



Subject:	Agenda for the 173rd meeting of the AUASB
Venue:	Virtual meeting by Zoom
Time:	Friday, 13 March 2026, 9:00 am –12:00 pm

Time	No.	Item	Responsibility
9:00 am	1	Welcome and Chair Update 1.0 Declaration of interests 1.1 Minutes of meeting 172 1.2 Other matters *	Doug Niven
9:10 am	2	IAASB Standards 2.1 ISRE 2410 2.2 Audit Evidence and Risk Response 2.3 Targeted Other Standards in ISA 500 Series 2.4 Sustainability and other assurance 2.5 Technology*	Rene Herman See Wen Ewe
10:30 am <i>Morning tea</i>			
10:40 am	2	IAASB Standards (continued)	Rene Herman See Wen Ewe
11:55 am	3	Close *	Doug Niven

** These items are verbal updates only and there are no associated board papers.*

The timing of Agenda items is subject to change on the day of the meeting.



AUASB DECLARATION OF INTERESTS

As at 13 March 2026

AUASB Meeting 173
Agenda Paper 1.0

AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Doug Niven (Chair)	<ul style="list-style-type: none"> • Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> • Chair of the Auditing and Assurance Standards Board, AUASB Statutory Authority and Office of the AUASB • Member, Australia’s Financial Reporting Council • Member, New Zealand Auditing and Assurance Standards Board 	<ul style="list-style-type: none"> • Member, IAASB/IESBA Stakeholder Advisory Council • Member, IAASB Jurisdictional Standard Setters Group
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none"> • Registered Company Auditor • Fellow, Chartered Accountants Australia and New Zealand • Fellow, CPA Australia • Fellow, Governance Institute of Australia • Fellow, Institute of Public Administration Australia • Graduate, Australian Institute of Company Directors • Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors • Member, Association of Certified Fraud Examiners 	<ul style="list-style-type: none"> • Non-Executive Director, CPA Australia • Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office • Former Northern Territory Auditor-General (concluded 12 September 2024) 	<ul style="list-style-type: none"> • Director and Shareholder, Family Trust Company • Director and Shareholder, Asterism Assurance and Advisory Pty Ltd • Board Director and Chair of the Auditing & Risk Committee of Aboriginal Investment NT, a Commonwealth statutory entity regulated by the ACNC • Non-Executive Director, Larrakia Development Corporation • Director, Darwin Hotel Partnership Pty Ltd • Member, Audit & Risk Committee, Charles Darwin University • Member, Audit & Risk Committee, Department of Local Government, Industry Regulation and Safety (a department of the Government of Western Australia)



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Ms Marilyn Gwan	<ul style="list-style-type: none"> Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, Grant Thornton Australia 	<ul style="list-style-type: none"> Member of Australian Institute of Company Directors Reporting Committee Member of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group Director and Shareholder, Family Trust Company(s) Trustee – personal family trusts
Mr Klynton Hankin	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, PricewaterhouseCoopers 	<ul style="list-style-type: none"> Member, Finance, Risk and Audit Committee - Cancer Council Australia
Dr Noel Harding	<ul style="list-style-type: none"> Member, CPA Australia 	<ul style="list-style-type: none"> Professor and Head of School of Accounting, Auditing and Taxation, UNSW Sydney 	<ul style="list-style-type: none"> Editor, International Journal of Auditing Deputy Editor, Accounting and Finance Co-chair of AFAANZ Auditing and Assurance Standards Committee
Mr Terence L Jeyaretnam	<ul style="list-style-type: none"> Degree in Environmental Engineering (UWA) Chartered Professional Engineer Fellow and Engineering Executive of the Institute of Engineers, Australia 	<ul style="list-style-type: none"> Director, Foresight Consulting Group Pty Ltd Clean Energy Regulator Accredited Category 2 Auditor Associate Professor of Practice at Monash University’s Department of Accounting, Faculty of Business and Economics Formerly APAC Leader and Partner, Climate Change and Sustainability Services, Ernst & Young in Melbourne 	<ul style="list-style-type: none"> Board member, Australian Conservation Foundation Chair, Amnesty International Australia Chair, Global Citizen, Australia Board member, ProVeg Ltd Councillor, Royal Society of Victoria
Ms Joanne Lonergan	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Partner, Ernst & Young 	<ul style="list-style-type: none"> Director & Shareholder, Family Trust Company



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Graeme Pinfold	<ul style="list-style-type: none"> Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Chair, New Zealand Auditing and Assurance Standards Board 	<ul style="list-style-type: none"> Board Member and Treasurer, Okawa Rotoiti Timeshare Owners Association Chair, Sustaining the Audit Profession Working Group Director, The Auckland Theatre Company
Mr Andrew Porter	<ul style="list-style-type: none"> Fellow, Institute of Chartered Accountants in England and Wales Member, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand 	<ul style="list-style-type: none"> Chief Financial Officer, Australian Foundation Investment Company Limited CFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited 	<ul style="list-style-type: none"> Director of Australian Investment Company Services Ltd. Director of a Family Trust Company Director of the Melbourne Anglican Foundation and trustee of related entities
Ms Jennifer Travers	<ul style="list-style-type: none"> Member, Chartered Accountants in Australia and New Zealand 	<ul style="list-style-type: none"> Partner, KPMG 	<ul style="list-style-type: none"> Chair of the Australian Accounting and Assurance Public Policy Committee – Audit Quality Working Group Member of the Australian Accounting and Assurance Public Policy Committee – ESG Working Group Chair of the Trans-Tasman Audit and Advisory Committee (CA ANZ) Director and Shareholder, Family Trust Company(s) Trustee, personal family trusts
Mr Jason Thorne	<ul style="list-style-type: none"> Fellow, Institute of Chartered Accountants in England and Wales Member, Chartered Accountants in Australia and New Zealand Registered Company Auditor 	<ul style="list-style-type: none"> Partner, Deloitte Touche Tohmatsu 	<ul style="list-style-type: none"> Director and Shareholder, family trust company
Mr Chi Mun Woo	<ul style="list-style-type: none"> Member, Chartered Accountants Australia and New Zealand Member, Institute of Chartered Accountants in England and Wales 	<ul style="list-style-type: none"> Partner, Climate and Sustainability practice, Deloitte 	-



AUASB Agenda Paper

Title:	Revision of ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>	Date:	13 March 2026
Office of the AUASB:	Rene Herman	Agenda Item:	2.1

Objective of Agenda Item:

1. To seek AUASB member input on matters to be discussed at the upcoming March 2026 IAASB meeting related to the Revision of ISRE 2410¹.
2. The IAASB will be voted on issue the proposed standard as an Exposure Draft at the March 2026 IAASB meeting. This will be the AUASB's last opportunity to comment on the proposed standard before the exposure period. The proposed standard can be accessed [[HERE](#) requirements; [HERE](#) application material].
3. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB Members

4. At the September and December 2025 AUASB meetings, AUASB members were asked to provide feedback on key topics, including acceptance and continuance of the interim review, materiality, the auditor's understanding of the entity and its environment, first-time interim reviews, going concern work effort, specific statements on going concern in the auditor's review report, granularity of requirements in several sections of the proposed standard, the way the proposed standard was to deal with group engagements and the form and content of the review report.
5. To date, the key concern of AUASB was around the work effort requirements and associated statements in the review report as it relates to going concern. Accordingly, the key questions for the attention of AUASB members are:

No	Questions
1	Going concern Do AUASB members have comments on the auditor's proposed work effort related to going concern in paragraphs 52-56 of the Draft Requirements ? [paragraphs 10-11 below]
2	Specific statements on going concern Do AUASB members consider the proposed requirements relating to the proposed statements on going concern are appropriate and sufficiently clear for the scenarios included in paragraphs 98-103 of the Draft Requirements , and do members support the proposed language for such statements? [see paragraph 11 below]
3	Fraud Do AUASB members have comments on the auditor's work effort proposed by the IAASB Project Team related to fraud in paragraphs 48-49 of the Draft Requirements ? [paragraphs 12-14 below]
4	General Do AUASB members have any other comments on the proposed ISRE 2410?

¹ Proposed ISRE 2410 (Revised), *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*.

Background and Previous Discussions on Topic

6. The IAASB is currently undertaking a project to modernise and revise ISRE 2410:
 - (a) At its [March 2025 meeting](#), the IAASB discussed issues identified from information-gathering activities relating to ISRE 2410.
 - (b) At its [June 2025 meeting](#), the IAASB discussed and approved a project proposal to revise ISRE 2410. The IAASB also discussed:
 - (i) Initial drafting of the Introduction, Objectives, Definitions and General Requirements sections of proposed ISRE 2410 (Revised); and
 - (ii) Possible enhancements to the form, content and structure of the auditor's review report, including the order of information presented in the report, and the form of the auditor's conclusion.
 - (c) At its [September 2025 meeting](#), the IAASB discussed:
 - (i) Initial drafting relating to engagement level quality management, acceptance and continuance, and understanding the entity and its environment.
 - (ii) The nature and extent of the auditor's work effort relating to going concern in an interim review, and the possible inclusion of explicit statements on going concern in the auditor's interim review report; and
 - (iii) Considerations relating to group interim review engagements.
 - (d) At its [December 2025 meeting](#), the IAASB discussed:
 - (i) The first full read of the proposed standard and expressed broad support for the overall direction of the standard.
 - (ii) The linkage between the work requirements relating to fraud, non-compliance with laws or regulations, and going concern, and the requirement proposed as paragraph 60, for the auditor to perform additional procedures in circumstances when the auditor becomes aware of matters that cause the auditor to believe that there may be a material misstatement of the interim financial information.
 - (iii) The need to clarify and enhance the reporting requirements proposed, related to going concern.
7. As noted at previous AUASB meetings, the Office of the AUASB does not consider ASRE 2410 to be inconsistent with proposed ISRE 2410 (Revised). However, the AUASB recognised that based on the need for ISRE 2410 to be stand-alone and facilitate consistency in global practice, the proposed revised standard introduces greater granularity, incorporating new and enhanced requirements along with expanded application material.

Significant matters being considered at the March 2026 IAASB meeting

8. The December 2025 AUASB meeting papers summarised the substantive differences between ASRE 2410 and the proposed ISRE 2410 (Revised) as well as areas being addressed in proposed ISRE 2410 that are not currently addressed in ASRE 2410. AUASB members did not raise any concerns with the direction of the proposed ISRE 2410, however, several AUASB members expressed some reservation regarding reporting Going Concern matters through the review report. Paragraphs 11-12 of this Agenda Paper outline the proposed work effort and reporting through the review report as it relates to Going Concern that is being re-discussed at the March 2026 IAASB meeting.
9. Additionally, changes are being proposed to the work effort requirements in relation to fraud to strengthen the link between the work effort requirements, and the requirement in paragraph 60 for the auditor to perform additional procedures in circumstances when the auditor becomes aware of matters that cause the auditor to believe that there may be a material misstatement of the interim financial information (the "deep dive") – refer paragraphs 13-15 below.

Going Concern

10. Recognising that going concern is fundamental to the preparation of the interim financial information, the proposed standard introduces a robust **work effort**, sufficient to support the auditor’s conclusions about going concern.
- The auditor inquires whether management has made an assessment of going concern in preparing the interim financial information and if management has not done so, requests management to make an assessment [52A and 52B].
 - Requires management’s assessment to cover a period of at least twelve months from approval of the interim financial information [52C].
 - The auditor makes inquiries about management’s assessment, including about significant changes in how management makes its assessment, the status of events or conditions that existed at the date of the last assessment and any new events or conditions [53].
 - If events or conditions exist that may cast significant doubt on the entity’s ability to continue as a going concern, the auditor inquires about and considers the feasibility of mitigating plans and performs other procedures as considered necessary in the circumstances [55].
 - Based on the evidence obtained, the auditor evaluates whether anything has come to their attention that causes them to believe that:
 - management’s use of the going concern basis is not appropriate; and
 - a material uncertainty related to going concern exists [56].
 - The auditor considers the adequacy of disclosures in view of the requirements of the applicable financial reporting framework [56A].
11. The table below summarises the auditor’s **reporting requirements** as it relates to Going Concern

Proposed ISRE 2410 paragraph	Scenario	Requirements in the review report
98	Nothing has come to attention	Under heading Going Concern <ul style="list-style-type: none"> a. In the context of the auditor’s review of the interim financial information, and in forming the conclusion thereon, nothing has come to the auditor’s attention that causes the auditor to believe that management’s use of the going concern basis of accounting is inappropriate; b. Based on the evidence obtained, nothing has come to the auditor’s attention to indicate that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern; and c. The auditor’s statements are based on the evidence obtained up to the date of the interim review report and are not a guarantee as to the entity’s ability to continue as a going concern.
98A	Close call – <u>publicly traded entity</u>	Under heading Going Concern <ul style="list-style-type: none"> a. A reference to the related disclosure(s) in the interim financial information; b. A statement that the auditor’s interim review conclusion is not modified in respect of the matter; and

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Proposed ISRE 2410 paragraph	Scenario	Requirements in the review report
		c. The statements in paragraph 98.
99	MURGC <u>existed</u> in most recent annual financial statements and events remain and <u>disclosure adequate</u>	<p>Under heading Material Uncertainty Related to Going Concern</p> <ul style="list-style-type: none"> a. A reference to the related disclosure(s) in the annual financial statements and a statement that the auditor’s report on those financial statements included a Material Uncertainty Related to Going Concern section; b. A reference to the related disclosure(s) in the interim financial information that describes the events or conditions and notes that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern; c. A statement that the auditor’s interim review conclusion is not modified in respect of the matter; and d. The statements in paragraphs 98(a) and 98(b).
99A	MURGC <u>existed</u> in most recent annual financial statements but <u>now resolved and disclosed</u>	<p>Under heading Going Concern</p> <ul style="list-style-type: none"> a. A reference to the related disclosure(s) in the interim financial information; b. A statement that the auditor’s interim review conclusion is not modified in respect of the matter; and c. The statements in paragraph 98.
100	MURGC <u>did not exist</u> in most recent annual financial statements, but <u>now MURGC with adequate disclosures</u>	<p>Under heading Material Uncertainty Related to Going Concern</p> <ul style="list-style-type: none"> a. A reference to the related disclosure(s) in the interim financial information that describes the events or conditions and notes that these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company’s ability to continue as a going concern; b. A statement that the auditor’s interim review conclusion is not modified in respect of the matter; and c. The statements in paragraphs 98(a) and 98(b).

Proposed ISRE 2410 paragraph	Scenario	Requirements in the review report
101	MURGC <u>exists not adequately disclosed</u>	<p>a. Express a qualified or adverse conclusion, as appropriate, in accordance with paragraph 92;</p> <p>b. In the Basis for Qualified (or Adverse) Conclusion section of the auditor’s interim review report, state that a material uncertainty exists and that the interim financial information does not adequately disclose this matter; and</p> <p>Include a separate section in the interim review report, with the heading “Material Uncertainty Related to Going Concern,” that draws attention to the Basis for Qualified (Adverse) Conclusion section of the auditor’s interim review report, and includes the statements in paragraphs 98(a) and 98(b).</p>

Fraud

12. Paragraphs 48-49A reflect the stepped work effort in ISA 240 (Revised), which scales based on the auditor’s consideration of whether a fraud or suspected fraud is evaluated as being clearly inconsequential or not.
13. The proposed requirements of 48 to 49A, operate as a funnel as follows:
 - Firstly, the auditor inquires of management and others whether they have knowledge of fraud or suspected fraud or any identified or suspected non-compliance with laws and regulations [48]
 - Secondly, the auditor remains alert for fraud and NOCLAR throughout the engagement [49].
 - If the auditor becomes aware of fraud or suspected fraud, then further action is needed [49A]:
 - First, the auditor would be required to perform further inquiries and evaluate, the possible effect of the matter on the interim financial information. The implication is that the auditor can determine, based on the inquiries, whether the matter is clearly inconsequential. If so, no further actions are required, except for considering any communication requirements in accordance with paragraph 51.
 - Then, the auditor is required to perform sufficient work to evaluate whether the matter may have a material effect on the interim financial information. If the matter causes the auditor to believe the interim financial information may be materially misstated as a result of fraud, the auditor is required to perform additional procedures in accordance with paragraph 60.
 - Application material A80a connects the requirements in paragraph 49A with the deep dive of paragraph 60. A80a explains that the procedures performed above [49A] are for the purpose of helping the auditor evaluate the effect of the matter on the interim financial information. If the matter causes the auditor to believe the interim financial information may be materially misstated, the auditor applies the requirement of paragraph 60 (deep-dive).
14. Paragraph 49B applies when a misstatement, rather than a material misstatement, due to fraud has been identified, to reflect that fraud is unlikely to be an isolated occurrence, and therefore, depending on the circumstances, may result in the auditor re-evaluating the reliability of management’s responses to inquiries and written management’s representations.

Next steps

15. It is anticipated the IAASB will approve an Exposure Draft at the upcoming March 2026 meeting, for a 120-day public consultation period. IAASB approval of the final standard is targeted for June 2027.
16. The Office of the AUASB will bring to the April AUASB meeting the wrap-around of ED-ISRE 2410 to vote to issue to as an Exposure Draft in Australia, along with the Australian Explanatory Memorandum.



AUASB Agenda Paper

Title:	Audit Evidence and Risk Response Revision of ISAs 500, 330 and 520	Date:	13 March 2026
Office of the AUASB:	Rene Herman	Agenda Item:	2.2

Objective of Agenda Item:

1. To seek AUASB member input on the first read of [proposed ISA 500](#)¹, [proposed ISA 330](#)² and [proposed ISA 520](#)³.
2. Since this is a first time read of the proposed standards, the Office of the AUASB has provided a high-level summary of the key proposals included within the proposed standards; all of which have been discussed with the AUASB at prior meetings.
3. This stage of the project (first full read of the proposed standards) presents optimal timing for the AUASB to influence development of the proposed revised standards. We request AUASB members to reach out to others within your organisations for any feedback or commentary on the draft standards.
4. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB Members

5. The key questions for the attention of AUASB members are:

No.	Questions
1	<i>ISA 500 – Technology</i> Do AUASB members have any initial comments on the proposed guidance on technology as repeated at Appendix 1 to this Agenda Paper? Do AUASB members have a view on where the IAASB should locate this guidance?
2	<i>ISA 330 – Stand Back</i> Do AUASB members have any comments on the proposals to locate the stand-back provisions within ISA 315 and ISA 700 as outlined in paragraphs 14-15 of this Agenda Paper?
3	<i>ISA 520 – Level of precision</i> Do AUASB members: a) consider the proposed application material in paragraphs A15-A15A (for ease of reference refer Appendix 2 to this Agenda Paper) to be sufficient on level of precision? If not, what else could be included in application material? b) Agree with the matters noted in paragraph 22 of this Agenda Paper?
4	Do AUAB members have any other comments on the Proposed ISA 500, ISA 330 and ISA 520?

¹ ISA 500 *Audit Evidence*

² ISA 330 *The Auditor's Responses to Assessed Risks*

³ ISA 520 *Analytical Procedures*

Background and Previous Discussions on Topic

6. The IAASB is currently undertaking a project to modernise and revise the Audit Evidence and Risk Response Standards:
 - At its [March 2025 meeting](#), the IAASB discussed stand-back requirements, paragraph 18/ISA 330 Material Classes of Transactions, Account Balances, and Disclosures (COTABDs), test of controls, substantive procedures and professional scepticism.
 - At its [June 2025 meeting](#), the IAASB discussed defining test of details, analytical and substantive analytical procedures, using evidence obtained in prior audits, accepting records and documents as genuine.
 - At its [September 2025 meeting](#), the IAASB material COTABDs, authenticity, technology, test of controls, substantive procedures alone, results of analytical procedures.
 - At its [December 2025 meeting](#), along with discussion of matters previously raised, the IAASB also discussed significant risks,
7. AUASB members discussed the key matters at its March 2025, June 2025, September 2025 and December 2025 meetings.

KEY PROPOSALS IN [PROPOSED ISA 500](#)

8. The [AUASB's submission](#) to the IAASB on ED-ISA 500 in 2023 was largely supportive of the draft proposals, with the main reservations being:
 - a) the lack of a technology focus within the proposed revised standard [refer paragraphs 10-11 of this agenda paper]
 - b) the new stand back included in ED-ISA 500, with a suggestion that the stand-back provisions across the standards are revisited (the proposed new stand-back within ISA 500 has since been dropped).

KEY FEATURES

9. ISA 200 will continue to require the auditor to obtain sufficient appropriate audit evidence necessary for the auditor to conclude that they have obtained reasonable assurance that the financial report as a whole is not materially misstated. Key changes proposed to since the previous draft of ISA 500 are:
 - a) A revised definition of audit evidence, based on the 'input-output model',⁴ for auditors to actively consider *all information* intended to be used as audit evidence, *irrespective of its source* (i.e., whether internal or external). The definition emphasises that information can only become audit evidence after audit procedures are applied to the information, including audit procedures to evaluate its relevance and reliability [paragraph 7]
 - b) New application material to clarify the 'sufficiency' and 'appropriateness' of audit evidence and the relationship of these terms with the notion of persuasiveness of audit evidence. The collective revisions provide a foundation for auditors to comprehensively consider all audit evidence obtained in an audit, irrespective whether it was obtained from risk assessment procedures, further audit procedures or other audit procedures required by the ISAs and embrace the notion that it is the cumulative body of evidence that contributes to its sufficiency and appropriateness [A14A-A14C].
 - c) New requirements and application material that focus the auditor on the purpose(s) of the audit procedures when obtaining sufficient appropriate audit evidence and the need to evaluate whether the audit evidence obtained meets each intended purpose of the audit procedure [paragraph 8 and 8A].

⁴ The 'input-output' model refers to the *information* intended to be used as audit evidence (i.e., the 'input') which needs to be subject to *audit procedures* to become *audit evidence* (i.e., the 'output').

- d) **Strengthened evaluation (instead of consideration) of the relevance and reliability of information** intended to be used as audit evidence, by considering the source and the attributes of reliability that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures. Emphasis on the intended purpose(s) on the audit procedures, to obtain sufficient appropriate audit evidence, which includes the entirety of audit procedures designed and performed when planning and performing an audit engagement in accordance with the ISAs [paragraphs 9-10C].
- e) New requirements that establish a clearer approach for evaluating the reliability of information by introducing requirements and application material for the auditor to evaluate the reliability of information intended to be used as audit evidence either by: (i) testing the operating effectiveness of controls that address its reliability, or (ii) performing other audit procedures; and setting out related actions when the auditor intends to test such controls [paragraph 10B].
- f) New and strengthened requirements and application material related to evaluating information prepared by management experts particularly with reference to understanding how the information prepared by the expert has been used by management [paragraph 11].
- g) New application material supporting auditor's judgements about the attributes of reliability which are important new features introduced in the audit evidence standard (i.e., accuracy, completeness, authenticity, credibility and bias) [paragraphs A40, A53, A56-A57L].
- h) New application material and examples to clarify the necessary work effort to evaluate information as reliable, which includes performing procedures to address the authenticity of information when the auditor considers that the attribute of authenticity is of significance in the circumstances to meet the intended purpose(s) of the audit procedures [A56A, A56Faa-A56H]. **The sentence saying that it is not necessary to consider the authenticity of every record or document encountered in the audit has been removed. The sentence that 'There may be instances when the auditor considers that the authenticity of information ... is of significance to meet the intended purposes(s) of the audit procedures' remains [A56Fa].**
- i) New application material to explain that the source of information intended to be used as audit evidence may affect (i) the auditor's professional judgment regarding the relevance and attributes of reliability that are of significance in the circumstances, and (ii) the nature and extent of the auditor's evaluation of the relevance and reliability [A48-A52]
- j) New requirements and application material to reinforce the application of professional scepticism⁵.

ISA 500 MATTERS FOR CONSIDERATION AT THE MARCH 2026 MEETING

- 10. The IAASB has determined not to pursue technology-related requirements for the in-scope standards that would apply conditionally or otherwise. The rationale for this approach includes the need for the ISAs to remain principle-based, flexible and current in view of rapid technological evolution.
- 11. At the March 2026 meeting, the IAASB will consider draft Guidance (location still to be determined) addressing considerations for use of technological tools when designing and performing audit procedures to obtain audit evidence. The Guidance anchors to the requirements in paragraphs 8 and 9 of Proposed ISA 500 and considers the IAASB's directional feedback for remaining principle-based and ensuring a future-proof approach for its standards. The guidance focuses on addressing considerations for use of technological tools when designing and performing audit procedures to obtain audit evidence (see Appendix 1 to this Agenda Paper).

⁵ Technology and Fostering the appropriate exercise of professional scepticism was a focus in the [AUASB's submission](#) to the IAASB on ED-ISA 500 in April 2023

KEY PROPOSALS IN [PROPOSED ISA 330](#)

12. The key proposals in the revision of ISA 330 are to:
13. strengthen the auditor's work on internal controls and encourage controls-based approaches, strengthen the linkages to ISA 315 as well as clarifying the principles underpinning effective substantive procedures.

KEY FEATURES

14. The IAASB through their deliberations have determined that to be consistent with a risk-based approach of an audit under ISA 315, paragraph 18 of extant ISA 330 will be removed. The Office of the AUASB highlights that this approach may be problematic in that risk assessments may not be perfect and controls can fail. The proposed approach also differs from PCAOB standards, which require substantive testing for material assertions even where risk is assessed as low.
15. Instead there are proposed to be requirements and application material in ISA 315 that clarify certain aspects of the risk assessment process, including:
 - a) A new requirement to clarify the documentation expectation when performing the 'stand-back' evaluation in paragraph 36 of ISA 315 [conforming amendment to ISA 315 paragraph 38(e) and A238A – link to significant conforming and consequential amendments can be found ([here](#))].
 - b) Enhanced application material that clarifies how the 'stand-back' evaluations in paragraphs 35–36 of ISA 315 (Revised 2019) interact [conforming amendment to ISA 315 paragraphs A230B-A233B - link to significant conforming and consequential amendments can be found ([here](#))].
 - c) Explicitly linking to the concept of materiality determined under ISA 320⁶ and that the auditor may reconsider whether particular COTABDs not deemed significant, should be treated as significant in light of the potential for misstatements below overall materiality to influence the economic decisions of users [conforming amendment to ISA 315 - link to significant conforming and consequential amendments can be found ([here](#))].
16. **The AUASB will have an opportunity to further deliberate the merits of the IAASB's decision to propose the removal of paragraph 18 of ISA 330 and provide feedback to the IAASB on exposure.**
17. It is also proposed to:
 - a) Reposition the overall conclusion on whether sufficient appropriate audit evidence has been obtained into the final 'stand-back' stage in ISA 700 [conforming amendment to ISA 700, paragraph 11A].
 - b) Introduce a new 'stand-back' evaluation specific to further audit procedures [paragraph 25A].
 - c) Revise the definition of 'tests of controls', with supporting application material, that broadens its scope to recognise controls that operate more widely than at the assertion level and facilitate effective testing of their operating effectiveness. The revisions explicitly recognise that tests of controls may be used for a purpose other than responding to an assertion level ROMM (e.g., when evaluating the relevance and reliability of information intended to be used as audit evidence) or when testing controls that do not fit neatly into the extant definition (e.g., because the controls are not precise enough to prevent or detect and correct material misstatements at the assertion level). [paragraph 4b and A0A].
 - d) Enhance application material for testing controls addressing significant risks and emphasis in the requirements that the auditor is not able to use audit evidence obtained

⁶ ISA 320, *Materiality in Planning and Performing an Audit*

in a prior period as audit evidence of the operating effectiveness of controls that address significant risks [11A and A33A].

- e) Have a new requirement for the auditor to test the controls in the current period if the auditor plans to obtain sufficient appropriate audit evidence to address a risk of material misstatement at the assertion level through tests of controls alone [paragraph 11B].
- f) Encourage a Controls-Based Approach to Respond to ROMMs by:
 - o Explicitly recognising that tests of controls alone may be appropriate to address assertion-level ROMMs and providing guidance which sets out factors the auditor may consider to determine that this is an appropriate approach, including specific attributes or characteristics of the controls for which this approach could apply [A4 -A4A].
 - o Enhanced requirements for using audit evidence obtained in a previous audit by improving consistency with ISA 315 and clarifying the required three-year time period for retesting a control [paragraph 14]; including new and enhanced application material, with examples, to support consistent auditor's judgements when using audit evidence about the operating effectiveness of controls obtained in previous audits (e.g., highlighting considerations for manual controls, for automated controls dependent on general IT controls and for circumstances where changes would require modifications to control design or operation to address current-period risks) [A36-A40]
 - o Clarifying that the auditor can either obtain audit evidence about the effective operation of indirect controls (including GITCs) or perform other procedures related to the indirect controls. While direct controls may be dependent on indirect controls, when the circumstances that indirect controls were intended to address have not arisen, deficiencies in indirect controls may not have affected the effective operation of direct controls [10b].

ISA 330 MATTERS FOR CONSIDERATION AT THE MARCH 2026 MEETING

18. *Audit Evidence from analytical procedures*

- In December 2025, the IAASB agreed to clarify that analytical procedures that are not used as substantive procedures may still contribute to the cumulation of audit evidence. Accordingly, the project team propose to include in paragraph A46A an explicit recognition that, in designing and performing further audit procedures, the auditor may design and perform analytical procedures (these are not substantive analytical procedures) in combination with tests of controls or tests of details to obtain sufficient appropriate audit evidence. This change reinforces the notion that all evidence obtained in an audit contributes to the auditor obtaining sufficient appropriate audit evidence, even when the evidence is obtained from an audit procedure that, on its own, is not precise enough to detect a material misstatement (these analytical procedures are not intended to reduce any necessary TOC or TOD).
- In addition, the project team removed from paragraph A45 the reference to the auditor determining that a combination of substantive analytical procedures and test of details as being most responsive to the assessed risks. This change aims to emphasize that, depending on the circumstances, either substantive analytical procedures or tests of details may be performed as the sole substantive procedures to provide sufficient appropriate audit evidence.

The Office of the AUASB is supportive of these proposals.

19. *Results of tests of control*

- Paragraph 17 addresses the results of tests of controls and sets out a framework to support auditors' judgments about whether sufficient appropriate audit evidence has been obtained about the operating effectiveness of controls.
- The proposed revisions emphasise that when evaluating the results of procedures performed, the auditor may determine that despite identifying deviations in testing, the auditor may be able to conclude that the audit evidence obtained provides an appropriate basis for 'confirming the auditor's initial expectation about the operating effectiveness of controls,'⁷ (incorporating language from ISA 315). If the auditor determines that the evidence does not yet provide such a basis, subparagraph paragraph 17(b) clarifies that the auditor may determine that additional tests of controls may be able to do so. Finally, subparagraph 17(c) clarifies that when the auditor is unable to obtain evidence that provides such a basis, the auditor is required to revise their assessment of control risk in accordance with ISA 315) and to revise the nature, timing and extent of substantive procedures to address the assessed risk.

The Office of the AUASB is supportive of these proposals.

KEY PROPOSALS IN PROPOSED ISA 520

20. The revisions to Proposed ISA 520 (Revised) includes:

- (a) refinements to the definitions of analytical procedures and substantive analytical procedures; and
- (b) clarifying that analytical procedures designed and performed using a threshold that exceeds performance materiality to evaluate differences from expected amounts as acceptable without further investigation does not qualify as substantive analytical procedures.

KEY FEATURES

21. Other key features include:

- a) Acknowledgement of the use of analytical procedures as risk assessment procedures. The auditor would be required to determine the effect of the results of risk assessment analytical procedures on the identification and assessment of ROMMs when the results of such procedures identify fluctuations or relationships that are inconsistent with other relevant information, or that differ from expected results [paragraph 4A].
- b) A new definition of substantive analytical procedures that distinguishes substantive analytical procedures from the other analytical procedures used across all stages of an audit. Substantive analytical procedures have a purpose to detect a material misstatement at the assertion level [paragraph 4(b)].
- c) Setting out the key elements that determine the necessary precision of the substantive analytical procedures. Revised requirements address 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 [paragraph 5(c)].
 - Threshold, not exceeding performance materiality, for which differences between the auditor's expectation and the recorded amounts are required to be investigated to establish whether a material misstatement exists [paragraph 5(d)].

⁷ See ISA 315 (Revised 2019), paragraphs 34 and A226

22. The Office of the AUASB suggests that the IAASB should also consider guidance on the following for substantive analytical procedures:
- a) The relationship being used should make sense;
 - b) Source data should be produced independently from the population being tested;
 - c) Whether using the audited entity's own budgets is consistent with independent assurance, including the need for the auditor to consider the independence of the budget process;
 - d) Industry data may not be sufficiently current;
 - e) That the threshold for identifying differences between expectations and actuals needs to be lower where the population is disaggregated; and
 - f) The threshold should not be increased after differences are identified.

NEXT STEPS

23. It is expected that the IAASB will approve Exposure Drafts at its June 2026 meeting.

APPENDIX 1

CONSIDERATIONS FOR USING TECHNOLOGICAL TOOLS WHEN DESIGNING AND PERFORMING AUDIT PROCEDURES TO OBTAIN AUDIT EVIDENCE

Objective

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

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

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

- As explained in ISA 300,⁸ when establishing the overall audit strategy, the auditor may consider the effect of information technology on the audit procedures, including the availability of data and the expected use of technological tools to be deployed for specific audit areas. In doing so, ISA 220 (Revised) requires that the engagement partner determines that sufficient and appropriate human, technological and intellectual resources to perform the engagement have been assigned or made available to the engagement team and provides other guidance relevant to the use of technological resources, that include technological tools on the audit engagement.⁹
- Whether to use technological tools when designing and performing audit procedures to obtain audit evidence is a matter of the auditor's professional judgment. The following table includes examples of factors that may be relevant in considering whether to use technological tools.

Factor	Description
Nature of the Entity's IT Environment and Information	
The entity's use of technology	The nature, extent and complexity of the technologies used by the entity may affect the auditor's use of similar or complementary technological tools.
Degree of digitization	The extent to which transaction information is maintained in digital form within the entity's systems may affect the auditor's use of technological tools to access, query or analyze information that is not otherwise observable.
Complexity of information	The complexity of information (e.g., number and variety of information sources, interrelationship between data sets) may affect the auditor's use of technological tools to analyze, process or interpret the information.
Volume of information	The volume of information may affect the auditor's use of technological tools to analyze, process, organize or present the information that is not otherwise practicable or effective using manual procedures.

⁸ ISA 300, *Planning an Audit of Financial Statements*, Appendix

⁹ ISA 220 (Revised), paragraphs 25, A63–A67

Factor	Description
Compatibility of information	The extent to which the information is available in, or can be converted into, a format compatible for use in technological tools may affect the feasibility and extent of the auditor's use of technological tools.
Audit Plan	
The purpose(s) of the audit procedures to be achieved	The purpose(s) of certain audit procedures (e.g., to identify risks of material misstatements by identifying unusual patterns or anomalies in a population of transactions) may be more effectively achieved using technological tools.
The nature of the audit evidence	The audit evidence sought may be more effectively obtained using technological tools (e.g., fair value accounting estimates associated with complicated transactions or accounting entries that involve, for example, complex calculations such as multiple iterations or sophisticated mathematical or statistical processes, or complex modelling, including the use of a complex method with many valuation attributes and interrelationships between them, the use of multiple data sets (or data from multiple sources), or multiple assumptions with various layers of correlation).
Availability of Audit Firm Resources <i>(relevant quality management policies or procedures of the firm may affect the consideration of factors such as these and other factors that may be relevant at the firm or engagement level)</i>	
Availability of appropriate technology	Whether the firm has developed or has access to, and approved for use, technological tools relevant in the circumstances of the audit engagement.
Engagement team competence and expertise	Whether the engagement team members possess the skills to use technological tools appropriately and to interpret the results of the tools, such as understanding the suitability of the tools for the intended purpose, selecting appropriate parameters and identifying false positives.
Methodology and training support	Whether the use of technological tools is supported by the firm's audit methodology, training programs and access to subject matter experts.
Laws or Regulations	
Data protection, security and privacy requirements	Whether applicable laws or regulations may affect the extent of the auditor's ability to access, transfer, store, or process information using technological tools.

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

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

Intended purpose(s) of audit procedures:	Examples of how the auditor may use technological tools:
Risk assessment procedures designed and performed to identify and assess the risks of material misstatement,	<ul style="list-style-type: none"> Analyze a population of journal entries to identify unusual or unexpected trends, relationships and activities, such as the existence of manual journal entries within a routine sales process.

Intended purpose(s) of audit procedures:	Examples of how the auditor may use technological tools:
whether due to fraud or error, at the financial statement and assertion levels	<ul style="list-style-type: none"> Gather information from multiple sources to assist the auditor in identifying risks of material misstatement. For example, aggregated news and social media analysis filtered for relevance that may indicate areas of audit risk, such as changes in operations, regulations or other new events and conditions.
Test of controls designed to obtain audit evidence about the operating effectiveness of controls	<ul style="list-style-type: none"> Evaluate certain IT general access rights and configurations to obtain audit evidence about the operating effectiveness of general IT controls over the entity's IT processes. Reperform the operation of the automated portion of controls throughout the period.
Substantive procedures designed to detect material misstatements at the assertion level	<ul style="list-style-type: none"> Automate external confirmation procedures to obtain audit evidence regarding the terms of agreements, contracts or transactions between an entity and other parties. Automate the vouching of items selected for tests of details to underlying documentation, such as invoices.

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

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

5. When the auditor uses technological tools to design and perform audit procedures, the auditor applies professional judgment in evaluating whether the output(s) of the technological tools is relevant and reliable. The following table includes factors that the auditor may consider in making this evaluation. These factors, however, do not address matters related to the development, implementation, operation or maintenance of technological tools. Under ISQM 1, the firm is responsible for assigning or making available human, technological and intellectual resources to engagement teams, including technological tools. In doing so, the firm considers matters such as whether the technological tool operates as designed and achieves the purpose for which it is intended as well as the need to develop procedures that set out how the technological tool operates.¹⁰

¹⁰ International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, paragraphs 32, A99–A101.

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

Automation Bias

6. As explained in ISA 220 (Revised), the use of technological tools may give rise to a risk of unconscious biases, including automation bias, which may result in overreliance on the relevance and reliability of the output(s) of such tools.¹¹ An awareness of unconscious biases may help the auditor to design and perform audit procedures in an unbiased manner. The vulnerability to automation bias may be greater when the audit procedures performed using technological tools are complex, such as when they involve multiple inputs and multiple relationships between the inputs, or when there is reduced transparency about how the technological tools are generating the output.
7. Possible actions that the auditor may consider to mitigate the risk of automation bias when using technological tools include:
 - Explicitly alerting the engagement team to instances or situations when vulnerability to automation bias may be greater.
 - Providing relevant training to members of the engagement team who use technological tools, including training on the capabilities and limitations of technological tools.
 - Emphasizing the importance of the involvement of more experienced members of the engagement team, or engagement team members with specialized skills and knowledge, as appropriate, to:

¹¹ ISA 220 (Revised), paragraph A36

- Understand the data inputs and processing steps, including calculations and modifications to data, used in the technological tools; or
- Interpret the results from applying the technological tools.

APPENDIX 2

EXTRACT FROM PROPOSED ISA 520

DETERMINING WHETHER THE EXPECTATION IS SUFFICIENTLY PRECISE (REF: PARA. 5(C)(II))

A15. Proposed ISA 500 (Revised) establishes requirements and guidance for evaluating whether the information intended to be used as audit evidence is relevant and sets out factors that may affect the relevance of such information.¹² For a substantive analytical procedure, the level of detail of the information needed to meet the intended purpose of the audit procedure is a necessary consideration when developing a sufficiently precise expectation of recorded amounts or amounts derived from recorded amounts. As required by paragraph 5(c), a sufficiently precise expectation is based on identifying one or more plausible and predictable relationships among financial or non-financial information with this relationship expected to continue in the absence of known conditions to the contrary.

A15A. Matters that may be relevant to the auditor's determination in accordance with paragraph 5(c)(ii) may include:

- The accuracy with which the expected results of substantive analytical procedures can be predicted.

Example:

The auditor may be able to develop a sufficiently precise expectation of the amount of the entity's interest expense for the period, based on the relationship between the principal amount of the entity's borrowing facility and applicable interest rates during the period.

- The degree to which information can be disaggregated.

Example:

Substantive analytical procedures may be more effective when applied to financial information on individual sections of an operation or to financial statements of components of a diversified entity, than when applied to financial statements at an aggregated level for the entity as a whole.

- The availability of information, both financial and non-financial, including how external factors may affect such information. If the information is available, the auditor is required to evaluate the reliability of the information as discussed in paragraphs A12–A13 above.

Examples:

The auditor may consider:

- Whether financial information, such as budgets or forecasts, and non-financial information, such as the number of units produced or sold, is available to design substantive analytical procedures.
- Whether external factors, such as general economic conditions, changes in interest rates or industry trends affect financial or non-financial information.

¹² Proposed ISA 500 (Revised), paragraphs 9 and A54–A55



AUASB Agenda Paper

Title:	Other ISA 500 Series Standards	Date:	13 March 2026
Office of the AUASB:	Rene Herman / See Wen Ewe	Agenda Item:	2.3

Objective of this agenda paper

1. The objective of this agenda item is to seek the views of AUASB members on key directional matters affecting ISA 501¹ and 505² being discussed at the upcoming March 2026 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council (SAC) and Jurisdictional Standard Setters (JSS) arrangements).

Questions for AUASB members

No.	Question	Paragraphs in this paper
1	<i>Inventories held by third parties</i> <ul style="list-style-type: none">• Do AUASB members agree with the IAASB Project Team's proposals?• Do AUASB members believe that the IAASB should consider the matters outlined in paragraph 10 of this paper?	9-11
2	<i>Negative Confirmations</i> <ul style="list-style-type: none">• Are members aware of the use of negative confirmations in Australia?• Do AUASB members agree with the IAASB project team that it is not appropriate to explicitly prohibit the use of negative confirmation requests?• Do AUASB members agree with the IAASB Project Team that negative confirmations should only be allowed when used in combination with other substantive procedures, and that the preconditions in paragraph 15 of extant ISA 505 have been met?• Do members believe that pre-condition (d) in ISA 505 paragraph 15 could be met in practice (see paragraph 18(d) below)? Do AUASB members have any suggestions on the pre-conditions?	12-19
3	<i>External Confirmation Procedures</i> <ul style="list-style-type: none">• Are AUASB members aware of any types of balances or transactions for which external confirmations are always used in practice?• Do AUASB members consider that the external confirmations should be required for any specific accounts, such as operating bank accounts or major loans to borrowings?• Do AUASB members agree with the IAASB Project Team that Option B is the best approach?• Should consideration be given to further guidance as outlined in paragraph 23 of this paper?• Do AUASB members have any comments on the key considerations affecting how Option B could be applied?	20-23

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

² ISA 505, *External Confirmations*

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No.	Question	Paragraphs in this paper
4	Do AUASB members have any comments on other IAASB Project Team proposals?	

Background

3. The draft project proposal to revise audit evidence standards related to inventory in ISA 501 and external confirmations in ISA 505 and consequential amendments to other ISAs was discussed at the December 2025 IAASB meeting (see [Agenda Item 2.3 of 4 December 2025 AUASB meeting pack](#) for more details).
4. Since December the project team have conducted further outreach with representatives of the JSS, selected SAC members and the American Institute of Certified Public Accountants' Auditing Standards Board to discuss what they learned from their work on revising their equivalent external confirmations standard. Key insights from stakeholder feedback are available in Appendix 1 and Appendix 2 of [Agenda Item 8 of the IAASB March 2026 Meeting Papers](#).
5. The final project proposal is expected to be approved at the March 2026 IAASB meeting. There has been no significant change in substance/objective since the version that was presented at the December meeting.
6. The main areas for discussion at the March 2026 IAASB meeting are:
 - (a) Alignment with Concepts for the Identification and Assessment of, and Responding to, Risk of Material Misstatement
 - (b) Inventory Under the Custody and Control of a Third Party
 - (c) Negative Confirmations
 - (d) Considerations About the Need to Perform External Confirmation Procedures

Alignment with Concepts for the Identification and Assessment of, and Responding to, Risk of Material Misstatement

7. Since the last revision of ISA 501 in 2008 as part of the Clarity project, there have been two revisions of ISA 315 in 2011 and 2019. As a result, ISA 501 does not adequately reflect, or may not be sufficiently aligned, with the more robust risk identification and assessment process in ISA 315. Irrespective of identified and assessed risks of material misstatement regarding inventory, the current requirements in ISA 501 are conditional based on inventory and inventory under the custody and control of a third party being “material to the financial statements.” A stronger link to ISA 315 and proposed ISA 330 would support auditors’ professional judgements in risk assessment and risk response decisions when obtaining audit evidence regarding inventory.
8. The project team recommends:
 - (a) Replacing the “materiality-based” with a “risk-based” conditionality in paragraphs 4 and 8 of ISA 501, supported by enhanced application material with stronger linkages to ISA 315 and proposed ISA 330, to address concerns about inconsistency of provisions related to inventory in ISA 501 with the risk-based approach in the ISAs.
 - (b) Applying the conditional requirements in paragraphs 4 and 8 of ISA 501 in all instances where the inventory’s existence or condition (related to its valuation assertion) are identified as relevant assertions in accordance with ISA 315, paragraph 29.
 - (c) Enhancing the linkages to foundational ISAs by introducing explicit cross-references in application material linking inventory audit procedures in ISA 501 to the core requirements in ISA 315 and proposed ISA 330.

Inventory Under the Custody and Control of a Third Party

9. There are identified instances of overreliance on external confirmations from third parties as the sole audit procedure to obtain sufficient appropriate audit evidence for the existence and condition of inventory held under the custody and control of third parties.
10. Proposed actions by the project team include:
 - (a) Clarifying circumstances when sole reliance on third-party external confirmation procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory held by third parties may be appropriate. The project team considered the following levels of assessed risk when sole reliance on third-party external confirmation procedures may provide sufficient appropriate audit evidence regarding the existence and condition of inventory held by a third party, with Option B being recommended to the IAASB:
 - (i) For an assessed risk of material misstatement at the assertion level, regardless of the auditor's assessment of inherent risk on the spectrum of inherent risk (Option A).
 - (ii) For an assessed risk of material misstatement at the assertion level, where the auditor's assessment of inherent risk is at the lower end of the spectrum of inherent risk (Option B).
 - (b) Clarifying circumstances when inspection or other audit procedures may be necessary, for example, testing the entity's own reconciliation and monitoring activities over third-party records.
 - (c) Reinforcing linkages to foundational requirements in ISA 315 and proposed ISA 330, including obtaining more persuasive audit evidence the higher the auditor's assessment of inherent risk.
11. The Office of the AUASB understands that Australian auditors rarely place sole reliance on third-party confirmations for a material inventory balance. The auditor would exercise professional scepticism to determine if the confirmation response is reliable. If the auditor has doubts about the integrity and objectivity of the third-party or the reliability of the confirmation, the auditor may consider it appropriate to perform other audit procedures (see paragraphs 10, A11-A16 of ISA 505). However, the Office of the AUASB suggests that consideration should also be given to whether a confirmation from the party holding the inventories provides independent assurance and whether this is a consideration should be combined with other procedures by the auditor or the auditor of the third party.

Negative Confirmations

12. Certain stakeholders have raised concerns regarding the relevance and reliability of the audit evidence obtained from negative confirmation requests in the current business and audit environment. Their concern stems that a non-response may also be an oversight or desire by the confirming party not to respond. In addition, there are inconsistencies across jurisdictions in permitting their use.
13. The project team notes that some stakeholders are asking to prohibit the use of negative confirmation requests because an explicit prohibition would provide a clear and enforceable requirement that eliminates the risk of improper application and therefore, may strengthen overall audit quality.
14. However, the project team notes that a blanket prohibition would eliminate a form of audit evidence and would inhibit the auditor's ability to apply professional judgement in circumstances of low-risk and high-volume, homogeneous balances or transactions where negative confirmation requests may be appropriate. A blanket prohibition may be perceived by stakeholders as overly prescriptive and inconsistent with the principle of allowing auditors to design audit procedures responsive to engagement-specific risks.
15. The project team considered the following:

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- (a) Negative confirmation requests inherently provide less persuasive audit evidence than positive confirmation requests as recognized by ISA 505 (see paragraphs 15 and A23 of ISA 505).
 - (b) ISA 505, paragraph 15, already includes a 'general' prohibition of the use of negative confirmation requests as sole substantive procedure to address an assessed risk of material misstatement unless all specified preconditions are present.
 - (c) The specified preconditions already create a high threshold to be met before negative confirmations requests are allowed to be used as sole substantive procedure. Retaining these safeguards helps ensure that the inherent limitations of negative confirmation requests are mitigated.
16. The project team is of the view that it is not appropriate to explicitly prohibit the use of negative confirmation requests. However, there is a need to enhance requirements and application material in ISA 505 to respond to stakeholder concerns regarding the relevance and reliability of audit evidence obtained from negative confirmation requests in the current business and audit environment.
17. Accordingly, the project team recommends allowing their use only when performed in combination with other substantive procedures. In addition, this could be supplemented by supporting application material in ISA 505 by providing examples of other substantive procedures auditors can perform to supplement their use of negative confirmation requests.
18. Extant ISA 505 paragraph 15 requires all of the following pre-conditions to be met for the use of negative confirmations:
- (a) The auditor has assessed the risk of material misstatement as low and has obtained sufficient appropriate audit evidence regarding the operating effectiveness of controls relevant to the assertion;
 - (b) The population of items subject to negative confirmation procedures comprises a large number of small, homogeneous, account balances, transactions or conditions;
 - (c) A very low exception rate is expected; and
 - (d) The auditor is not aware of circumstances or conditions that would cause recipients of negative confirmation requests to disregard such requests.
19. The project team reassessed whether the specified preconditions in ISA 505, paragraph 15, remain appropriate. The project team considered whether the preconditions could be:
- (a) Retained as they are (Option A).
 - (b) Reframed that only one or more preconditions need to be present (and not all, as required by ISA 505 currently) before negative confirmation requests are allowed to be used (Option B).
 - (c) Enhanced by adding new preconditions or removing one or more of the current preconditions (Option C).
 - (d) Moved to application material (Option D).

On balance, the project team recommends Option A. This is because the cumulative impact of the preconditions (see paragraph 18 above), if appropriately applied, can mitigate the inherent limitations of negative confirmation requests to provide persuasive audit evidence.

External Confirmations

20. High-profile financial reporting frauds have called attention to the need for well-executed external confirmation procedures, particularly when confirming cash and cash equivalent balances. While external confirmation procedures are widely used for cash and cash

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equivalents and accounts receivable, only certain jurisdictions and firm methodologies require auditors to perform them in specific circumstances, resulting in inconsistent practices.

21. The project team considered the following approaches:
- (a) Explicitly mandate external confirmation procedures for certain account balances (Option A);
 - (i) This option may be perceived as overly prescriptive as it could limit the auditor's ability to apply professional judgement in designing and performing audit procedures responsive to assessed risks, particularly, where other substantive procedures (e.g., direct access to information maintained by a knowledgeable external source) could provide equally persuasive audit evidence.
 - (ii) Stakeholders' views indicated that a mandatory approach may encourage a 'checklist' mentality, reducing the tailoring of audit procedures to the specific risks and circumstances of an engagement.
 - (iii) This approach may also face practical implementation challenges, such as jurisdictional legal and regulatory restrictions, including data protection laws, which may limit a confirming party's ability to respond—particularly in cross-border situations.
 - (b) Explicitly require consideration of whether external confirmation procedures are to be performed for certain account balances (Option B); or
 - (i) This approach would build on the core requirement in proposed ISA 330 paragraph 19, by requiring auditors to specifically consider whether to perform external confirmation procedures as substantive procedures for certain account balances (e.g., cash and cash equivalents and accounts receivable).
 - (ii) This option adds greater emphasis to perform external confirmation procedures for certain account balances while still allowing auditors to exercise professional judgement based on risk and engagement circumstances.
 - (iii) This approach also will introduce a performance requirement that will drive relevant audit documentation and will include developing supporting application material.
 - (c) Retain the extant approach, but add guidance for when external confirmation procedures for certain account balances may be needed (Option C).
 - (i) While this approach supports stakeholders' views not to explicitly mandate external confirmation procedures for certain account balances, it may also be perceived as an inadequate standard-setting action to address public interest expectations to perform external confirmation procedures, particularly for cash and cash equivalents and accounts receivable, in light of recent high-profile fraud cases.

On balance, the project team recommends Option B as this would provide a proportionate and targeted response to heightened public interest expectations without fundamentally altering the risk-based architecture of the ISAs.

22. If Option B is pursued, the project team recommends requiring auditors to explicitly consider whether external confirmation procedures are to be performed for certain account balances:
- (a) Covers those account balances which would address public interest expectations to perform external confirmation procedures, for example, for cash and cash equivalents held by third parties and accounts receivable.

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- (b) Applies to the identified account balances, when the assessment of risks of material misstatement for relevant assertions of those account balances is at the higher end of the spectrum of inherent risk or is a significant risk.
 - (c) Not include exceptions to the requirement as it may be perceived as diluting the strength of the response to public interest expectations to perform external confirmation procedures for certain account balances.
 - (d) Applies to all audits of financial statements because the need to perform external confirmation procedures should be driven by the entity's specific facts and circumstances—not by its publicly traded or listing status. Inherent risk may be at the higher end of the spectrum, or constitute a significant risk, in any entity.
23. Although not in the project team proposals, the Office of the AUASB suggests that consideration could also be given to further guidance on the alternative procedures to be performed where a response is not received or where external confirmations are not used because the response rate would be expected to be low. For trade receivables, this may include guidance in areas such as matching amounts for individual invoices to specific subsequent receipts, evidence of sale and delivery (including authenticity of documentation), cut-off and recoverability. Guidance might also cover why external confirmations are not sufficient evidence on recoverability (e.g. ability of the customer to pay or the possibility that customers pay amounts that remain disputed in order to ensure continuing supply). The auditor should consider the possibility that a misstatement in trade receivables may not be limited to the profit margin and could have a gross impact on net assets and profit.



AUASB Agenda Paper

Title:	Sustainability and Other Subject Matter Specific Assurance Engagements	Date:	13 March 2026
Office of the AUASB:	Rene Herman	Agenda Item:	2.4

Objective of Agenda Item:

1. To seek AUASB member input on matters to be discussed at the upcoming March 2026 IAASB meeting related to ISSA 5000 implementation matters and other subject matter specific assurance engagements.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair (including through the IAASB/IESBA Stakeholder Advisory Council and Jurisdictional Standard Setters arrangements).

Questions for AUASB Members

3. The key questions for the attention of AUASB members are:

No.	Questions
1	Application and Implementation of ISSA 5000 (see para 4 below) Paragraph 4 below lists areas where the IAASB Sustainability Team is planning materials in 2026. Are AUASB members aware of any new areas requiring guidance under ISSA 5000 since the last AUASB meeting that have not already been communicated to the Office of the AUASB?
2	Other subject matter specific assurance engagements (see paras 5-6 below) <ul style="list-style-type: none">• What 'other subject matter' assurance engagements are being undertaken in Australia?• Do AUASB members have any concerns with IAASB staff undertaking further information-gathering activities relating to assurance on XBRL tagging and other subject matter-specific assurance engagements?

APPLICATION AND IMPLEMENTATION OF ISSA 5000

4. The following matters have been identified, which the IAASB Sustainability Team plans to address through the materiality, general and joint IAASB-IESBA FAQs throughout 2026:
 - Materiality
 - Understanding materiality
 - The entity's application of materiality
 - Materiality concepts in the reporting framework
 - The assurance practitioner's consideration or determination of materiality in planning and performing the engagement.
 - Performance materiality
 - The assurance practitioner's materiality considerations in concluding and reporting
 - Acceptance and continuance
 - Type of engagements that can be accepted using ISSA 5000.
 - Further Procedures
 - Material disclosures with low risks of material misstatements.
 - Procedures related to qualitative disclosures.
 - Requirements that appear to go beyond the ISAs.

- Estimates and Forward-Looking Information
 - Distinction between estimates or forward-looking information and the related disclosures.
 - How to evaluate methods, assumptions and data for qualitative forward-looking information.
 - Work effort on baseline information for targets versus comparative information.
 - Understanding the practical implications of the related requirements.
- Reporting
 - Whether minimum basic elements of the assurance report refer only to the content or also its location.
 - Impact on the assurance report when transition relief is applied to the sustainability information.
 - Conclusion when the assurance report covers both mandatory and voluntary sustainability information.
 - Conclusion when the reporting framework is a fair presentation framework and only specified disclosures are subject to assurance.
- Comparatives
 - How ISSA 5000 apply to comparative information:
 - Presented voluntarily.
 - Subject to assurance engagement in the prior period.
 - Not subject to assurance engagement in the prior period but when it is covered in the assurance report.
 - How to report when comparative information has different levels of disclosure than the current year.
- Group Engagements
 - When another practitioner or component practitioner is using standards other than ISSA 5000 or the IESSA.
 - Identifying value chain components in circumstances when there are frequent changes in suppliers and other value chain entities.
- Using the Work of Others (Joint IAASB – IESBA FAQ)
 - Identification of “another practitioner”.
 - Practitioner’s expert in ISSA 5000 versus auditor’s expert in ISA 620.
 - Relevant ethical requirements in a jurisdiction without an appropriate authority to identify ethical requirements at least as demanding as the IESBA Code.

OTHER SUBJECT MATTER SPECIFIC ASSURANCE ENGAGEMENTS

5. In finalising the IAASB’s current strategy and work plan, certain possible work plan topics were put into reserve including Assurance Engagements on Digital Reporting Tagging. At the time of consultation, views were mixed on the merits of the IAASB including this topic in the Work Plan for 2024–2027. Some respondents proposed:
 - a) undertaking a research project to first understand stakeholders’ needs;
 - b) updating ISAE 3000 to better accommodate a wide range of subject matters, including XBRL assurance engagements; or
 - c) developing non-authoritative guidance instead of standard setting.
6. The IAASB staff suggest a need to better understand the landscape of “other” subject matter-specific assurance engagements and are proposing information gathering in this area to assist the IAASB to understand the evolution and possible global prioritisation of different types of subject matter-specific assurance engagements and their potential relevance in the context of the IAASB’s remit. The primary focus of information gathering will be on identifying and understanding assurance engagements that are not specific to a single or only few jurisdictions, and that are not linked to a narrow topic, such as specific regulatory requirements.