



## AUASB DECLARATION OF INTERESTS

*As at 4 December 2025*

AUASB Meeting 169  
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"><li>Fellow, Chartered Accountants Australia and New Zealand</li></ul>	<ul style="list-style-type: none"><li>Chair of the Auditing and Assurance Standards Board, AUASB Statutory Authority and Office of the AUASB</li><li>Member, Australia's Financial Reporting Council</li><li>Member, New Zealand Auditing and Assurance Standards Board</li></ul>	<ul style="list-style-type: none"><li>Member, IAASB/IESBA Stakeholder Advisory Council</li><li>Member, IAASB Jurisdictional Standard Setters Group</li></ul>
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none"><li>Registered Company Auditor</li><li>Fellow, Chartered Accountants Australia and New Zealand</li><li>Fellow, CPA Australia</li><li>Fellow, Governance Institute of Australia</li><li>Fellow, Institute of Public Administration Australia</li><li>Graduate, Australian Institute of Company Directors</li><li>Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors</li><li>Member, Association of Certified Fraud Examiners</li></ul>	<ul style="list-style-type: none"><li>Non-Executive Director, CPA Australia</li><li>Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office</li><li>Former Northern Territory Auditor-General (concluded 12 September 2024)</li></ul>	<ul style="list-style-type: none"><li>Director and Shareholder, Family Trust Company</li><li>Director and Shareholder, Asterism Assurance and Advisory Pty Ltd</li><li>Board Director and Chair of the Auditing &amp; Risk Committee of Aboriginal Investment NT, a Commonwealth statutory entity regulated by the ACNC</li><li>Non-Executive Director, Larrakia Development Corporation</li><li>Director, Darwin Hotel Partnership Pty Ltd</li><li>Member, Audit &amp; Risk Committee, Charles Darwin University</li><li>Member, Audit &amp; Risk Committee, Department of Local Government, Industry Regulation and Safety (a department of the Government of Western Australia)</li></ul>



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



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



# AUASB Agenda Paper

<b>Title:</b>	Revision of ISRE 2410, <i>Review of Interim Financial Information Performed by the Independent Auditor of the Entity</i>	<b>Date:</b>	4 December 2025
<b>Office of the AUASB:</b>	Johanna Foyster / Rene Herman	<b>Agenda Item:</b>	2.1

## Objective of Agenda Item:

1. To seek AUASB member input on matters to be discussed at the upcoming [December 2025 IAASB meeting](#) related to the Revision of ISRE 2410<sup>1</sup>.
2. This stage of the project (first full read of the proposed standard/exposure draft) presents optimal timing for the AUASB to influence development of the proposed revised ISRE. AUASB members are encouraged to read the proposed ISRE 2410 (Revised):
  - Draft requirements can be accessed [\[HERE\]](#).
  - Draft application material can be accessed [\[HERE\]](#).
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 2025 meeting, 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 and going concern. While specific input is requested on the issues outlined in paragraph 5, members are welcome to offer additional comments on matters previously considered.
5. The key questions for the attention of AUASB members are:

No	Questions
1	<b>Going concern</b> <ol style="list-style-type: none"><li>(a) Do AUASB members have comments on the auditor's proposed work effort related to going concern in paragraphs 53-56 of the <a href="#">Draft Requirements</a>? [paragraph 11(a) below]</li><li>(b) Do AUASB members support the proposed work effort in paragraph 55(a) being focussed primarily on inquiry?</li><li>(c) Is the work effort suggested in paragraphs 53 and 55 of the <a href="#">Draft Requirements</a> sufficient and appropriate for situations where there is an existing MURGC or Close Call scenario at the full year audit?</li></ol>
2	<b>Specific statements on going concern</b> <ol style="list-style-type: none"><li>(a) Do AUASB members consider the requirements relating to the proposed statements on going concern is sufficiently clear for the scenarios included in paragraphs 98-103 of the <a href="#">Draft Requirements</a>, and do members support the proposed language for such statements? [see paragraph 11(b) below]</li><li>(b) Do AUASB members consider there is a need to also address the following scenarios:</li></ol>

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

No	Questions
	<ul style="list-style-type: none"> <li>Where the most recent report included a MURGC that is now resolved, so no MURGC in current period; and</li> <li>Where the most recent report included a close-call – differential reporting only?</li> </ul>
3	<b>Forming a conclusion on the interim financial information</b> Do AUASB members have any comments on the clarity of the different evaluations required, and the structure and flow the requirements in paragraphs 81-85 of the <a href="#">Draft Requirements</a> ? [paragraph 11(c) below]
4	<b>Expressing the auditor's interim review conclusion</b> Do AUASB members have any comments on the proposed lead-in to the interim review assurance conclusion in paragraph 89 of the <a href="#">Draft Requirements</a> ? Do AUASB members have any comments / views on any of the proposed alternatives being presented to the IAASB? [see paragraph 11(d) below]
5	<b>Group interim review engagements</b> Do AUASB members have any comments on the sufficiency and appropriateness of the requirement in paragraph 37A of the <a href="#">Draft Requirements</a> , and related application material in paragraphs A51a-A51d of the <a href="#">Draft Application Material</a> , relating to group interim review engagements? [paragraph 12(b) below]
6	<b>Granularity of requirements</b> Do AUASB members have any comments on the granularity and extent of requirements for: <ul style="list-style-type: none"> <li>(a) Designing and performing inquiry, analytical and other review procedures [<a href="#">Draft Requirements</a>, paragraphs 41-58] [paragraph 13(d) below];</li> <li>(b) Subsequent events [<a href="#">Draft Requirements</a>, paragraphs 61-64] [paragraph 13(e) below]</li> <li>(c) Written representations [<a href="#">Draft Requirements</a>, paragraphs 65-70] [paragraph 13(f) below]</li> </ul>
7	Do AUASB members have any other comments on the proposed ISRE 2410?

## Background and Previous Discussions on Topic

6. The IAASB is currently undertaking a project to modernise and revise ISRE 2410:
- At its [March 2025 meeting](#), the IAASB discussed issues identified from information-gathering activities relating to ISRE 2410.
  - At its [June 2025 meeting](#), the IAASB discussed and approved a project proposal to revise ISRE 2410. The IAASB also discussed:
    - (a) Initial drafting of the Introduction, Objectives, Definitions and General Requirements sections of proposed ISRE 2410 (Revised); and
    - (b) 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.
  - At its [September 2025 meeting](#), the IAASB discussed:
    - (a) Initial drafting relating to engagement level quality management, acceptance and continuance, and understanding the entity and its environment.
    - (b) 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
    - (c) Considerations relating to group interim review engagements.

7. The AUASB considered key matters at its March 2025, June 2025 and September 2025 meetings. AUASB members were informed that the IAASB will not be updating ISRE 2400<sup>2</sup> at this time.<sup>3</sup> The project is being staffed by the AUASB and NZAuASB working under direction of IAASB staff.

## Matters being considered at the December 2025 IAASB meeting

8. Unlike extant ISRE 2410, which has not been updated since 2006, [ASRE 2410](#)<sup>4</sup> has been redrafted in clarity format (2009), and revised or updated in 2011, 2013 and 2020, to remain fit for purpose in the Australian context.
9. Areas where the AUASB has moved ahead of the IAASB in the context of interim review engagements include:
- Aligning the content and order of the auditor's review report to the auditor's reporting requirements in ASA 700, ASA 705 and ASA 706.
  - Reporting a material uncertainty related to going concern under the heading "Material Uncertainty Related to Going Concern" (instead of using an emphasis of matter paragraph).
  - Including additional requirements in relation to NOCLAR and fraud.
  - Including limited additional requirements for agreeing the terms of the interim review engagement (for example, agreed terms required to be recorded in writing).
  - Including a requirement to consider materiality in designing review procedures and evaluating misstatements.
  - Including a requirement on comparative information included for the first time in a financial report.
10. Overall, the Office of the AUASB does not consider ASRE 2410 to be inconsistent with proposed ISRE 2410 (Revised). However, 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.

## Substantive differences between ASRE 2410 and the proposed ISRE 2410 (Revised)

11. The table below highlights key differences in requirements between ASRE 2410 and the proposed ISRE 2410 (Revised).

No.	Area	Substantive differences between ASRE 2410 and proposed ISRE 2410 (Revised)
(a)	<p><i>Going concern – work effort requirements</i></p> <p><a href="#">[Draft Requirements, paragraphs 53-56]</a></p> <p><a href="#">[Draft Application Material, paragraphs A86-A92]</a></p>	<p>New requirements to clarify a more robust work effort related to going concern:</p> <ul style="list-style-type: none"> <li>• Explicit inquiry about management's assessment of going concern for the interim period, including the status of events or conditions at the date of the most recent annual audit or interim review, and whether new events or conditions have arisen.</li> <li>• If these inquiries, or any other review procedures performed, identify events or conditions: <ul style="list-style-type: none"> <li>— perform additional procedures, proportionate to a limited assurance engagement. The additional procedures are largely inquiry focussed, with application material suggesting there may be a need for procedures other than inquiry. A key</li> </ul> </li> </ul>

<sup>2</sup> ISRE 2400 (Revised), *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*

<sup>3</sup> A full revision of ISRE 2400 (Revised) may be considered as part of the IAASB's future strategy and workplan. The scope of the ISRE 2410 revision project may include conforming and consequential amendments to ISRE 2400 (Revised).

<sup>4</sup> ASRE 2410, *Review of a Financial Report Performed by the Independent Auditor of the Entity*

No.	Area	Substantive differences between ASRE 2410 and proposed ISRE 2410 (Revised)
		<p>discussion point for the December 2025 IAASB meeting is whether inquiry is the appropriate response in the context of a review engagement.</p> <ul style="list-style-type: none"> <li>— consider adequacy of management’s disclosures.</li> <li>• Evaluate, based on evidence obtained from all review procedures performed, whether: <ul style="list-style-type: none"> <li>— use of the going concern basis is inappropriate.</li> <li>— interim financial information is materially misstated or otherwise misleading regarding going concern.</li> </ul> </li> </ul> <p><i>ASRE 2410 includes a single requirement for the auditor to enquire about whether management has changed its assessment of the entity’s ability to continue as a going concern. The auditor will perform additional procedures only if matters arise from these enquiries, or from other review procedures performed as part of the interim review. [ASRE 2410, paragraphs 19 / A26]</i></p>
(b)	<p><i>Going concern – Transparency in reporting through the auditor’s interim review report</i></p> <p><a href="#">[Draft Requirements, paragraphs 98-103]</a></p> <p><a href="#">[Draft Application Material, paragraphs A150-A151]</a></p>	<p>Enhanced and new requirements to:</p> <ul style="list-style-type: none"> <li>• Provide an explicit statement about going concern in a separate section (titled ‘Going Concern’) in the auditor’s interim review report, when use of going concern basis appropriate and no material uncertainty related to going concern exists (MURGC) [paragraph 98].</li> <li>• Provide explicit statements about going concern in a separate section (titled ‘Material Uncertainty Related to Going Concern’) in the auditor’s interim review report, when use of going concern basis is appropriate and: <ul style="list-style-type: none"> <li>○ A MURGC existed at the most recent annual audit and still exists at interim [paragraph 99]; or</li> <li>○ There was no MURGC at the most recent annual audit but now exists at interim [paragraph 100].</li> </ul> </li> </ul> <p><i>ASRE 2410 only includes reporting requirements to address:</i></p> <ul style="list-style-type: none"> <li>(a) <i>Use of going concern basis appropriate; MURGC exists which are adequately disclosed (unmodified conclusion).</i></li> <li>(b) <i>Use of going concern basis appropriate, MURGC exists which are not adequately disclosed (qualified or adverse conclusion).</i></li> <li>(c) <i>Use of going concern basis inappropriate (adverse conclusion).</i></li> </ul> <p>Paragraphs 98-103 of the <a href="#">Draft Requirements</a>, address various scenarios that may present.</p>



No.	Area	Substantive differences between ASRE 2410 and proposed ISRE 2410 (Revised)
		<p><i>Other scenarios</i></p> <p>The IAASB will also consider the need to address other scenarios, including:</p> <ul style="list-style-type: none"> <li>(a) Where the most recent report included a MURGC that has been resolved (so no MURGC in current review period); and</li> <li>(b) Where the most recent report included a close call.</li> </ul> <p>Including such statements in the auditor's interim review report will update to users about matters that existed at the previous year end.</p> <p>However, care should be taken with any such statements as an interim review is based primarily on review procedures that will be less than for an audit. Additionally, the reporting of close calls will only apply to certain entities at the full year, and it is not currently proposed to introduce differential requirements for interim reviews.</p> <p>At this time, the Office of the AUASB does not have a position on whether these scenarios should be covered for interim review reports. AUASB member views are sought on whether these circumstances should be addressed for interim review engagements.</p>
(c)	<p><i>Forming a conclusion on the interim financial information</i></p> <p><a href="#">[Draft Requirements, paragraphs 81-85]</a></p> <p><a href="#">[Draft Application Material, paragraphs A117-A125]</a></p>	<p>Introduces a new section 'Forming a Conclusion on the Interim Financial Information', modelled on the approach adopted in ISSA 5000, which includes new 'stand-back requirements' partly based on ISRE 2400, to:</p> <ul style="list-style-type: none"> <li>• Evaluate whether sufficient appropriate evidence has been obtained from procedures performed.</li> <li>• Form a conclusion, based on that evidence, taking into consideration certain specified evaluations/matters.</li> <li>• [For the engagement partner to] take overall responsibility for managing and achieving quality on the engagement.</li> </ul> <p>While the concepts within these requirements are aligned to other assurance standards, these requirements are new to ISRE 2410.</p>
(d)	<p><i>Expressing the auditor's interim review conclusion</i></p> <p><a href="#">[Draft Requirements, paragraph 89]</a></p> <p><a href="#">[Draft Application Material, paragraph A144]</a></p>	<p>A revised requirement, modelled on ISRE 2400, to use the lead-in phrase "<u>Based on our review</u>, nothing has come to our attention ..." for expressing an unmodified conclusion (unless otherwise required by law or regulation).</p> <p><i>ASRE 2410 does not include the same as part of the Australian requirement (consistent with extant ISRE 2410). However, illustrative auditor's review reports in Appendix 4 of ASRE 2410 uses the phrase "<u>Based on our review, which is not an audit, ...</u>" as lead-in to the auditor's limited assurance conclusion.</i></p>



No.	Area	Substantive differences between ASRE 2410 and proposed ISRE 2410 (Revised)
		<p>The ISRE 2410 project team is asking IAASB members to also consider if other alternatives, may be more appropriate for an interim review engagement, including:</p> <ul style="list-style-type: none"> <li>• Based on the evidence obtained from procedures performed</li> <li>• Based on the procedures we have performed and the evidence we have obtained</li> <li>• Based on our review, which is not an audit</li> </ul> <p>The proposed ISRE contemplates that if law or regulation prescribes the layout or wording of the auditor's interim review report that is significantly different from the requirements of the ISRE, the auditor shall evaluate:</p> <p>(a) Whether intended users may misunderstand the auditor's limited assurance conclusion; and</p> <p>(b) If so, whether additional explanation in the auditor's interim review report can mitigate the possible misunderstanding.</p>
(e)	<p><i>Materiality</i></p> <p><a href="#">[Draft Requirements, paragraphs 38-39]</a></p> <p><a href="#">[Draft Application Material, paragraphs A52-A54]</a></p>	<ul style="list-style-type: none"> <li>• New requirements, aligned with ISRE 2400, to: <ul style="list-style-type: none"> <li>— Determine materiality for the interim financial information as a whole</li> <li>— Revise materiality and determine the effect on the review procedures performed if circumstances change.</li> </ul> </li> </ul> <p><i>ASRE 2410 includes a requirement to 'consider' materiality.</i></p> <ul style="list-style-type: none"> <li>• New application material provides more targeted guidance for determining materiality for interim reviews.</li> </ul> <p><i>Proposed new application material mostly consistent with application material already included in ASRE 2410.</i></p>
(f)	<p><i>Comparative information</i></p> <p><a href="#">[Draft Requirements, paragraphs 108-109]</a></p> <p><a href="#">[Draft Application Material, paragraph A207]</a></p>	<p>New requirements to:</p> <ul style="list-style-type: none"> <li>• Determine whether comparative information is required by the applicable financial reporting framework.</li> <li>• Evaluate whether it is appropriately presented.</li> </ul> <p><i>ASRE 2410 requires that when comparative information is included for the first time in a financial report, an auditor shall perform similar procedures on the comparative information as applied to the current period financial report. [ASRE 2410, paragraphs 22 / A28-A31]</i></p>

## Areas not currently addressed in ASRE 2410 included in the proposed ISRE 2410 (Revised)

12. The table below highlights proposed revisions to ISRE 2410 that are either not currently addressed or only given light-touch treatment in ASRE 2410.

	Area	Proposed ISRE 2410 (Revised)
(a)	<p><i>Engagement-level quality management</i></p> <p>[<a href="#">Draft Requirements</a>, paragraphs 24-24A]</p> <p>[<a href="#">Draft Application Material</a>, paragraphs A21-A32a]</p>	<ul style="list-style-type: none"> <li>• New requirement for the engagement partner to take overall responsibility for: <ul style="list-style-type: none"> <li>— managing and achieving quality on the engagement;</li> <li>— the engagement being performed in accordance with the firm's quality management policies or procedures.</li> </ul> </li> </ul> <p>Consistent with ISRE 2400, sub-requirements address the various aspects of engagement-level quality management. The requirements have been streamlined, recognising that the interim review is performed by the auditor of the entity's annual financial statements, who should already be familiar with ISA 220 requirements.</p> <ul style="list-style-type: none"> <li>• New requirement to consider information from the firm's monitoring and remediation process.</li> <li>• Extensive new application material, based on ISRE 2400 and, where relevant, ISA 220, to support application of ISRE 2410 as standalone standard and promote consistency in practice.</li> </ul> <p><i>ASRE 2410 includes a single high-level requirement for the auditor to implement quality management procedures that are applicable to the individual engagement. Application material includes a single paragraph identifying the elements of quality management relevant to an individual engagement and includes references to ASQM 1 and ASA 220 for guidance. [ASRE 2410, paragraphs 9 / A6]</i></p>
(b)	<p><i>Group interim review engagements</i></p> <p>[<a href="#">Draft Requirements</a>, paragraph 37A]</p> <p>[<a href="#">Draft Application Material</a>, paragraphs A51a-A51d]</p>	<ul style="list-style-type: none"> <li>• New requirement for the group engagement partner to determine whether it is necessary to involve component auditors and if so, the nature, timing, and extent of such involvement.</li> <li>• New application material to highlight the decision to involve component auditors is a professional judgment and provide examples of considerations relevant to the professional judgment.</li> </ul>

## Aspects of ISRE 2410 (Revised) that have been expanded or are more granular than ASRE 2410

13. The table below highlights aspects of ISRE 2410 (Revised) that have been expanded or made more granular, to provide greater clarity and support its application as a stand-alone standard while promoting consistency in practice.

No.	Area	Commentary
(a)	<p><i>Introductory materials</i></p> <p>[<a href="#">Draft Requirements</a>, paragraphs 1-11]</p> <p>[<a href="#">Draft Application Material</a>, paragraphs A1-A7]</p>	<ul style="list-style-type: none"> <li>• Expanded Introduction, modelled on the structure of ISRE 2400 to: <ul style="list-style-type: none"> <li>— Clarify the scope is limited to reviews of historical financial information performed by the auditor of the entity's annual financial statements.</li> <li>— Clarify reviews of interim financial information performed by a practitioner who is not the auditor of the entity are performed under ISRE 2400.</li> <li>— Clarify that the ISRE is premised on the basis that the firm is subject to ISQM 1 or national requirements that are at least as demanding.</li> <li>— Explain the nature of an interim review and how it differs from an audit of financial statements conducted in accordance with ISAs.</li> </ul> </li> <li>• New application material clarifies how ISRE 2410 relates to the ISAs. It includes a broad reference to the ISAs, similar to ISAE 3000 (Revised), emphasising that while the ISAs do not apply to interim reviews, they may still provide useful guidance on the basis the review is performed by the auditor of the entity's annual financial statements.</li> </ul>
(b)	<p><i>Acceptance and continuance</i></p> <p>[<a href="#">Draft Requirements</a>, paragraphs 27-36A]</p> <p>[<a href="#">Draft Application Material</a>, paragraphs A35a-A50]</p>	<ul style="list-style-type: none"> <li>• Various new requirements and application material, modelled on the more granular requirements and application material of ISRE 2400, to support application of ISRE 2410 as standalone standard and promote consistency in practice.</li> <li>• Where appropriate, ISRE 2400 requirements and application material have been streamlined and aligned with the principles in ISA 210, reflecting that the interim review is performed by the auditor of the entity's annual financial statements and that some matters may already have been addressed in connection with the audit-client relationship.</li> <li>• Application material explains the firm's policies or procedures for the acceptance and continuance of audit client relationships and audit engagements may also address interim reviews. The terms of the interim review may be incremental to, or form part of, the terms agreed for the audit (i.e. there can still be a combined engagement letter).</li> <li>• It is not considered that the enhanced requirements will result in increased work effort but rather formalise and clarify existing practices.</li> <li>• The revised ISRE will no longer include an example engagement letter.</li> </ul> <p><i>ASRE 2410 includes only two requirements:</i></p> <ul style="list-style-type: none"> <li>— <i>to determine whether the preconditions for a review are met prior to agreeing the terms of the engagement.</i></li> </ul>

No.	Area	Commentary
		<p>— to agree the terms with the entity and record the agreed terms in writing.</p> <p><i>[ASRE 2410, paragraphs 11-12 / A8]. ASRE 2410 includes an example engagement letter (Appendix 1).</i></p> <p><i>Unlike the proposed revised ISRE 2410, Australian requirements do not currently specify the content of that written agreement. This is detailed in application material (consistent with extant ISRE 2410 <u>grey letter</u>). In practice, auditors likely already include these matters in engagement letters, so no change in practice or significant increase in work effort expected.</i></p>
(c)	<p><i>Obtaining an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control</i></p> <p><a href="#">[Draft Requirements, paragraph 40]</a></p> <p><a href="#">[Draft Application Material, paragraphs A54a-A62]</a></p>	<ul style="list-style-type: none"> <li>• Two previously separate requirements (one for a continuing auditor and one for a recently appointed auditor) have been consolidated into a single revised requirement, which establishes the core principle applicable to auditors, regardless of whether they are newly appointed or continuing.</li> <li>• In both scenarios the auditor is required to obtain sufficient understanding to identify 'areas' in the interim financial information where material misstatements are likely to arise, forming the basis for designing and performing procedures to address those areas.</li> <li>• Enhanced and new application material, drawing from extant ISRE 2410 and ISRE 2400, clarifies how auditors would obtain the necessary understanding: <ul style="list-style-type: none"> <li>— Continuing auditors update their understanding and leveraging knowledge from the prior annual audit or previous interim reviews, providing a basis for a more focused approach to inquiries, analytical and other review procedures.</li> <li>— First-time auditors are still required to obtain the necessary understanding, but start from a zero base, requiring a different approach to obtain that knowledge.</li> </ul> </li> <li>• New application material clarifies: <ul style="list-style-type: none"> <li>— No requirement for a comprehensive risk identification and assessment.</li> <li>— For interim review engagements, procedures to understand the entity's internal control system consist primarily of inquiries and are less extensive than those required for an audit. The revised standard does not call for a detailed understanding of the components of internal control, performing procedures to obtain evidence about the design and implementation of control activities, or testing the operating effectiveness of controls.</li> <li>— For a first-time review, the newly appointed auditor:</li> </ul> </li> </ul>

No.	Area	Commentary
		<ul style="list-style-type: none"> <li>○ Is expected to undertake more extensive procedures in the first year.</li> <li>○ May need to perform alternative procedures if predecessor working papers are unavailable.</li> <li>○ May have no choice but to perform the necessary procedures to obtain a sufficient understanding.</li> <li>○ May choose to perform certain initial audit procedures concurrently with the first interim review, such as those relating to opening balances.</li> </ul> <p><i>ASRE 2410 (consistent with extant ISRE 2410) sets out two distinct requirements for a continuing auditor and a newly appointed auditor who has not yet performed an audit of the annual financial report in accordance with the ASAs. [ISRE 2410, paragraphs 13-14 / A9-A13]</i></p>
(d)	<p><i>Designing and performing inquiry, analytical and other review procedures</i></p> <p>[<a href="#">Draft Requirements</a>, paragraphs 41-60]</p> <p>[<a href="#">Draft Application Material</a>, paragraphs A63-A99]</p>	<ul style="list-style-type: none"> <li>• The requirement for designing and performing review procedures has been revised, drawing on the equivalent provision in ISRE 2400, to strengthen the linkage between obtaining an understanding of the entity and designing interim review procedures based on that understanding. [<a href="#">Draft Requirements</a>, paragraph 41]</li> </ul> <p>The reconstructed requirement:</p> <ul style="list-style-type: none"> <li>(a) Focus attention on areas where it is likely that a material misstatement may exist; and</li> <li>(b) Address all material areas in the interim financial information.</li> </ul> <ul style="list-style-type: none"> <li>• Three new specific requirements concerning the inquiries to be made as a minimum, the design of analytical procedures and other review procedures to be performed.</li> </ul> <p>The new requirements are more detailed to promote consistency in practice, drawing on the granular requirements of ISRE 2400 (adapted for interim reviews) and extant grey letter paragraph 21. [<a href="#">Draft Requirements</a>, paragraphs 42-44]</p> <p><i>In contrast, ASRE 2410 contains only one high-level requirement to perform inquiry, analytical and other review procedures to provide a basis for the auditor to reach a conclusion based on the procedures performed. [paragraph 16 / A19-A23]. Examples of enquiry, analytical and other review procedures are in application material (including two Appendices) – many of these have now been elevated to requirements.</i></p> <ul style="list-style-type: none"> <li>• Enhanced and new requirements to address specific circumstances, and are to be performed at a minimum for all interim reviews, consistent with the approach in ISRE 2400 (Revised):</li> </ul>

No.	Area	Commentary
		<ul style="list-style-type: none"> <li>— Related parties</li> <li>— Fraud/NOCLAR</li> <li>— Going concern [see paragraph 12(a) above]</li> <li>— Using the work of an auditor's expert</li> </ul> <p>[<a href="#">Draft Requirements</a>, paragraphs 45-58]</p> <ul style="list-style-type: none"> <li>• Enhanced and new application material, drawing from ISRE 2400 (Revised), to promote consistency in practice and reinforce differences between interim reviews and audits. [<a href="#">Draft Application Material</a>, paragraphs A63-A99]</li> </ul>
(e)	Subsequent events [ <a href="#">Draft Requirements</a> , paragraphs 61-64]	<p>New requirements, based on extant ISRE 2410 <u>grey letter</u> and the more granular requirements of ISRE 2400.</p> <p><i>ASRE 2410 includes a single requirement for the auditor to enquire whether management has identified all events up to the date of the auditor's review report that may require adjustment to or disclosure in the financial report. [ASRE 2410, paragraphs 18 / A25]</i></p>
(f)	Written representations [ <a href="#">Draft Requirements</a> , paragraphs 65-70]	<p>Enhanced and new requirements, based on the more granular requirements of ISRE 2400, which have been updated to reflect recent revisions to ISAs such as ISA 240, ISA 250, ISA 540, and ISA 580.</p> <p>New requirements include requesting representations with respect to going concern.</p> <p>The proposed revised standard will no longer include an example representation letter.</p> <p><i>ASRE 2410 includes two requirements in relation to obtaining written representations, based on extant ISRE 2410 paragraphs 34 (black letter) and 35 (<u>grey letter</u>). [ASRE 2410, paragraphs 24-25 / A35]. Includes an example representation letter (Appendix 1)</i></p>
(g)	Documentation [ <a href="#">Draft Requirements</a> , paragraphs 110-114]	<p>Enhanced and new requirements, based on ISSA 5000 and ISRE 2400, related to:</p> <ul style="list-style-type: none"> <li>• The form, content, and extent of documentation</li> <li>• Assembly of the Engagement documentation</li> </ul> <p><i>ASRE 2410 includes a single requirement for the auditor to prepare review documentation that is sufficient and appropriate to provide a basis for the auditor's conclusion, and to provide evidence that the review was performed in accordance with the ISRE and applicable legal and regulatory requirements. [ASRE 2410, paragraphs 55 / A64]</i></p>

## IAASB's next steps

14. It is anticipated the IAASB will approve an Exposure Draft in March 2026 for a 90-day public consultation period.



# AUASB Agenda Paper

<b>Title:</b>	Audit Evidence and Risk Response	<b>Date:</b>	4 December 2025
<b>Office of the AUASB:</b>	Rene Herman	<b>Agenda Item:</b>	2.2

## Objective of agenda item

1. The objective of this Agenda Item is to seek any AUASB member views on the IAASB papers on its audit evidence and risk response project for its December 2025 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 and Jurisdictional Standard Setters arrangements).

## Questions for AUASB members

No.	Question
1	Do AUASB members have any new concerns with the proposals in the IAASB papers for the December 2025 meeting on audit evidence and risk response summarised in this paper? The Office of the AUASB has identified no new concerns with the proposals, beyond those concerns raised with AUASB members previously (e.g. on the approach to authenticity and on removing para 18 of ISA 330).

3. At the upcoming December 2025 meeting, the IAASB will consider preliminary draft amendments to the audit evidence and risk response project (covering concurrent revisions of ISA 330,<sup>1</sup> ISA 500,<sup>2</sup> and ISA 520<sup>3</sup>). While AUASB members are not expected read all the details of drafting, for reference, the preliminary drafting can be found at:
  - [ISA 520 Analytical Procedures](#)
  - [ISA 330 The Auditor's Responses to Assessed Risks](#)
  - [ISA 500 Audit Evidence](#)
4. The following is a summary of the more significant matters to be discussed at the December 2025 IAASB meeting.

## Changes to the holding package (i.e. previous draft) of ISA 500

### Relevance and reliability of information

5. The key proposal being considered is a shift in focus to consideration of attributes of reliability that are significant in the circumstances to meet the intended purpose of an audit procedure.
6. While all attributes of reliability apply to the information being evaluated, their importance to the auditor's evaluation of the reliability of information will vary based on their significance to meet the intended purpose of the audit procedures. When the auditor judges that an attribute is of significance in the circumstances to meet the intended purposes of the audit procedure, the standard requires the auditor to perform audit procedures in relation to that attribute.



7. ISA 500 is principle-based and does not mandate which attributes of reliability are of significance to meet the intended purpose of the audit procedures. The only exception being for information from internal sources, where the standard sets an expectation for work on accuracy and completeness which are ordinarily of significance in the circumstances.

### *Proposed requirements of ISA 500*

9. *The auditor shall evaluate the relevance and reliability of information intended to be used as audit evidence. In making this evaluation, the auditor shall consider:*
  - (a) *The source of the information; and*
  - (b) *The attributes of reliability, including those that are of significance in the circumstances to meet the intended purpose(s) of the audit procedures.*
10. *The auditor shall perform audit procedures relating to the attribute(s) of reliability that the auditor considers are of significance in the circumstances to meet the intended purpose(s) of the audit procedures in accordance with paragraph 9(b). When information intended to be used as audit evidence is from sources internal to the entity, the attributes of accuracy and completeness ordinarily are of significance to meet the intended purpose(s) of the audit procedures.*

### **Attribute of authenticity**

8. IAASB staff are proposing new examples of when authenticity may be of significance in the circumstances to meet the intended purpose(s) of an audit procedure. The intention is to explain that the consideration of authenticity of a document or record is linked to a certain elevated risk consideration for such piece of information, rather than size of an item. The examples clarify that authenticity has a broader meaning than just instances associated with fraud.
9. IAASB staff are also proposing to replace para A24 for ISA 200 to better align with the proposed ISA 500. The Para A24 of ISA 200 currently commences 'The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary'. IAASB staff are proposing to replace para A24 with:

### *Proposed guidance in ISA 200*

- A24. *Proposed ISA 500 (Revised) requires the auditor to evaluate the reliability of information intended to be used as audit evidence, which includes procedures to address the authenticity of such 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. Other than performing audit procedures in relation to authenticity when it is of significance in the circumstances and remaining alert throughout the audit for conditions or indications to the contrary, the auditor may consider information, including records or documents, to be authentic. However, in cases of doubt about the reliability of the information or if conditions identified during the audit cause the auditor to believe that a record or document may not be authentic or that terms in a document may have been modified but not disclosed to the auditor, the ISAs require that the auditor investigate further and determine what modifications or additions to audit procedures are necessary to resolve the matter.*

### **Testing operating effectiveness of controls**

10. It is proposed to introduce a new requirement to test operating effectiveness of controls (including GITCs) if reliability of information depends on the operating effectiveness of controls OR performance of other procedures to evaluate the reliability of information (thus allowing for scalability of the requirement).
11. This requirement sets the expectation that audit work is necessary to address the integrity of information.

12. The requirement would reside within ISA 500 rather than ISA 330 so that it applies to all information and not just further audit procedures.

### *Proposed requirements of ISA 500*

- 10B. When the auditor determines that the reliability of the information intended to be used as audit evidence depends on the continued operating effectiveness of controls that support the integrity of information, including general IT controls, the auditor shall:*
- (a) To the extent not already addressed, test the operating effectiveness of those controls in accordance with ISA 330, or*
  - (b) Perform other audit procedures to evaluate the reliability of such information.*

## ISA 520 amendments – analytical procedures

### Definition of ‘substantive analytical procedures’

13. Initial changes have been drafted to address a fundamental problem with ISA 520 by clearly distinguishing between substantive and non-substantive analytical procedures.
14. This includes introducing a definition of ‘substantive analytical procedures’ into ISA 520. The proposed definition is: ‘A substantive procedure that involves a comparison of a sufficiently precise expectation developed by the auditor, based on one or more plausible and predictable relationships among financial or non-financial information, to recorded amounts or amounts derived from recorded amounts to determine whether there is a material misstatement.’
15. This is different from the definition of ‘analytical procedures’: A type of audit procedure that involves an evaluation of financial information through analysis of plausible relationships among both financial or non-financial information.

### Precision

16. The precision of a substantive analytical procedure, among other matters, depends on the level at which the amount of difference between the expectation developed by the auditor and the recorded amounts that is acceptable without further investigation (i.e. the threshold to evaluate differences). If this threshold is set too high, the substantive analytical procedure may not be effective to detect a material misstatement.
17. It is proposed add to the requirements of ISA 520 that the threshold to evaluate differences from expected amounts that is acceptable without investigation does not exceed planning materiality

### *Proposed requirements of ISA 520 (paragraph 5d)*

*Determine an amount, not exceeding performance materiality, as a basis to evaluate any difference between the expectation developed by the auditor and the recorded amounts or amounts derived from recorded amounts that is acceptable without further investigation of whether a misstatement exists as required by paragraph 5(e); and*

### Investigating differences under a substantive analytical procedure

18. There is proposal for a new requirement to investigate the differences that exceed the threshold to evaluate differences from expected amounts. When performing a substantive analytical procedure, an important proposed enhancement for ISA 520 is the emphasis on the need for the auditor’s expectation to be sufficiently precise to meet the purpose of a substantive procedure that is to detect a material misstatement.
19. There will be supporting application material which provides that:

- A difference exceeding the amount that is acceptable without further investigation ordinarily indicates a misstatement. The words ‘ordinarily indicate’ that, if the substantive analytical procedure is not sufficiently precise to detect a material misstatement, then such a procedure cannot constitute a substantive analytical procedure.
- New information may come to light that the auditor was not aware of when developing the expectation-in such circumstances the auditor may revise their risk assessment or may modify the design of the SAP or may perform other substantive procedures.

## *Proposed requirements of ISA 520 (paragraph 5e)*

*If the auditor identifies a difference that exceeds the amount determined in accordance with paragraph 5(d), investigate the difference to determine whether a material misstatement exists. In doing so, the auditor shall: (Ref: Para. A16B–A16D)*

- (i) Make inquiries of management, and as appropriate, others within or outside the entity and obtain audit evidence relevant to such responses; and (Ref: Para. A16E)*
- (ii) Perform other audit procedures as necessary in the circumstances. (Ref: Para. A16F)*

## **Analytical procedures for risk assessment**

20. An [IAASB staff FAQ](#) highlights that, because a risk assessment analytical procedure is not intended to detect individual misstatements or deviations, the auditor may not need to investigate every unusual item in order to meet the purpose of the audit procedure. In such case, the auditor could perform further investigation, for example through inquiry and corroboration, to determine how the item might affect the risk assessment of the population (e.g. through the identification of a new ROMM or the revision of an assessed ROMM). The auditor may also consider how the results of the procedure may affect the design of other risk assessment procedures and further audit procedures
21. A new requirement based on this FAQ is proposed:

## *Proposed requirements of ISA 500*

*4A. When the results of analytical procedures performed as risk assessment procedures identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected results, the auditor shall determine the effects those results have on the identification and assessment of the risks of material misstatement.*

## **ISA 330 amendments – auditor’s responses to assessed risk**

### **Definition of tests of detail**

22. There is a proposal to include a definition of test of detail: A substantive procedure that involves the application of certain types of audit procedures to each specific item selected for testing.

### **Material COTADB and stand-back**

23. At the September 2025 IAASB meeting, the IAASB largely supported removing paragraph 18<sup>1</sup>/ISA 330 and enhancing the stand-back in ISA 315. As such IAASB staff are presenting changes including:
- A new requirement in ISA 315 (see below) to strengthen and clarify the documentation expectations on significant audit judgments when performing the ‘stand-back’ evaluation in paragraph 36 of ISA 315.
  - Enhancement to the application material to strengthen the ‘stand-back’ evaluations required by

<sup>1</sup> Paragraph 18/ISA 330 Irrespective of the assessed risks of material misstatement, the shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

paragraphs 35–36 of ISA 315.

- Removal of paragraph 18 of ISA 330 which requires that '*Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure.*' (and the related application material).

### *Proposed requirements of ISA 315*

#### *Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures*

35. *The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis. In identifying and assessing the risks of material misstatement, the auditor shall consider all audit evidence obtained from the risk assessment procedures, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions made by management.*
36. *For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, the auditor shall evaluate whether the auditor's determination remains appropriate. ...*

#### *Documentation*

38. ...

- (e) *The basis for the auditor's determination in accordance with paragraph 36 that material classes of transactions, account balances or disclosures are not significant classes of transactions, account balances or disclosures.*

### *Proposed application material of ISA 315*

#### *Classes of Transactions, Account Balances and Disclosures that Are Not Significant, but Which Are Material*

A204A. *There may be classes of transactions, account balances or disclosures that are material but have not been determined to be significant classes of transactions, account balances or disclosures (i.e., there are no relevant assertions identified).*

#### **Example:**

*If the physical fixed assets of an entity consist of land accounted for at cost with no change in ownership, the auditor may not identify a risk of material misstatement. Even if the land is material to the current period's financial statements, the auditor has not determined a relevant assertion and, therefore, the balance is not a significant class of transactions, account balance or disclosure.*

A231A. *For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, paragraph 36 requires the auditor to evaluate whether the auditor's determination remains appropriate. In making the evaluation required by paragraph 35, the auditor's consideration of all the evidence obtained from the risk assessment procedures performed may cause the auditor to determine that further audit evidence is necessary from risk assessment procedures to provide an appropriate basis for the auditor's evaluation required by paragraph 36 relating to material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures.*

### **Audit evidence obtained in previous periods about operating effectiveness of controls**

24. ISA 330 provides requirements related to the timing of control tests and a baseline requirement to retest controls at least every third audit. It is proposed to change this to every third year. The

frequency of an audit, which may vary across jurisdictions, should not be a determining factor on the continuing operating effectiveness of controls.

25. New application material is proposed to address concerns about rotating the testing of manual controls by recognising that audit evidence about the continued operating effectiveness of manual controls may be obtained through the evaluations of the entity's control environment, risk assessment process, and process to monitor the system of internal control as required by ISA 315.
26. It is proposed to emphasise in the requirements that a consideration for rotation is whether there have been changes to risks arising from the use of IT. New application material is proposed indicating the need for effective GITCs when considering whether to use audit evidence in a previous audit for automated controls.

### Evaluating the outcome of tests of control

27. Paragraph 16 of extant ISA 330 requires the auditor to evaluate whether misstatements detected by substantive procedures indicate that controls may not be operating effectively. It is proposed to make it explicit that the auditor's evaluation of misstatements detected by substantive procedures includes considering any knowledge of misstatements identified from all substantive procedures performed *throughout the audit* engagement, and not only those that address the same risk of material misstatement or the same relevant assertion as the tests of controls.
28. New application material to introduce factors that may be relevant to the auditor's judgment when evaluating the possible effect of misstatements identified by substantive procedures, on the operating effectiveness of controls.

### Proposed requirements of ISA 500

- |   |
|---|
| 16. <i>When evaluating the operating effectiveness of controls, the auditor shall evaluate whether misstatements that have been detected by substantive procedures performed throughout the audit indicate that controls are not operating effectively.</i> |
|---|

A41A *Factors that may be relevant in making the evaluation required by paragraph 16, include:*

- |  |
|--|
| <i>(i) The nature of identified misstatements and the specific circumstances in which they occurred.</i><br><i>(ii) The materiality of the misstatements, considering qualitative and quantitative characteristics.</i><br><i>(iii) Whether, and the degree to which, misstatements have been identified across more than one assertion or more than one class of transactions, account balance or disclosure.</i> |
|--|

### Selecting items for testing

29. ED-500 proposed removing paragraph 10<sup>2</sup> of the extant ISA 500 because it was covered by paragraph 8(b) of proposed ISA 500: *'For the purpose of obtaining sufficient appropriate audit evidence, the auditor shall design and perform audit procedures:*
  - (a) .....; and*
  - (b) The nature, timing and extent of which are appropriate in the circumstances to provide audit evidence to meet the intended purpose(s) of those audit procedures'*
30. On reflection, IAASB staff consider that paragraph 8(b) of proposed ISA 500 is not specific that the determination is necessary for the means of selecting items for testing when designing and performing tests of control and tests of details that are effective to meet the purposes of those audit procedures. It is proposed to reinstate the requirement in paragraph 10 of extant ISA 500, into ISA 330, to support consistent practice when designing and performing tests of control and tests of details whose nature, timing and extent are responsive to the assessed risks of material

<sup>2</sup> When designing tests of controls and tests of details, the auditor shall determine means of selecting items for testing that are effective in meeting the purpose of the audit procedure.

misstatement. New application material will cross reference to Appendix 2 of Proposed ISA 500 which describes the various approaches to select items for testing and provides illustrative examples.

### Stand-back

31. There is a proposal for a new stand-back requirement in ISA 330 addressing the sufficiency and appropriateness of audit evidence obtained from further audit procedures. This would be supported by application material on matters that the auditor may consider in making this evaluation.

#### *Paragraph 25A/ISA 330*

*The auditor shall evaluate whether the audit evidence obtained from the further audit procedures is sufficient and appropriate in responding to the assessed risks of material misstatement. In doing so, the auditor shall consider all audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements.*

32. At a previous IAASB meeting, the IAASB agreed to reposition the overall stand-back (sufficient appropriate audit evidence as a whole) at paragraph 26 of ISA 330 into an overall stand-back in ISA 700.

#### *Paragraph 11/ISA 700*

*In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained sufficient appropriate audit evidence to reduce audit risk to an acceptably low level so that reasonable assurance has been obtained about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. That conclusion shall consider:*

- (a) All audit evidence obtained, including audit evidence that is consistent or inconsistent with other audit evidence, and regardless of whether it appears to corroborate or contradict the assertions in the financial statements;*
- (b) The auditor's conclusion, in accordance with ISA 450, whether uncorrected misstatements are material, individually or in aggregate; and*
- (c) The evaluations required by paragraphs 12-15.*





# AUASB Agenda Paper

<b>Title:</b>	Inventories, external confirmations and sampling	<b>Date:</b>	4 December 2025
<b>Office of the AUASB:</b>	Rene Herman	<b>Agenda Item:</b>	2.3

## Objective of Agenda Item

1. The objective of this Agenda Item is to seek AUASB members input into the draft project proposal on targeted standards in the ISA 500 series.
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 and Jurisdictional Standard Setters arrangements).

## Questions for AUASB members

3. The following questions are for AUASB consideration and input:

No.	Questions
1	Do AUASB members agree with the recommendation to the IAASB not to revise ISA 530 <i>Audit Sampling</i> currently? Should the IAASB develop a plan and timetable to address matters raised by stakeholders? Should the IAASB consider public consultation to identify other matters to be addressed by the IAASB? What are the reasons supporting your view?
2	Do AUASB members agree that the issues for inventories and external confirmations outlined in the table in paragraph 8 below should be addressed by the IAASB? Are there any additional matters that should be considered by the IAASB?

## Background

4. As highlighted to the AUASB at the June 2025 AUASB virtual meeting, In the IAASB's [Strategy and Work Plan for 2024–2027](#), the IAASB agreed to pursue revising the considerations in respect of inventory in ISA 501, external confirmations in ISA 505 and audit sampling in ISA 530 to modernise these standards to reflect the current business and audit environments more appropriately, including the impact of the use of technology.
5. To determine how to move forward on these projects, the IAASB staff conducted information gathering activities including:
  - Stakeholder outreach
    - Meeting with Monitoring Group Members – IFIAR and IOSCO Committee 1
    - Engagement with regulators and audit oversight authorities
    - Input from Jurisdictional Standard Setters (JSS)
    - Engagement with Accounting Firms
    - Feedback from Small and Medium Practice Advisory Group
  - Academic research
  - Benchmarking to analogous Auditing Standards



- Other research activities

## Matters being considered at the December 2025 IAASB meeting

6. Based on the results of information gathering, the IAASB staff are proposing the following:
  - a. **Modernisation of considerations in respect of inventory in ISA 501 and external confirmations in ISA 505.** Stakeholder feedback indicates that these standards would benefit from modernisation to remain relevant and fit-for-purpose in a rapidly evolving audit and business environment shaped by technological advancements and emerging risks.
  - b. **Standard setting is not warranted at this time for the other topics in ISA 501—litigation and claims, and segment information.** Limited concerns were raised regarding these topics and the issues that were highlighted are not widespread or systemic.
  - c. **Revisions to ISA 530 are not currently planned, but ongoing monitoring and stakeholder engagement are important.** The IAASB paper suggests that feedback across stakeholder groups broadly indicated that the principles in ISA 530 remain sound and that guidance materials may be the most appropriate way to address audit sampling matters. Stakeholders broadly supported not including a detailed prescriptive methodology for determining sample sizes in the requirements of ISA 530. The proposal in the IAASB papers is to develop non-authoritative materials (NAMs).

## Sampling

7. On sampling (see paragraph 6c above), the Office of the AUASB suggests that AUASB members consider:
  - (a) Suggesting that the IAASB should develop a plan and timetable to address the matters identified by stakeholders, even if those matters are to be addressed through NAMs;
  - (b) Supporting the IAASB developing guidance on determining sample sizes, and consider whether to draw on guidance already published by the AICPA; and
  - (c) Undertake public consultation to identify any other areas not listed in the IAASB papers that may be best addressed by the IAASB, such as:
    - (i) Whether the standards should continue to allow the use of minimal tests of detail to supplement an inadequate substantive analytical procedure for a single account and assertion;
    - (ii) Irrespective of the sampling method, whether all items in a population that exceed performance materiality be required to be tested;
    - (iii) Whether sampling can be applied across populations with different characteristics or systems, processes and controls where that results in no items being selected for a material population;
    - (iv) Whether sample sizes be set in aggregate across entities that prepare separate financial reports as if there were a single entity where there are common systems (e.g. collective investment schemes under a single manager);
    - (v) Whether sample sizes at service organisations (e.g. custodians) should be based on a notional aggregate materiality for all clients of the service organisation or based on the materiality for the individual client entity being audited;
    - (vi) Whether sample sizes for income statement testing (e.g. sales revenue) should be reduced where a normal level of testing is performed on a related balance sheet item (e.g. subsequent receipt testing for trade receivables); and

- (vii) Guidance on the relevant population for determining sample sizes (e.g. can sample sizes to test the cost of investment purchases be based on investment income rather than the size of the population of purchases where investments are measured at fair value).

## Inventories and external confirmations

8. The draft project proposal being discussed at the upcoming IAASB meeting includes the following key issues and proposed actions (extracted from draft project proposal):

No.	Key Issues	Proposed Actions
<b>A. Project Objective: Modernise considerations in respect of inventory in ISA 501 and external confirmations in ISA 505 to reflect more appropriately the business and audit environment, including the implications of the use of technology by entities, auditors and organisations they interact with.</b>		
<b>Considerations in Respect of Inventory</b>		
<b>A.1</b>	<i>Implications of the use of technology by entities in managing inventory and by auditors in auditing inventory, respectively [Ref: para. 18(a)]</i>	<b>ISA 501 – Application Material</b> <ul style="list-style-type: none"> <li>Enhance application material to recognise the impact of management’s use of emerging technologies in inventory management or by auditors in performing audit procedures for inventory.</li> </ul>
<b>A.2</b>	<i>Attendance at inventory counting [Ref: para. 18(b)]</i>	<b>ISA 501 – Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Enhance requirements or application material to clarify the concept of ‘attendance’ at inventory counting, including the use of technological tools for remote inventory observations.</li> </ul>
<b>External Confirmations</b>		
<b>A.3</b>	<i>Implications of using technology and third-party intermediaries in external confirmations [Ref: para. 18(g)]</i>	<b>ISA 505 – Definitions, Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Clarify the role of confirming parties and third-party intermediaries in the external confirmation process.</li> <li>Enhance requirements or application material, as appropriate, to address implications of using third-party intermediaries in the external confirmation process, including with respect to: <ul style="list-style-type: none"> <li>Maintaining control over external confirmation requests.</li> <li>Evaluating the integrity of external confirmation requests and the reliability of responses received.</li> </ul> </li> </ul>
<b>B. Project Objective: Promote consistent practice and behavior in obtaining and evaluating audit evidence about inventory and from external confirmation procedures, including reinforcing the appropriate exercise of professional skepticism in relation to these topics.</b>		
<b>Considerations in Respect of Inventory</b>		
<b>B.1</b>	<i>Alignment with concepts for the identification, assessment and responding to risks of material misstatement [Ref: para. 18(c)]</i>	<b>ISA 501 – Objective, Requirements and Application Material</b> <ul style="list-style-type: none"> <li>Align the requirements and application material with ISA 315 (Revised 2019) and ISA 330.</li> <li>Determine whether the objective of the auditor to obtain sufficient appropriate audit evidence regarding the <i>existence and condition</i> of inventory should align more closely to the categories of assertions used by the auditor to consider the different types of potential misstatements that may occur</li> </ul>

No.	Key Issues	Proposed Actions
		when identifying, assessing and responding to risks of material misstatement.
<b>B.2</b>	<i>Inventory under the custody and control of a third party</i> [Ref: para. 18(d)]	<b>ISA 501 – Requirements and Application Material</b> <ul style="list-style-type: none"> <li>Strengthen requirements and application material that address the sufficiency and appropriateness of audit evidence obtained for inventory under the custody and control of a third party.</li> </ul>
<b>B.3</b>	<i>Sufficiency and appropriateness of audit evidence obtained for inventory</i> [Ref: para. 18(e)]	<b>ISA 501 – Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Strengthen or clarify, as appropriate, requirements or application material that apply when obtaining sufficient appropriate audit evidence about: <ul style="list-style-type: none"> <li>The accuracy and completeness of the entity's final inventory records.</li> <li>Changes in inventory between the count date and the date of the financial statements.</li> </ul> </li> </ul>
<b>B.4</b>	<i>Professional skepticism</i> [Ref: para. 18(f)]	<b>ISA 501 – Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Enhance requirements or application material, to reinforce the exercise of professional skepticism when obtaining and evaluating audit evidence about inventory.</li> </ul>
<b>External Confirmations</b>		
<b>B.5</b>	<i>Negative confirmations</i> [Ref: para. 18(h)]	<b>ISA 505 – Definitions, Requirements and Application Material</b> <ul style="list-style-type: none"> <li>Determine whether the requirements and application material allowing the use of negative confirmations in certain circumstances remain appropriate in the current business and audit environment, including whether the standard should prohibit their use.</li> <li>If determined that the use of negative confirmations remains appropriate, strengthen guardrails, through enhancing requirements and application material, over when their use may be appropriate.</li> </ul>
<b>B.6</b>	<i>Assertions addressed by external confirmations</i> [Ref: para. 18(i)]	<b>ISA 505 – Objective, Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Enhance requirements or application material to clarify that external confirmation procedures, by themselves, may not provide sufficient appropriate audit evidence for all or certain assertions of a class of transactions, account balance or disclosure.</li> </ul>
<b>B.7</b>	<i>Reliability of responses to external confirmation requests</i> [Ref: para. 18(j)]	<b>ISA 505 – Requirements and Application Material</b> <ul style="list-style-type: none"> <li>Strengthen or clarify, as appropriate, requirements and application material that apply when addressing the reliability of responses to confirmation requests.</li> </ul>

No.	Key Issues	Proposed Actions
<b>B.8</b>	<i>Considerations about the need to perform external confirmation procedures</i> [Ref: para. 18(k)]	<b>ISA 505 – Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Enhance or clarify, as appropriate, requirements or application material to strengthen the auditor’s considerations about the need to perform external confirmation procedures in certain circumstances (e.g., when responding to a significant risk of material misstatement, including fraud risk) and for certain classes of transactions, account balances and disclosures (e.g., cash and cash equivalents, accounts receivable, and terms of certain transactions).</li> </ul>
<b>B.9</b>	<i>Non-responses and exceptions in external confirmation procedures</i> [Ref: para. 18(l)]	<b>ISA 505 – Requirements and Application Material</b> <ul style="list-style-type: none"> <li>Enhance or clarify, as appropriate, requirements and application material that apply when addressing non-responses and exceptions resulting from external confirmation procedures.</li> </ul>
<b>B.10</b>	<i>Professional skepticism</i> [Ref: para. 18(m)]	<b>ISA 505 – Requirements or Application Material</b> <ul style="list-style-type: none"> <li>Enhance requirements or application material, to reinforce the exercise of professional skepticism when obtaining and evaluating audit evidence from external confirmation procedures.</li> </ul>

## Timing

- The project on inventories and external confirmations is due to commence Q1 2026, with ED approval expected December 2026 and final standards approved Q1 2028.