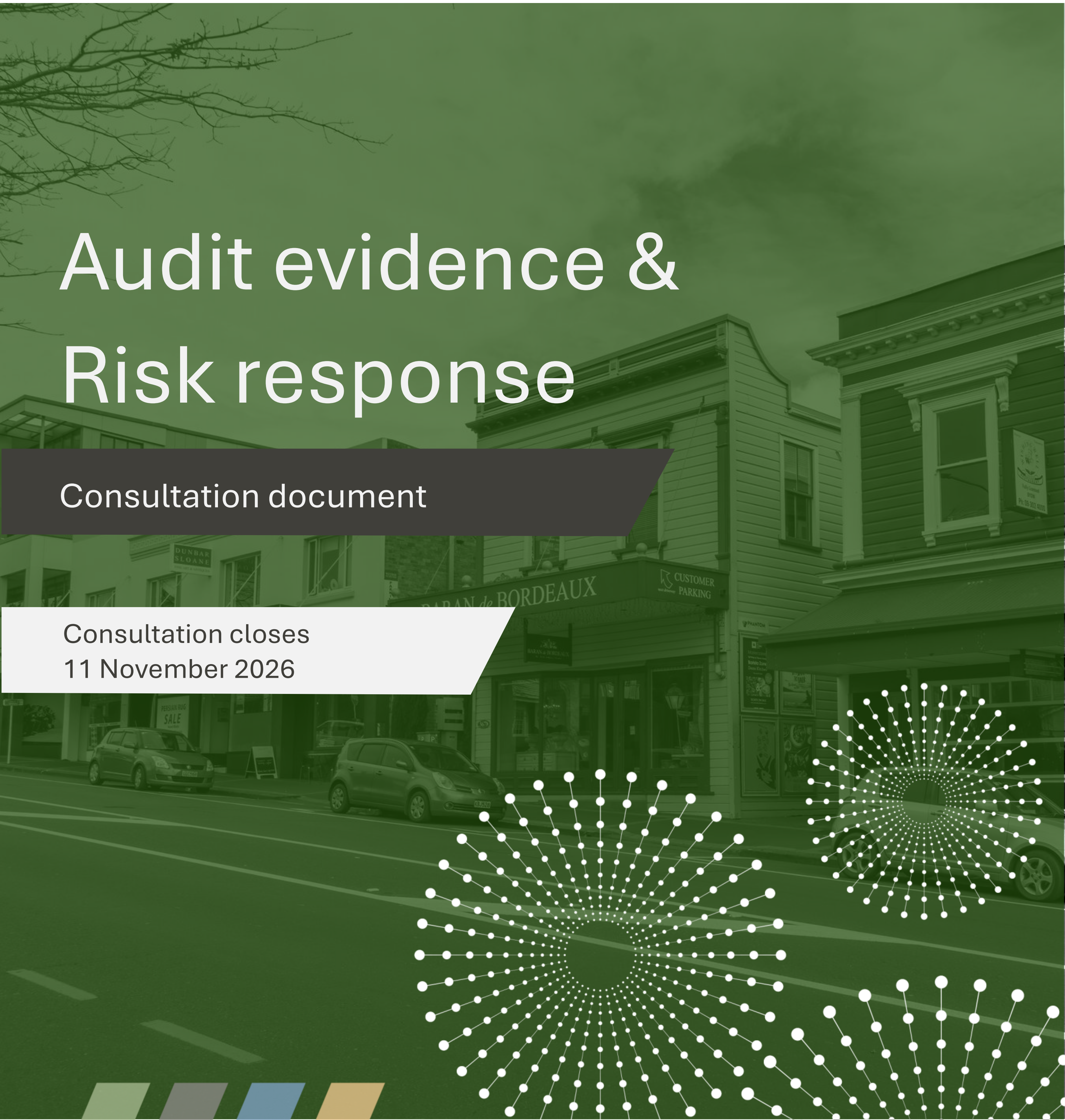
Te Kāwai Ārahi Pūrongo Mōwaho
EXTERNAL REPORTING BOARD

Audit evidence & Risk response

Consultation document

Consultation closes
11 November 2026



August 2026

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Part 1: We seek comment on IAASB's proposed revisions to the audit evidence and risk response standards

Why are we consulting?

The IAASB is proposing amendments to:

- ISA 330[1];
- ISA 500[2];
- ISA 520[3]; and
- Related conforming and consequential amendments.

The proposals aim to:

- Enhance the application of professional judgement and professional scepticism exercised by auditors:
  - When designing and implementing overall responses or designing and performing further audit procedures in response to assessed risks of material misstatement; and
  - When making judgements about information intended to be used as audit evidence, and evaluating whether sufficient appropriate audit evidence has been obtained.
- Promote consistent practice and auditor behaviour by facilitating effective responses to risks of material misstatement, including by strengthening auditors' work on internal controls.
- Facilitate, and where appropriate, encourage, auditors' use of technology in obtaining audit evidence and evaluating its sufficiency and appropriateness.

The XRB's strategy is to adopt international auditing and assurance standards, with limited New Zealand changes where necessary to ensure the standards are locally relevant. We expect to issue New Zealand equivalents of the final IAASB standards unless we identify compelling reasons to modify the proposals for New Zealand.

We seek feedback from auditors, directors, audit committees, regulators, investors, preparers and other users of audited financial statements. Your feedback will help us develop the XRB's response to the IAASB and help us determine if there are any further changes needed for New Zealand.

This consultation document should be read in conjunction with:

- the IAASB's explanatory memorandums and exposure drafts on:
  - Proposed ISA 330 (Revised)
  - Proposed ISA 500 (Revised)
  - Proposed ISA 520 (Revised)
  - Proposed conforming and consequential amendments

[1] ISA 330, The Auditor's Responses to Assessed Risks
[2] ISA 500, Audit Evidence
[3] ISA 520, Analytical Procedures

Part 2: How to provide feedback

Responding to our consultation questions

Please feel free to comment on any or all of the questions in the IAASB's explanatory memorandums on the proposed standards. In addition, we seek feedback on costs and benefits and whether there are any compelling reasons to amend the proposals in New Zealand.

We appreciate both formal and informal comments. To reach a balanced view we also appreciate both supportive and critical comments.

All comments received will be considered.

Verbal feedback

You can provide feedback during virtual and in-person feedback forums. Information about dates and times can be found on our events page.

For auditors interested in field testing the proposals please contact us at assurance@xrb,govt.nz

Written submissions

Submissions can be provided via any of the avenues below:

- Email us: assurance@xrb,govt.nz
- Complete the online form on our website
- Comment on our LinkedIn page

All submissions will be published on the XRB website unless confidentiality is requested[4].

The consultation closes on 11 November 2026

Events

Keep an eye on our website for details on events and information relating to this consultation.

Consultation questions

Part 3	
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.	**Are there any further compelling reason changes the XRB should make in New Zealand?**

[4] Submissions are subject to the Official Information Act 1982 and the Privacy Act 2020. The XRB will handle information in accordance with these Acts. If you object to the release of any information in your submission, please identify the specific parts and the reasons under the Official Information Act 1982. We reserve the right not to publish defamatory submissions

Part 3: Overview of the proposals

Proposed amendments to ISA 330

The proposed amendments to ISA 330 aim to strengthen how auditors design and perform further audit procedures in response to assessed risks of material misstatement. The proposals clarify the intended purpose of different types of audit procedures, refine the role of substantive procedures and tests of controls, and add a stand-back evaluation of whether the evidence obtained from further audit procedures is sufficient and appropriate to respond to assessed risks.

One significant proposal is to remove the extant requirement to always perform substantive procedures for each material class of transactions, account balance and disclosure, irrespective of assessed risk of material misstatement. This reflects a desire of the IAASB to reinforce the more robust risk assessment process established under ISA 315 (Revised). The IAASB proposes to balance this change with strengthened standback and documentation expectations.

Proposed amendments to ISA 500

The proposed amendments to ISA 500 strengthen the auditor's responsibilities when evaluating information to be used as audit evidence. The auditor would evaluate relevance and reliability, rather than merely consider those matters. The proposals also introduce a clearer framework for reliability, including attributes such as accuracy, completeness, authenticity, absence of bias and credibility.

The proposals recognise that information becomes audit evidence only after audit procedures have been applied to it. They also recognise the increasing role of technology, including where technological tools are used to obtain, process or analyse information. The proposed application material is intended to remain capable of being applied as technology evolves.

Proposed amendments to ISA 520

The proposed amendments to ISA 520 define substantive analytical procedures and clarify how analytical procedures may be used as part of the cumulative body of audit evidence. The proposals would require auditors to develop an expectation that is precise enough to detect a misstatement and set a threshold for acceptable differences that does not exceed performance materiality.

Proposed conforming amendments

The proposed conforming amendments include technology-related changes to ISQM 1[5] and ISA 220 (Revised).[6] Other changes move the overall conclusion on whether sufficient appropriate audit evidence has been obtained to ISA 700 (Revised) and amend ISA 200 to align concepts about accepting records and documents as genuine with revisions by ISA 240 (Revised) and proposed revisions to ISA 500.

Part 4: We propose to adopt the international amendments

We plan to adopt the proposals once finalised

The IAASB's exposure draft is your opportunity to comment on the proposed revisions to these ISAs. We seek your views on questions raised in the IAASB's explanatory memorandum.

The XRB's strategy is to adopt international standards where appropriate to support global consistency, credibility and confidence in New Zealand's financial reporting and assurance

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[5] ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*

[6] ISA 220, *Quality Management for An Audit of Financial Statements*

framework. International alignment promotes high-quality assurance and comparability of assurance outcomes.

This strategy is balanced with the XRB's responsibilities as a setter of secondary legislation to consider the potential benefits and potential costs of revising or issuing auditing standards.

In developing its standards, the IAASB considers the qualitative standard-setting characteristics set out in the Public Interest Framework.[7] The objective of the IAASB is to serve the public interest by setting high-quality auditing standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession. The IAASB's Public Interest Framework identifies the qualitative characteristics of standards that are responsive to the public interest. The IAASB explains in the Explanatory memorandum how those characteristics have been considered and reflected in the proposals

In considering the proposed IAASB amendments, we have identified the following potential benefits and costs.

Potential benefits

Improved audit quality and consistency:

The proposals are intended to support more consistent, risk-based audit responses by clarifying the work effort required when responding to assessed risks of material misstatement. This should reduce variability in audit approaches and support more focused audit work.

Clearer judgements about audit evidence:

The proposed audit evidence framework would strengthen how auditors evaluate the relevance and reliability of information to be used as audit evidence. This should support judgements about whether information is sufficiently reliable for the intended audit purpose.

Better integration across core audit standards:

Revising ISA 330, ISA 500 and ISA 520 concurrently should improve the coherence of the standards. This is particularly important because audit responses, audit evidence and analytical procedures interact throughout the audit.

Support for technology-enabled audits:

The proposals are designed to remain capable of being applied using technological tools as technology evolves. This should support innovation while retaining principles-based requirements that focus on evidence quality and audit judgement.

International alignment:

Adopting New Zealand equivalents of the final IAASB standards would maintain alignment between New Zealand auditing standards and international auditing practice. This benefits firms operating internationally and supports users confidence in New Zealand audit quality.

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[7] See the Public Interest Framework published by the Monitoring Group in July 2020 (as part of their report "*Strengthening the International Audit and Ethics Standard-Setting System*"). The Public Interest Framework sets out a framework for the development of high-quality international standards by the IAASB that are responsive to the public interest. Among other matters, the Public Interest Framework explains for whom standards are developed, what interests need to be served and what characteristics standards should exhibit.

Potential costs

Methodology and template updates:

Audit firms will need to update methodologies, audit programmes, documentation templates, quality management resources and training materials to reflect the revisions.

Training and implementation costs:

Auditors will need to understand the revised concepts and apply them consistently, including changes relating to tests of controls, substantive procedures, reliability attributes and substantive analytical procedures.

Potential additional work effort in some audits:

The proposals may require additional work where auditors need to obtain evidence about the reliability of information, perform other procedures over information used as audit evidence, or document more explicit stand-back evaluations.

Judgement and documentation effort:

The proposals may increase the need to document professional judgements, particularly where auditors conclude that tests of controls alone provide sufficient appropriate audit evidence or where substantive procedures are not performed for material items because no risks of material misstatement are identified.

Proportionality challenges for smaller practices:

Smaller practices may face proportionately higher implementation costs because they have fewer specialist methodology, technology and training resources. The proposals may also require additional support to apply the requirements efficiently in a proportionate manner.

Do you agree with our assessment of identified benefits and costs?

Are there any other benefits or costs that we should consider?

We propose to adopt the international proposals, with limited New Zealand-specific modifications

The XRB modifies standards it intends to adopt only when the compelling reason test is triggered. This occurs when the international standard does not reflect, or is not consistent with New Zealand legal and regulatory arrangements or principles and practices that are appropriate having regard to the New Zealand public interest.

We propose to amend references to written representations to refer to those charged with governance (not management) given that those charged with governance are responsible for the financial statements. These amendments exist in the extant New Zealand standards and are needed to ensure consistency between the ISAs (NZ).

Minimal changes will be made to reflect references, language and grammatical conventions used in New Zealand.

Are there any further compelling reason changes the XRB should make in New Zealand?

Part 5: Glossary

IAASB	International Auditing and Assurance Standards Board
Proposed ISA 330 (Revised)	Proposed International Standard on Auditing 330 (Revised), The Auditor's Responses to Assessed Risks
Proposed ISA 500 (Revised)	Proposed International Standard on Auditing 500 (Revised), Audit Evidence
Proposed ISA 520 (Revised)	Proposed International Standard on Auditing 520 (Revised), Analytical Procedures
XRB	External Reporting Board

View standards in the
XRB Standards Navigator

Standards are available on the XRB Standards Navigator
https://standards.xrb.govt.nz/standards-navigator/