



Kia ora welcome to this webinar



We recommend using the side-by-side view



Please keep your video off and remain on mute



Put your questions into the Q&A. We may not be able to respond during webinar, but we will get back to you in due course



Slides and recording will be made available after the webinar



Survey to follow - Please provide us with your feedback



Thank you for joining us today
Enjoy the webinar



Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Deep dive on Audit Evidence and Risk Response Proposals

ED - ISA 330 The Auditor's Responses to Assessed
Risks

ED - ISA 500 Audit Evidence

ED - ISA 520 Analytical procedures

Presenters:

Misha Pieters

Director – Audit and Assurance

Karen Tipper

Technical Director - Assurance

Agenda

- **Reasons for the revisions**
- **Technology-related enhancements**
- **Relevance and reliability of information**
- **Reinforcing the risk-based model**
- **Substantive procedures in response to assessed risks**
- **Test of controls only**
- **Benefits and costs**
- **Questions**





Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Our purpose

Promoting trust and confidence, transparency and accountability through high-quality external reporting and assurance.

What we deliver

Reporting strategies and frameworks

Financial reporting standards

Climate standards

Auditing and assurance standards



Who standards apply to is determined by legislation



What is in the standard is determined by the XRB

Our strategy

Internationally aligned, locally relevant

Our strategic priorities



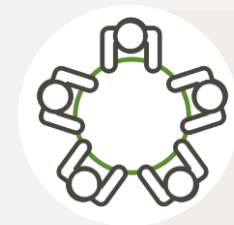
Fit for purpose



Supporting adoption and implementation



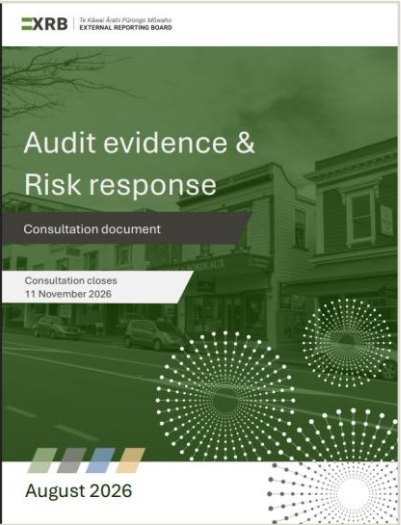
Integrated reporting



Public benefit entities

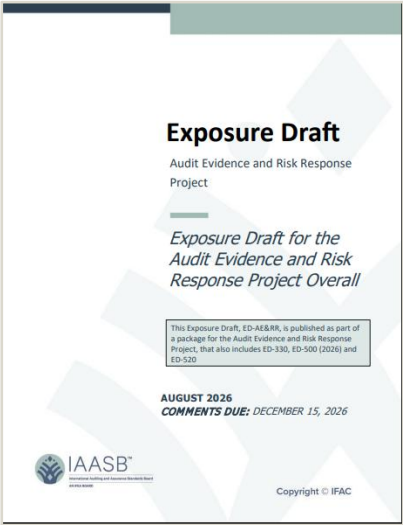
Exposure drafts now open for consultation

Proposed revisions to three core audit standards — ISA 330, ISA 500 and ISA 520 — with conforming amendments to related standards

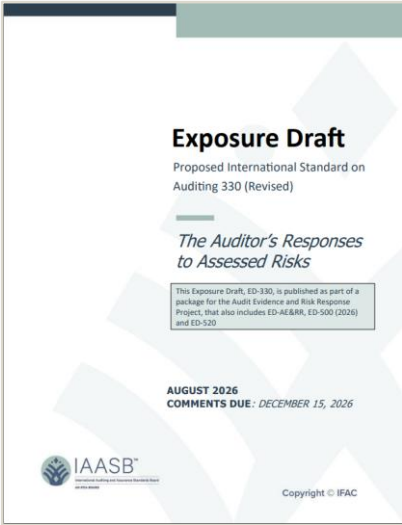


XRB consultation document

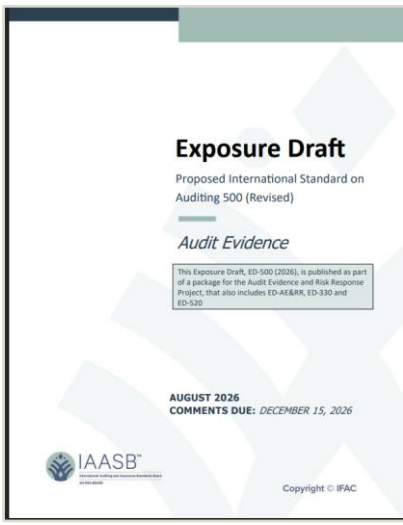
Closes 11 November 2026



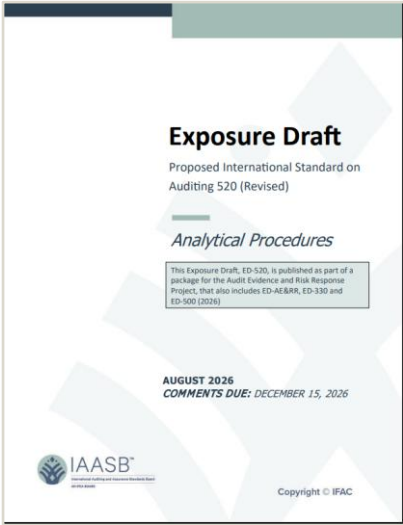
ED-AE&RR
Project overview



ED-330
Responses to Assessed Risks



ED-500 (2026)
Audit Evidence



ED-520
Analytical Procedures

Open for comment — XRB consultation: Audit Evidence and Risk Response
xrb.govt.nz/consultations/assurance-standards-in-development/open-for-comment/audit-evidence-and-risk-response/

Poll questions

1. What is your background?

- ☐ Auditor
- ☐ Regulator
- ☐ Academic
- ☐ User
- ☐ Investor
- ☐ Other interested party



Reasons for the revisions: drivers and outcomes



Drivers for the project

A changed landscape for audits

Impact of technology and new sources of digital information

Responding to **stakeholder concerns** about the application of certain aspects of responses to risks

Alignment with the auditor's **risk identification and assessment effort**

An integrated project, informed by the IAASB's Technology Position, addressing:

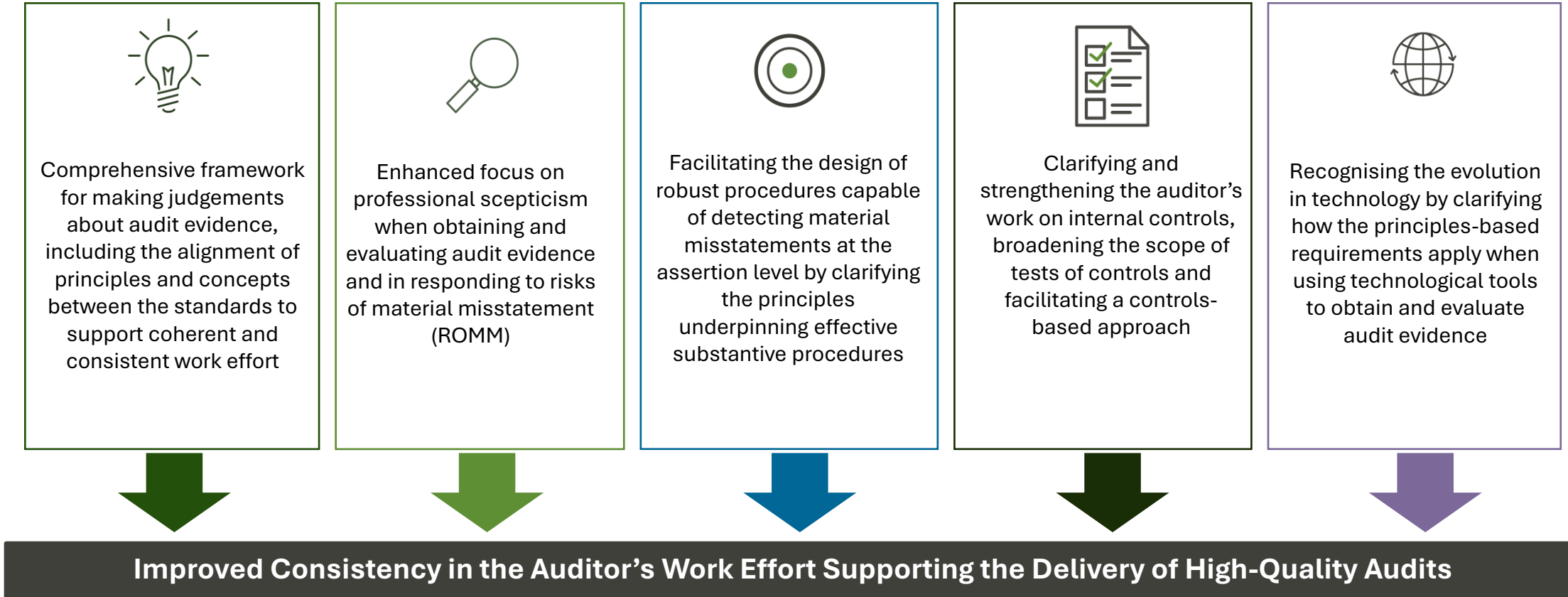
ISA 500, Audit Evidence:

A framework for audit evidence

ISA 330, The Auditor Responses to Risks & ISA 520, Analytical Procedures: Performance aspects of an audit addressing gathering and evaluating audit evidence

Key outcomes from an integrated approach

Integrated Approach to Audit Evidence and Risk Response



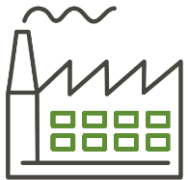
Technology related enhancements

Increased use of technology



The landscape has changed...

Increasingly sophisticated technological systems are being used by...



Entities, in their financial reporting processes



Auditors, in performing audit engagements

... the overall objective of an audit remains the same

A modern and flexible framework for all audits

A principle-based approach aiming to future proof the standards



Built with Scalability and Proportionality in Mind



No prescriptive requirement for auditors to must use technological tools



No requirement for auditors mandating to perform tests of controls in all audits



Robust Principles | Coherent Terminology | Clear Guidance

Overall approach to technology in the ISAs

A more intelligent, risk-based audit



Technology changes
how auditors work and how
audited **entities operate**,
including their **control
environment**

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

Renewed focus on the **reliability of
information** acknowledging the increase in
digital sources of information

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

Auditing in a digital world

From information to audit evidence



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



Information intended
to be used as audit
evidence



Audit Evidence

**Evaluating Relevance & Reliability
of Information**

Evolving systems of internal control

Entities' increased use of technology in systems of internal control



Increased automation in an entity's information system and system of internal control may affect:

Automated Controls &
Real-Time Monitoring

Intelligent Automation &
Advanced Data
Processing

Cybersecurity & Access
Governance

Data Governance &
Analytics Controls

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

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

01.

Tests of controls may in certain
circumstances be used to address an
assertion level ROMM

02.

Revisions related to general IT
controls

03.

Examples of controls operating
in technologies that produce
variable outputs

Facilitating Auditors' use of technology

3 ways the proposed revisions address auditors' appropriate use of technology



01

Improved **coherence** for technology-related terminology, a new term “**technological tools**”

02

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

03

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

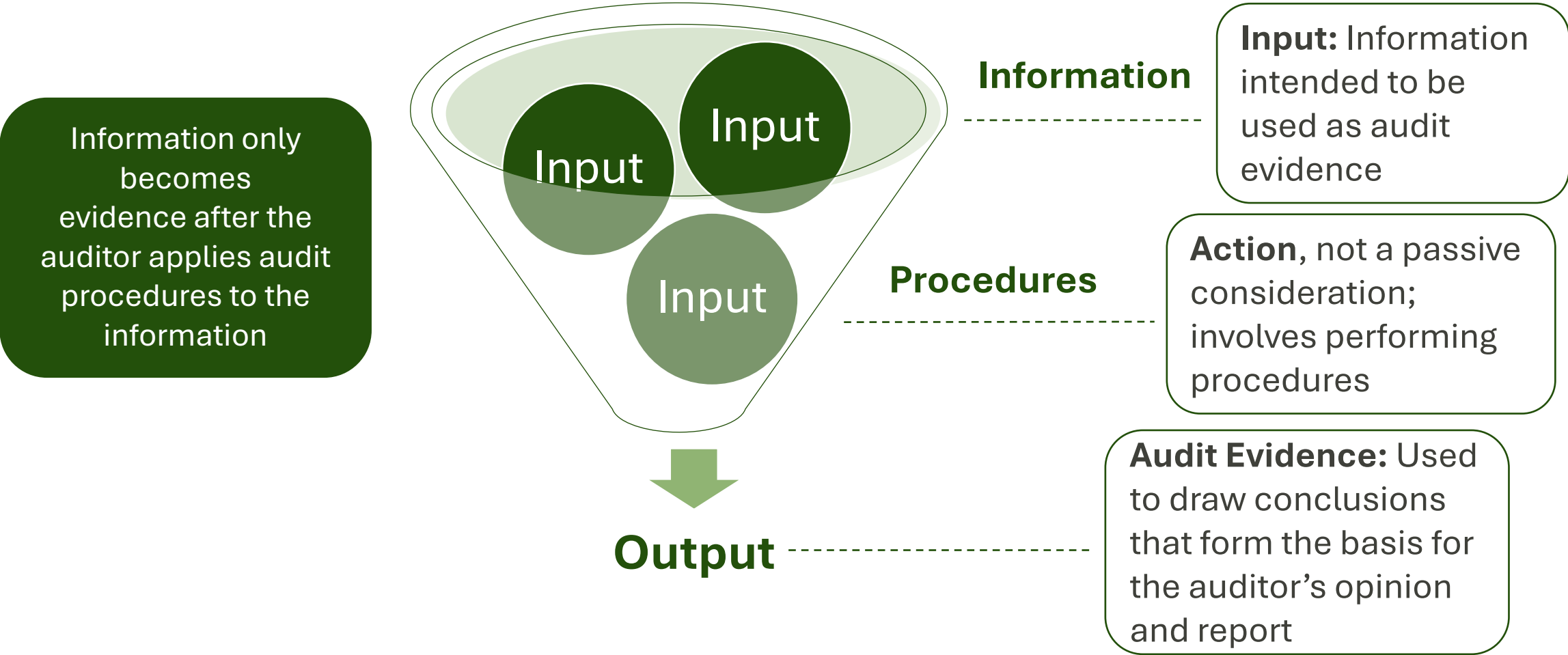
Poll questions

- 1. Do you agree that there is no need for a requirement for when an auditor must use technological tools?**



Evaluating the relevance and reliability of information

A revised definition of audit evidence



A modern framework for audit evidence

Proposals in ED-500 (2026)



**Revised definition of
audit evidence**

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

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

Supporting Consistent Judgements About Audit Evidence

A robust work effort

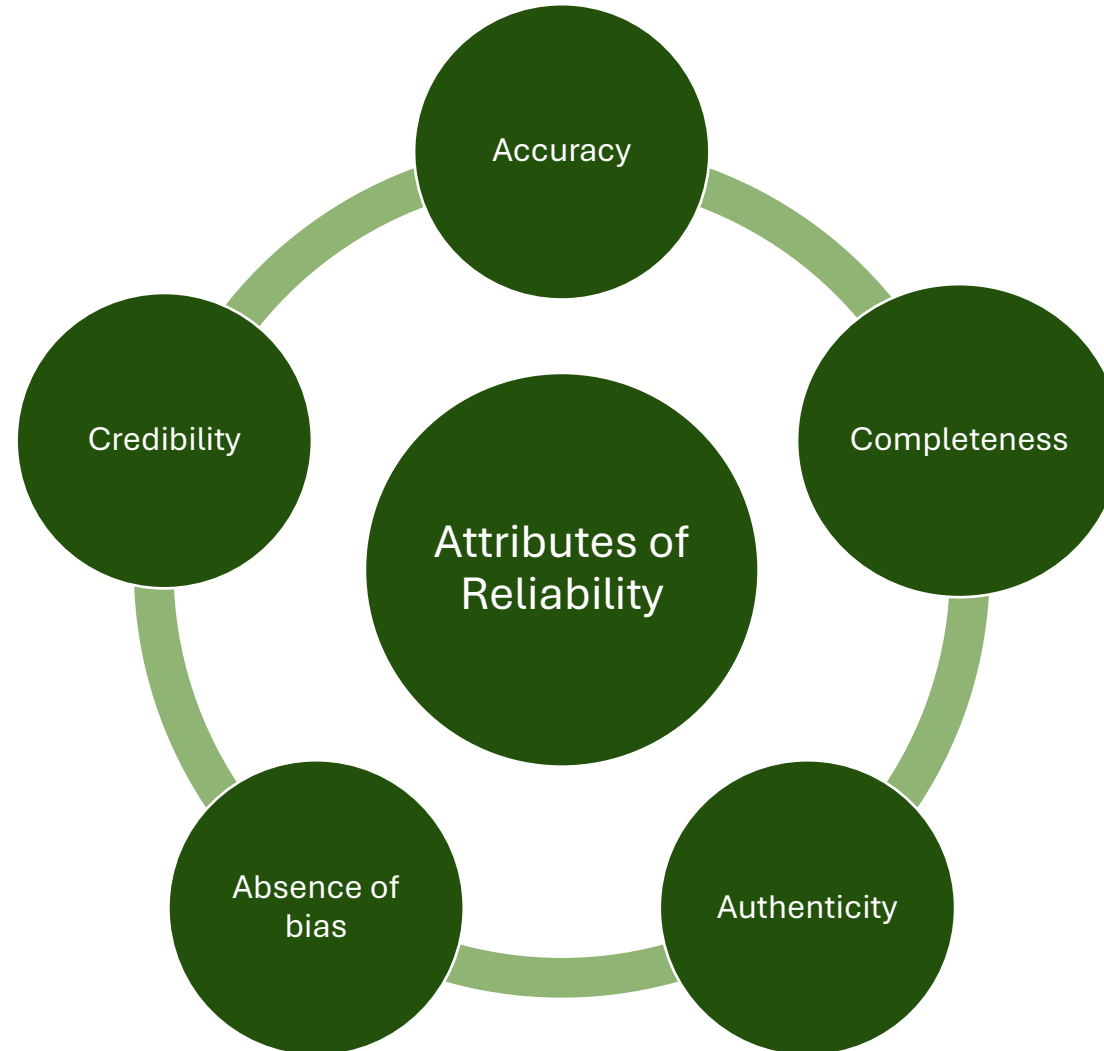
From "Considering" to "Evaluating" relevance and reliability of information



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

Attributes that are of *significance in the circumstances*

Sources of information, attributes of reliable information, and the auditor's intended purpose



A more rigorous and future-proof approach

From passive consideration to active evaluating



Key Outcomes

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

Higher quality audit evidence

Enhanced scepticism

**Better integration with the
audit**

Future-ready

Poll questions

- 1. Does focussing on the purpose of the procedure resonate?**
- 2. Is the work effort clear between considering and evaluating the attributes of significance?**
- 3. Are these proposals clear and do you consider that they can be applied in a scalable, proportional way?**



Reinforcing the risk-based model

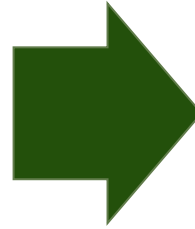
Reinforcing the risk-based model

A more robust, logical audit, from risk assessment to risk response



Perform robust risk assessment procedures supported by a holistic evaluation of audit evidence obtained and of professional judgments made on the basis of that evidence

ISA 315 (Revised 2019)



Design and perform further audit procedures that, based on that audit evidence, **are responsive to the identified and assessed risk of material misstatement (ROMM) at the assertion level**, for each significant COTABD

Proposed ISA 330 (Revised)

Extant requirements for material COTABDs

A requirement introduced on first issue of ISA 330 pre-clarity in 2003



“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 (**COTABD**).”

What it means

Requirement to design and perform substantive procedures, related to at least one assertion of:

- Each **material** COTABD for which the auditor has determined that there are no ROMMs before consideration of controls; **and**
- Each **significant** COTABD for which the planned response to all ROMMs at the assertion level included only tests of controls

The Rationale (its intended purpose)

- Establish a baseline requirement for **some substantive procedures** to be performed on all COTABDs that exceed the auditor’s determined materiality threshold, irrespective of risk, recognising that:
 - Auditors may not have identified all risks of material misstatement that may exist, and
 - There are inherent limitations in internal controls

A key decision for public consultation

Reinforcing the principles of a risk-based audit model



ALTERNATIVES CONSIDERED

Option 1: Remove the extant requirement and replace it with enhancements to ISA 315 (Revised 2019)

Option 2: Retain the extant requirement, with necessary refinement to application material

Option 3: Revise the extant requirement to be conditioned on the auditor's determination and provide guidance to support its implementation

IAASB's DECISION & PROPOSALS

Option 1: Remove paragraph 18 of ISA 330

Strengthen and enhance ISA 315 (Revised 2019):

New requirement to document the basis for determining that material COTABDs have no identified ROMMs

Material to support consistent auditor judgements when performing the “stand-back” evaluations

PUBLIC INTEREST RATIONALE

The extant requirement undermines the risk assessment process and auditors' professional judgments

Avoiding a “checklist mentality” and focusing work effort on aspects where risk is identified and assessed

Poll questions

- 1. Do you support the removal of the requirement to perform substantive procedures on all material COTABDs regardless of the assessed risk of material misstatement?**
- 2. If not add comments in the chat**



Substantive procedures in response to assessed risks

When are substantive procedures required?

Clarifying requirements to design and perform substantive procedures

IAASB's Decision

- It is important to reaffirm the fundamental contribution of substantive procedures in obtaining audit evidence when responding to ROMMs at the assertion level

IAASB's Proposals

- **New** explicit requirement to design and perform substantive procedures, tests of controls, or a combination of both
- **New** baseline requirement for designing and performing substantive procedures in responding to assessed ROMM
- **Retained** the requirement to perform substantive procedures in responding to significant risks; including to require tests of details when such responses only include substantive procedures

Strengthening substantive analytical procedures

Enhancing the effectiveness of substantive analytical procedures to detect material misstatements



Level of Precision of the Auditor's Expectation

- Establish the auditor's expectation on **plausible and predictable relationships**
- Use information that is **relevant and reliable**
- The expectation is required to be **sufficiently precise**

Threshold for Evaluating Differences from Expected Amounts

- The threshold for differences acceptable without investigation **cannot exceed performance materiality**

Investigating Results of Substantive Analytical Procedures

- Differences exceeding the threshold must be investigated as an integral part of the substantive analytical procedure
- Enquiry alone is not sufficient

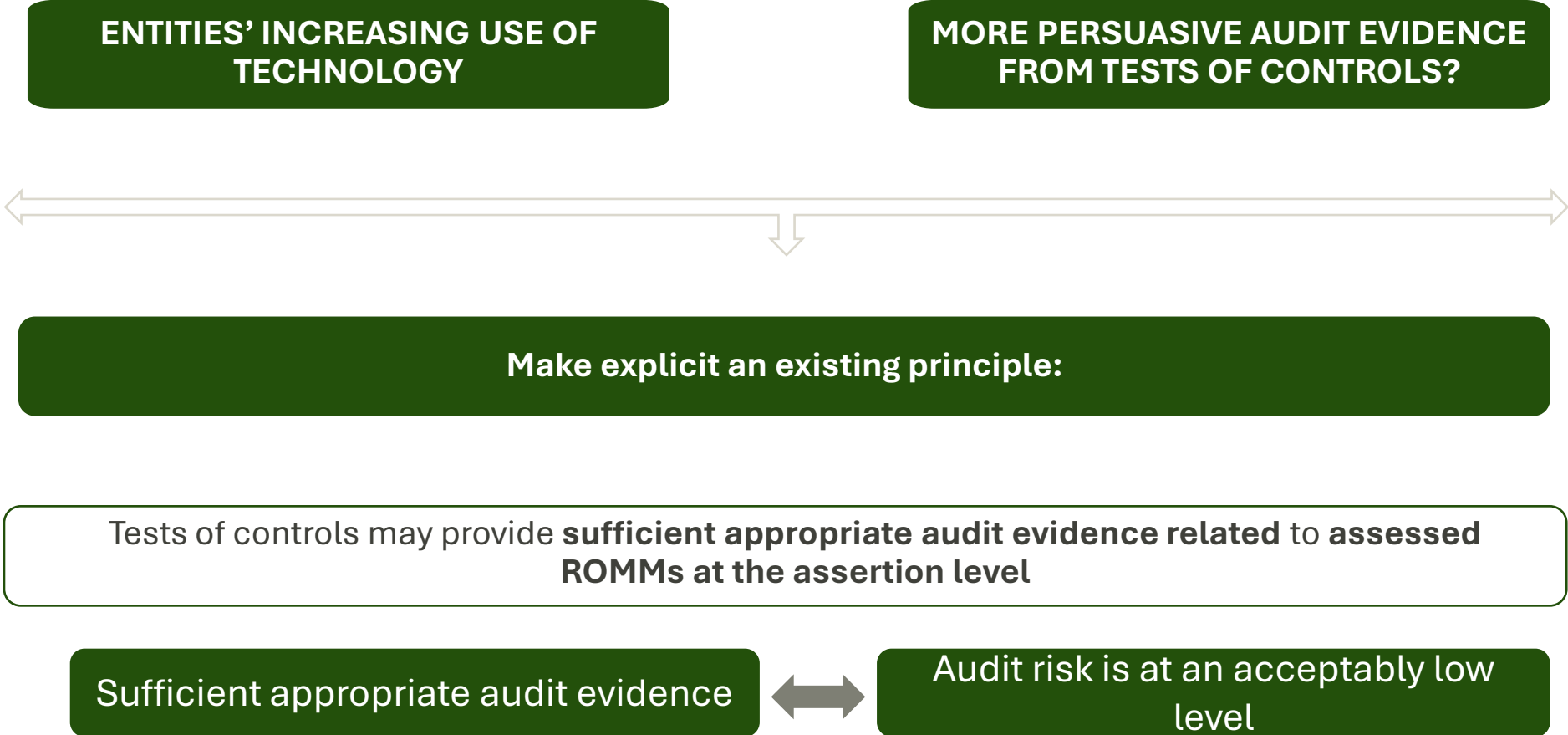
Poll questions

- 1. Do you support the introduction of a threshold for evaluating differences from expected amounts**
- 2. Do you support that this threshold is performance materiality?**
- 3. If not, add comments in the chat.**



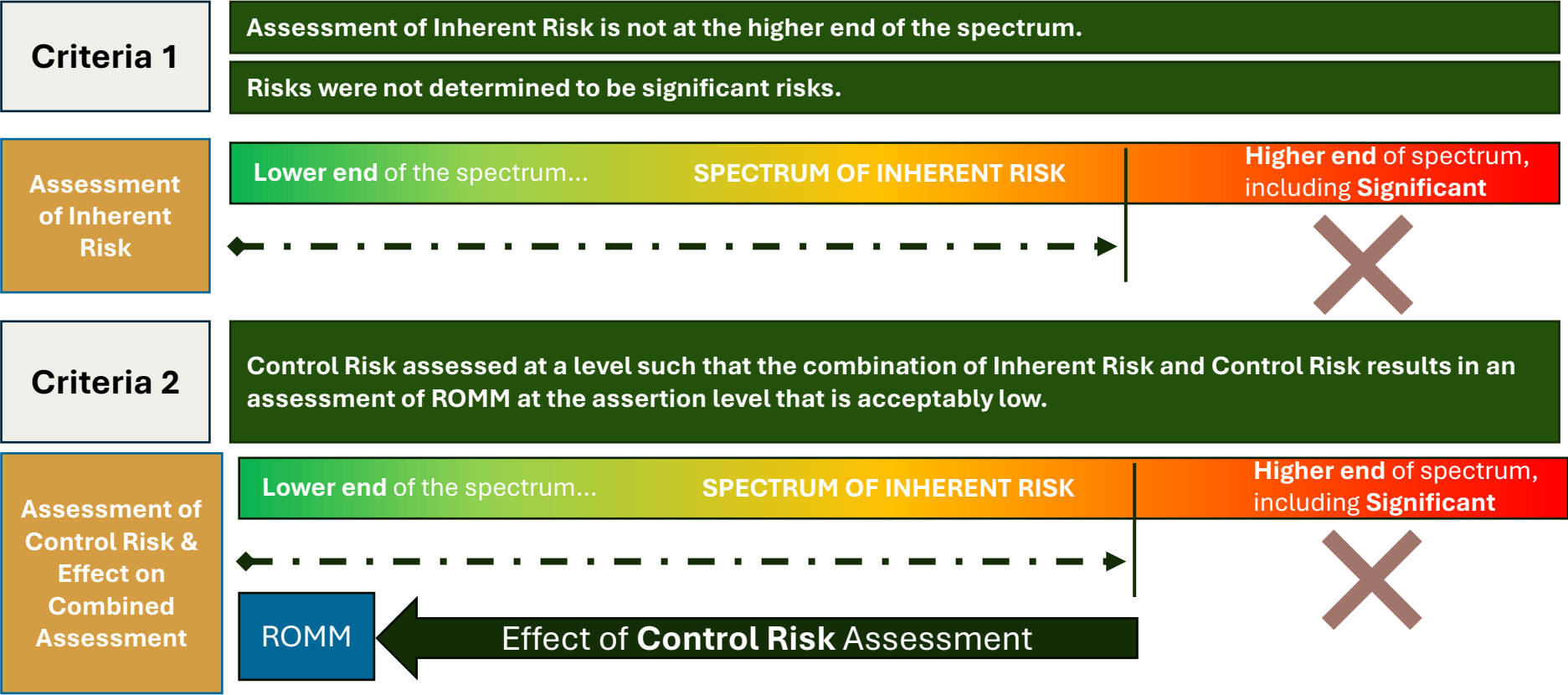
Tests of controls only

Responding to risks through tests of controls alone



Criteria for a test of controls alone approach

Characteristics of identified ROMM for which the approach may be appropriate



Conditions for a test of controls alone approach

Meeting the criteria related to control risk

Control Risk
assessment remains a
professional judgment
made in accordance with
ISA 315 (Revised 2019)

Are controls manual or
automated?

Are there only
preventative controls, or
only detective &
corrective controls, that
address the risks, or are
there both?

Are the controls
designed to **specifically**
respond to reasons for
the identification and
assessment of inherent
risk?

Were they designed,
implemented and
operated to respond to
risks identified by the
entity's risk assessment
process?

Has the entity
documented the
process by which the
control operates?

Is the effectiveness of
the control monitored by
the entity's monitoring
process?

What evidence is
expected to be available
of the control's effective
operation?

The baseline requirement on tests of controls

Increasing alignment of the baseline requirement with ISA 315 (Revised 2019)



What does ISA 315 (Revised 2019) require?

IDENTIFY

ASSESS

An Auditor Judgment and
Decision Point

THE BASELINE REQUIREMENT IN ED-330

Tests of controls are **required** to be designed and performed when tests of controls have been planned for one of these two reasons (necessity or choice)



Poll questions

- 1. Do you support a test of controls only approach in limited circumstances?**
- 2. Do you support the conditions when this can apply?**
- 3. Do you have any comments – please include in the chat?**



Benefits and costs

Benefits and costs

Potential benefits



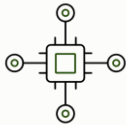
Improved audit quality and consistency



Clearer judgements about audit evidence



Better integration across the core standards



Support for technology-enabled audits



International alignment

Potential costs



Methodology and template updates



Training and implementation costs



Potential additional work effort in some audits



Greater judgement and documentation effort



Proportionality challenges for smaller practices

Proposed compelling reason changes

- Written Representations
 - Management replaced by those charged with governance
 - Consistency across of the ISA suite



Poll questions

- 1. Do you agree with our assessment of identified benefits and costs?**
- 2. Are there any other benefits or costs that we should consider?**
- 3. Do you agree with the compelling reason change?**
- 4. Are there any further compelling reason changes the XRB should make in New Zealand**

If you have any other benefits or costs we should consider, or other comments, please let us know in the chat or email assurance@xrb.govt.nz



Events

IAASB deep
dive webinars

IAASB Webinar - proposed ISA 330 (Revised) and Proposed ISA 520

Field testing

Register for field testing – assurance@xrb.govt.nz

Consultation

Closes 11 November 2026

Submissions to the IAASB due 15 December 2026

Pātai Questions?



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assurance@xrb.govt.nz



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