audit evidence, from paper invoices to blockchain records

Consideration about the **authenticity of information** and whether it is of significance in the circumstances

Highlighting **the benefits of appropriate use of technological tools**, including awareness for **automation bias** as a potential impediment to the exercise of professional skepticism

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Technology Used by the Auditor

3 WAYS THE PROPOSED REVISIONS ADDRESS AND FACILITATE AUDITORS' APPROPRIATE USE OF TECHNOLOGY

01

Improved **coherence** for technology-related terminology, including using a new and modern term **"technological tools"**

02

Focusing on the **purpose** of audit procedures when determining the nature of procedures performed using technological tools

03

Guidance to support auditors in making **professional judgments** about appropriate use of technology

New & Enhanced Guidance in Proposed ISA 500 (Revised)

CONSIDERATIONS WHEN USING TECHNOLOGICAL TOOLS

A practical bridge connecting the principles-based requirements to the realities of a modern, technology-driven audit

- Factors for auditors to consider when determining whether to use technological tools for specific audit procedures
- How to assess the relevance and reliability of information processed or analyzed by technology
- Highlights the benefits of appropriate use of technological tools, the need to be aware of automation bias and risks of over-relying on a tool's output without corroboration
- Considerations when using a single technological tool to perform multiple procedures simultaneously

Modernizes the Standard | Promotes Consistent Practice | Reinforced Professional Skepticism in Digital Context | Sets the Foundation for Future Guidance

Technology-related Revisions in Proposed ISA 520 (Revised)

ENCOURAGING AND FACILITATING THE USE OF TECHNOLOGICAL TOOLS

Facilitating increased use of technology when performing analytical procedures

Recognizes analytical procedures that are not substantive analytical procedures may be used in combination with tests of controls or substantive procedures to respond to risks of material misstatements

Provides illustrative examples regarding the auditor's use of technological tools in designing and performing substantive analytical procedures

Modernizes the Standard | Strengthens the Use of Substantive Analytical Procedures | Reinforced Professional Skepticism

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A Modern Framework for Audit Evidence – Proposed ISA 500 (Revised)

Overview of Audit Evidence Framework

PROPOSALS IN ED–500 (2026)

Revised definition of audit evidence

Information becomes audit evidence after procedures are applied on the information

A framework for **evaluating relevance and reliability** of information intended to be used as audit evidence

A focus on the **intended purpose(s) of audit procedures**

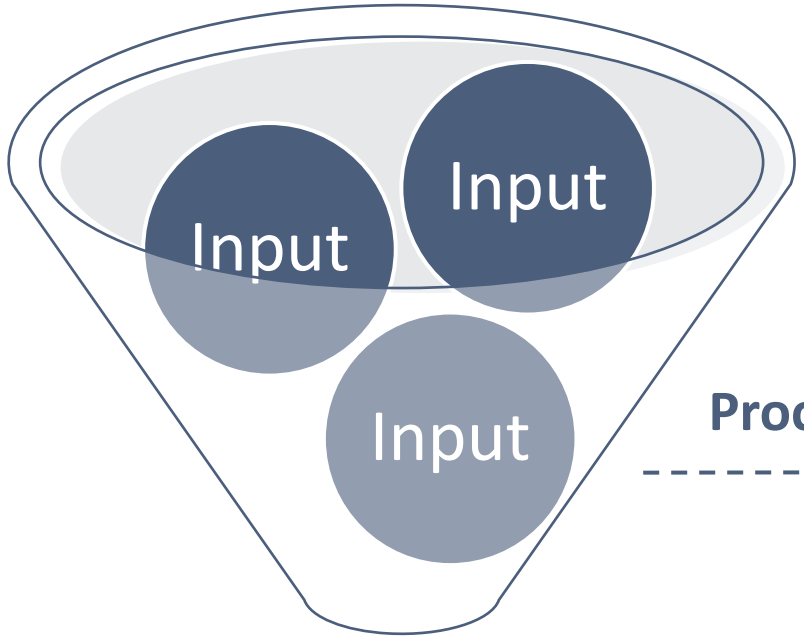
Any types of procedures can be used towards any purpose(s)

Supporting Consistent Judgments About Audit Evidence

A Revised Definition of Audit Evidence

FROM "INFORMATION" TO "EVIDENCE"

Information only becomes evidence after the auditor applies audit procedures to the information



Information

Input: Information intended to be used as audit evidence

Procedures

Action, not a passive consideration; involves performing procedures

Output

Audit Evidence: Used to draw conclusions that form the basis for the auditor's opinion and report

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A Robust Framework for *Evaluating* Information

FROM "CONSIDERING" TO "EVALUATING“ RELEVANCE AND RELIABILITY OF INFORMATION

What is different?		
	Extant	**Proposed**
All information intended to be used as audit evidence	**Consider** the relevance and reliability	**Evaluate** the relevance and reliability
Information Produced by the Entity, intended to be used as audit evidence	**Evaluate** the accuracy & completeness	**Evaluate** the accuracy & completeness

Why Propose the Changes?

- The ease of access to information increases the risk that auditors may inadvertently access **unreliable information** to be used as audit evidence
- An **evaluation** is a **professional judgment** which requires the auditor to **come to a specific conclusion on a matter.** This is a **proactive approach** to forming such judgments, which intends to **increase the quality of audit evidence obtained**

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Attributes that are of *Significance in the Circumstances*

SOURCES OF INFORMATION, ATTRIBUTES OF RELIABLE INFORMATION, AND THE AUDITOR'S INTENDED PURPOSE

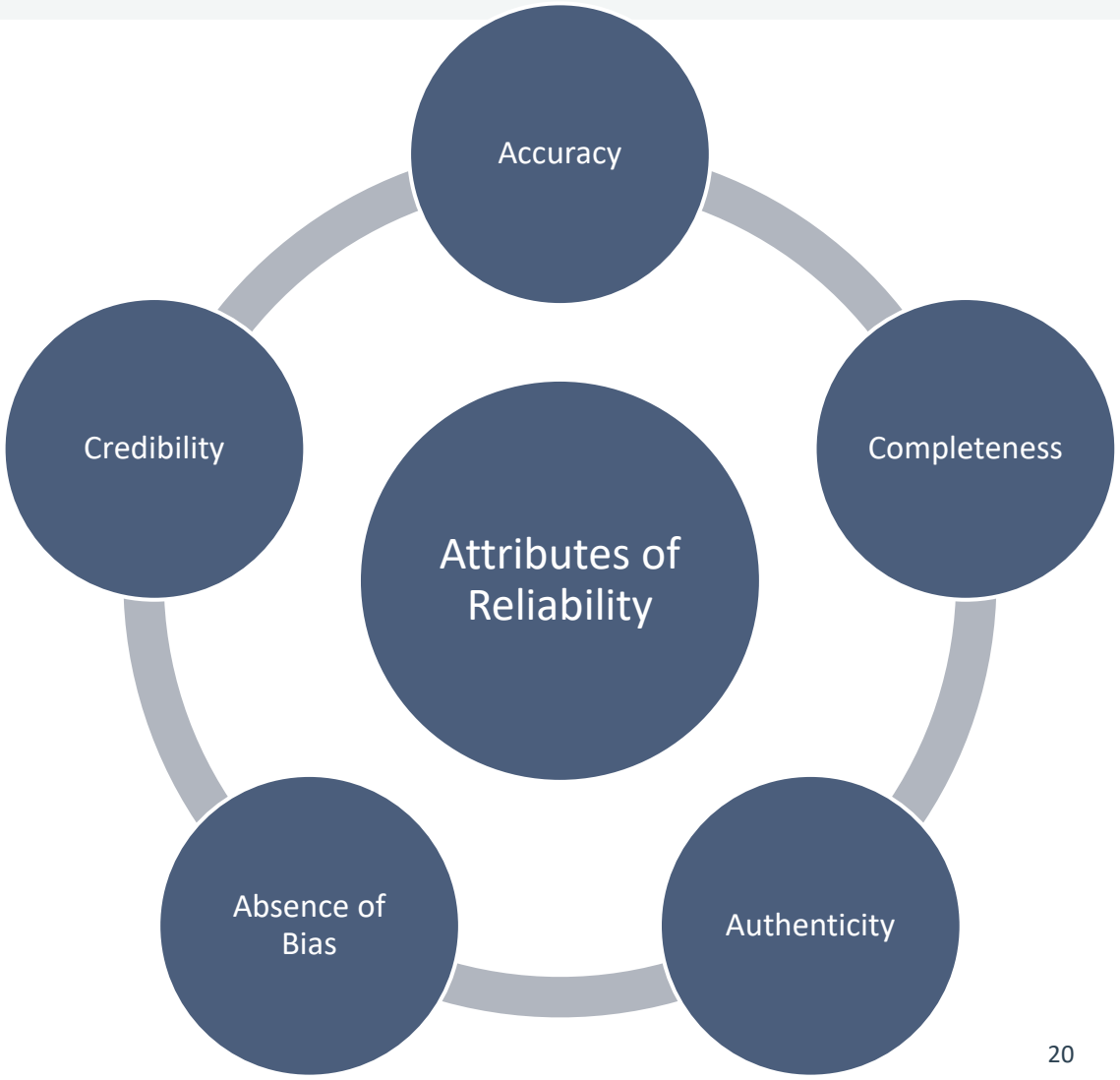
The Process: a Professional Judgment

Made in the context of also considering:

- The intended purpose of the audit procedure
- The source of the information
- The circumstances

The Benefits:

- It avoids a **checklist** that would treat all attributes equally in all situations
- It enables auditors to focus their effort on the **attributes that matter in the context** of the specific audit procedure



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Spotlight: Attributes of Accuracy and Completeness

INFORMATION PRODUCED BY THE ENTITY

What is Retained?
The requirement for the auditor to evaluate the accuracy and completeness of information produced by the entity

What is Different?

	Extant	Proposed
Work effort over information produced by entity vs. information intended to be used as audit evidence	Work effort verb of "**evaluate**" vs. "consider"	Consistent work effort to "evaluate"
Threshold	as necessary in the circumstances	**to the extent necessary**

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A Scalable Approach

IN EVALUATING THE RELIABILITY OF INFORMATION

Scalable Based on Intended Purpose and Source

Every piece of information intended to be used as audit evidence is required to be evaluated for relevance and reliability:

- The auditor does not perform the same procedures or address every attribute of reliability in every case
- Intended purpose and source of information determines which attributes are of significance and how much work is necessary



How to Evaluate Reliability

IN EVALUATING THE RELIABILITY OF INFORMATION

Flexibility to support a scalable work effort

The requirements acknowledge that the evaluation of reliability may be an **integral part** of the audit procedures themselves

If a separate evaluation, **flexibility** in how this evaluation is performed, as auditors may:

- **Identify and test controls** over the preparation and maintenance of the information, related to those attributes
- Test the information itself in relation to the attributes
- Use a combination of both approaches



Information Prepared by Management's Expert

CLARIFYING AUDITOR'S RESPONSIBILITIES

What is Different?		
	Extant	**Proposed**
Relationship to the requirement on evaluation of relevance and reliability of information	Conditional requirement ("to the extent necessary, having regard to the significance of that expert's work for the auditor's purposes")	Clarifies requirements are related and **incremental** to the required evaluation of relevance and reliability of information **Removes conditionality**
Understanding the expert's work	Requires the auditor to obtain an understanding of the expert's work	Clarifies an understanding of expert's work would include an understanding of the underlying information New requirement to obtain an understanding about **how** the information prepared by that expert has been **used by management**

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Doubts over Relevance and Reliability of Information

CLARIFYING AUDITOR'S RESPONSIBILITIES

What is Different?		
	Extant	**Proposed**
Separation of distinct matters	One requirement addressing inconsistencies in audit evidence and doubts about reliability of information	**Separate** requirements addressing: • Doubts about information • Inconsistencies in audit evidence
Auditor's response when doubts arise	Did not differentiate the auditor's response for doubts about relevance vs. doubts about reliability	**Bifurcates** the requirement: • For relevance: determine **whether** modifications or additions to audit procedures are necessary • For reliability: determine **what** modifications or additions are necessary
Doubts over relevance of information	No explicit requirement	Recognizes that the auditor may conclude that the information will **not be used** as audit evidence

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Inconsistencies in Audit Evidence

CLARIFYING AUDITOR'S RESPONSIBILITIES

What is Different?		
	Extant	**Proposed**
Interaction of the definition of audit evidence with inconsistencies in audit evidence	One requirement addressing both inconsistencies in audit evidence and doubts about reliability of information	**Separate** conditional requirement for inconsistencies between pieces of audit evidence • Clarifies after inconsistencies have been addressed, the audit evidence would become part of the basis for the auditor's overall conclusion • Works with other ISAs so the auditor cannot ignore information relevant to the audit
Testing outliers and exceptions	No specific application material focused on outliers and exceptions	New **application material** on outliers and exceptions **Unusual or unexpected items** may indicate a possible misstatement or inconsistency in audit evidence and require further investigation Extent of investigation depends on the **intended purpose** of the audit procedure

A More Rigorous and Future-Proof Approach

OVERALL IMPLICATIONS OF THE NEW FRAMEWORK

The **new framework** fundamentally changes the auditor's responsibility regarding audit evidence

Key Outcomes

Higher Quality Audit Evidence

The focus on evaluation and the attributes of reliability will lead to more robust audit evidence

Enhanced Skepticism

The new requirements, especially around authenticity, demand a more skeptical mindset

Better Integration with the Audit

The framework better integrates the evaluation of information with the testing of internal controls

Future-Ready

The principles-based approach is designed to be scalable and applicable to all sources of information, from paper invoices to blockchain records

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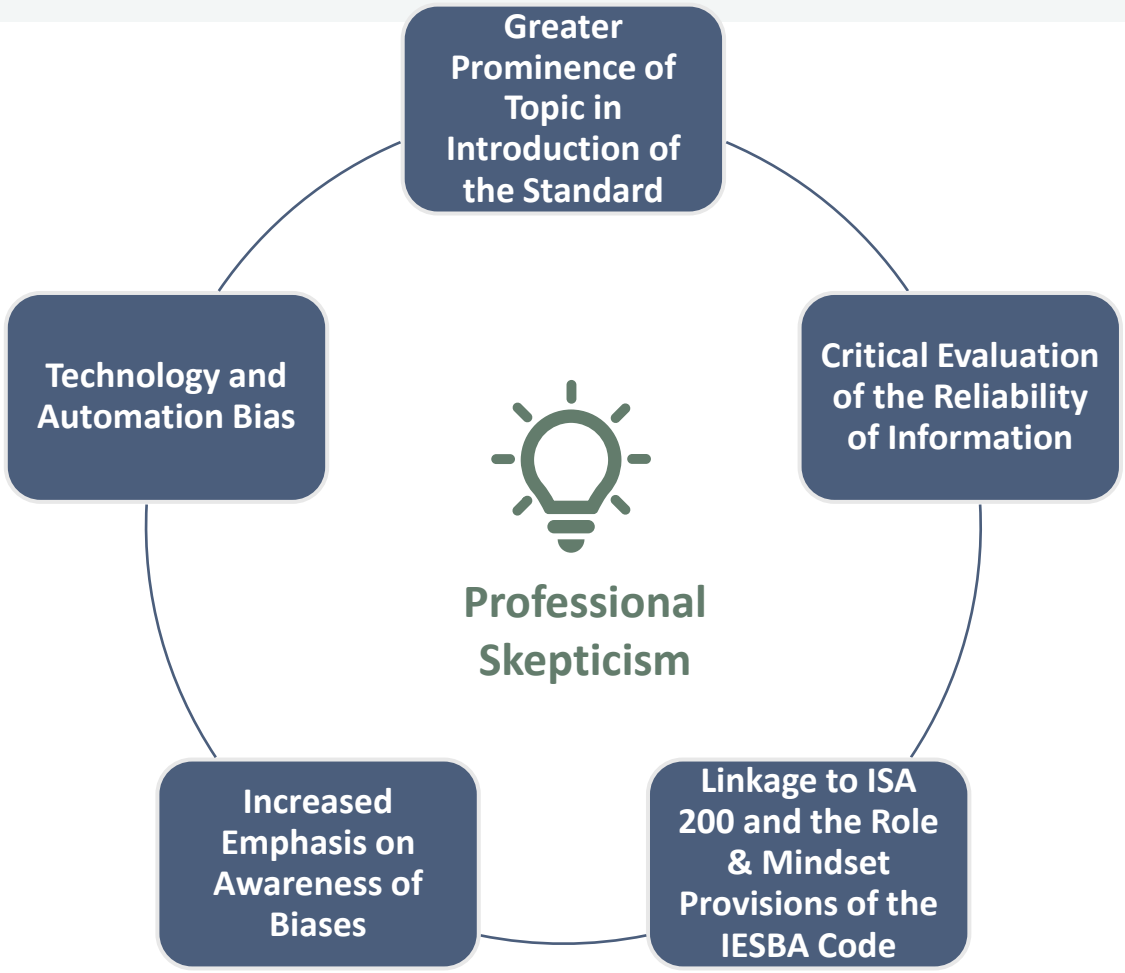
Professional Skepticism and Other Matters

Professional Skepticism

ENHANCEMENTS IN ED–500 (2026) HIGHLIGHTING THE CRITICAL ROLE OF PROFESSIONAL SKEPTICISM

OBJECTIVE:

Strengthen the professional skepticism framework throughout ED-500 (2026)



Professional Skepticism

ENHANCEMENTS IN ED–330 AND ED-520 REINFORCING THE APPLICATION OF PROFESSIONAL SKEPTICISM

OBJECTIVE:
Strengthen the performance aspects of applying professional skepticism when responding to assessed ROMM

ED-330

Responses to Assessed Risks

- Requiring responses to the assessed ROMM in a manner that is not biased
- Introducing a new holistic evaluation of audit evidence obtained from further audit procedures

ED-520

Analytical Procedures

- Reinforcing the ISA 200 principles when designing and performing analytical procedures
- Linking to requirements in ED-330 to respond to ROMM in an unbiased manner

Authenticity of Information

CONFORMING AND CONSEQUENTIAL AMENDMENTS

OBJECTIVE:
Clarify the auditor's work effort for assessing authenticity when evaluating information intended to be used as audit evidence

ED-500 (2026)

Introducing authenticity as an attribute of reliability

Clarifying evaluating information as reliable includes performing procedures to address the authenticity of information when authenticity is of significance

ISA 200

Consequential amendment to explain the linkage with ISA 240 (Revised) and ED-500 (2026) regarding the attribute of authenticity

ISA 240 (Revised)

Consequential amendment to reinforce the linkage with ED-500 (2026) over the auditor's consideration of the source of information and whether the information has been altered



Questions

Public Consultation Now Open

Public Consultation Now Open!

Consultation Open until December 15, 2026

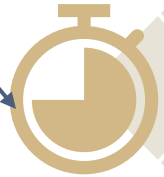
Exposure Draft (ED) for the AE&RR Project Overall (ED–AE&RR)



ED for Proposed ISA 330 (Revised) (ED–330)



ED for Proposed ISA 500 (Revised) (ED–500 (2026))



ED for Proposed ISA 520 (Revised) (ED–520)



Field testing is encouraged. Please share your results with the IAASB



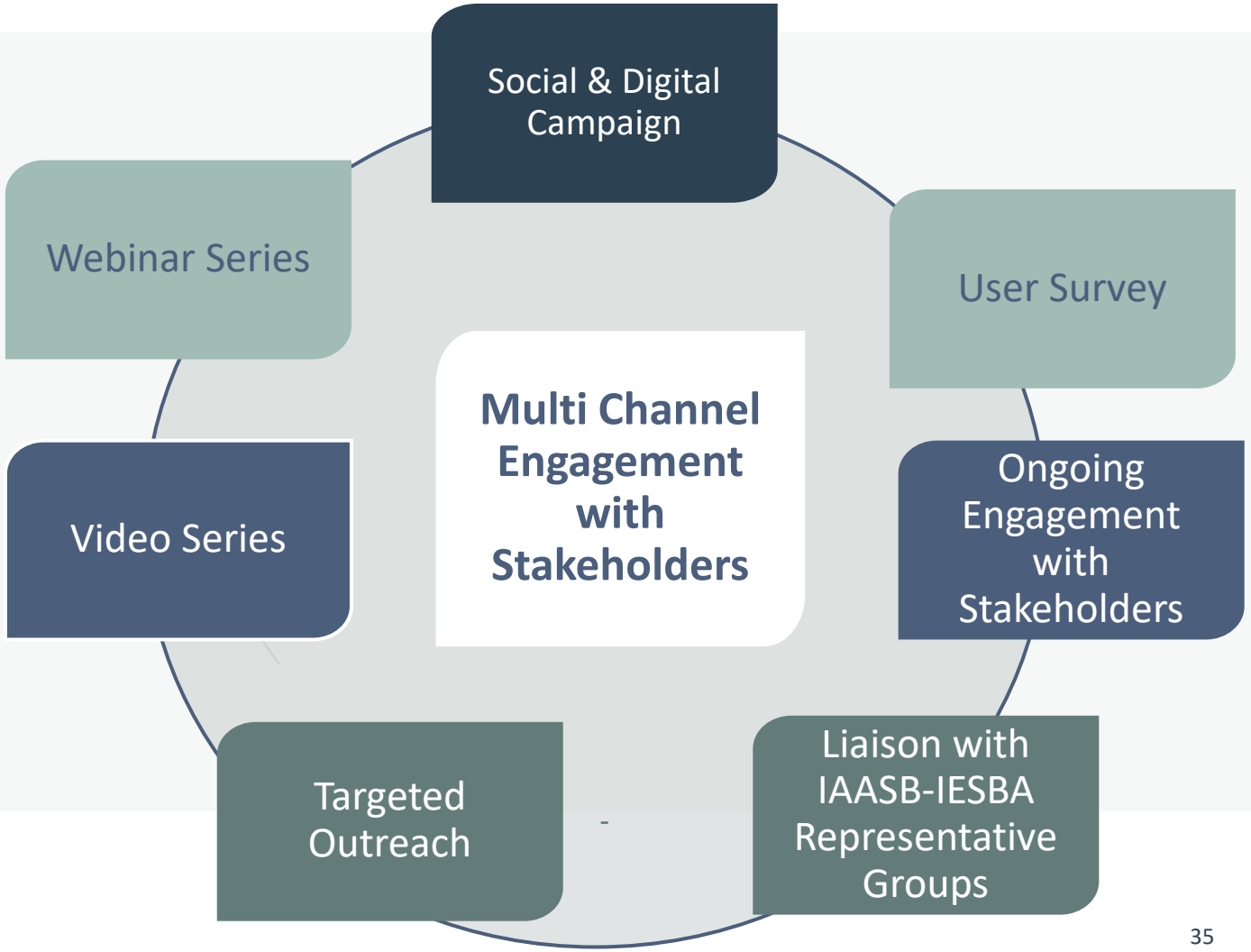
Visit the IAASB website to read the proposals and summit feedback:

iaasb.org/consultations-projects

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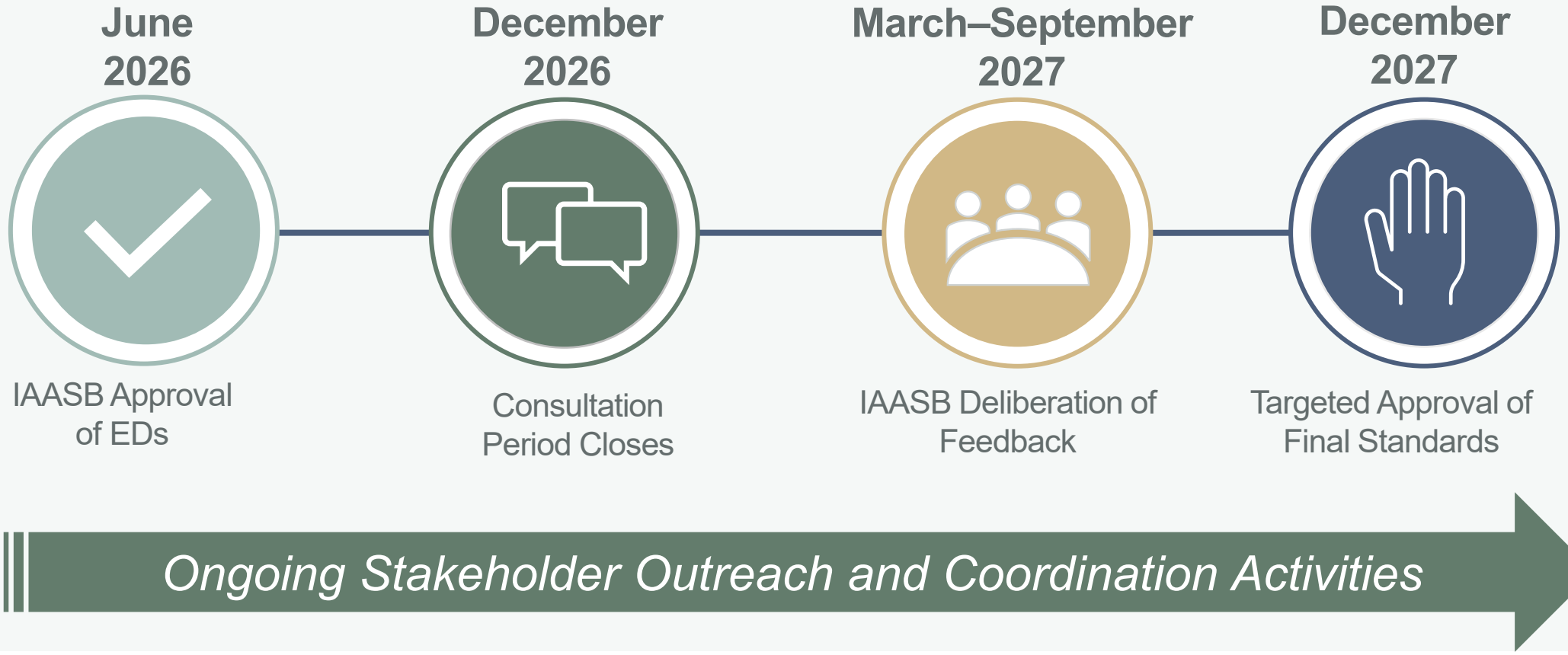
Consultation Approach & Stakeholder Engagement

Proactive Communication and Robust Engagement Throughout Consultation Period



Way Forward

Anticipated Timeline to Final Approval



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