10 August 2026

To: Members of the Hong Kong Institute of CPAs
All other interested parties

INVITATION TO COMMENT ON THE INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD (IAASB) EXPOSURE DRAFTS

Audit Evidence and Risk Response Project Overall (ED-AE&RR); Proposed International Standard on Auditing (ISA) 330 (Revised), The Auditor's Responses to Assessed Risks; Proposed ISA 500 (Revised), Audit Evidence; Proposed ISA 520 (Revised), Analytical Procedures (collectively, the "Proposals")

Comments to be received by 15 November 2026

The Hong Kong Institute of Certified Public Accountants' (Institute) Auditing and Assurance Standards Committee (AASC) is seeking comments on the four captioned IAASB Exposure Drafts (EDs), which should be read together with the accompanying IAASB Explanatory Memorandum (EMs). All documents, including the IAASB Response Form, have been posted on the Institute's website.

Background

The IAASB has proposed revisions to three core auditing standards to enhance the risk-based audit framework and address technological advances:

- ISA 330, *The Auditor's Responses to Assessed Risks*
- ISA 500, *Audit Evidence*
- ISA 520, *Analytical Procedures*

The Proposals further embed, clarify and strengthen a principles-based, risk-based audit framework to support consistent, high-quality audits. They also address the increased use of technology in business, financial reporting and auditing, and establish a comprehensive basis for auditors' judgments about audit evidence. They include:

- a revised definition of audit evidence to reflect today's digital environment;
- greater emphasis on the intended purposes of audit procedures;
- strengthened requirements for evaluating the relevance and reliability of information used as audit evidence;
- clarification of key concepts; and
- reinforced application of professional skepticism throughout the audit.

The Proposals also strengthen auditors' responses to assessed risks by clarifying the role of tests of controls, substantive procedures and analytical procedures, promoting more consistent and effective audit responses.

HKICPA Analysis: Potential Impact of the Proposals

The Proposals would reinforce a more risk-based and evidence-driven audit approach. Auditors would need to place greater emphasis on identifying and documenting risks of material misstatement, designing audit responses that are aligned to those risks. In particular, auditors may need to:

- Document why material classes of transactions, account balance and disclosure (COTABDs) are not significant COTABDs.
- When testing a direct control, obtain audit evidence about the operating effectiveness of the indirect controls, including general IT controls (GITC), wherever needed to support operation of those direct controls.
- Perform a more rigorous evaluation of the relevance, reliability, accuracy and completeness of information used as audit evidence, particularly information produced by the entity.
- Consider whether tests of controls alone could be used to address certain assertion-level risks when specified conditions are met.
- Strengthen the design and execution of substantive analytical procedures by developing sufficiently precise expectations based on reliable data; apply investigation thresholds that do not exceed performance materiality; and obtain corroborating audit evidence or performing additional procedures when identified differences exceed those thresholds, rather than relying solely on management inquiries.

Overall, implementation may require updates to audit methodologies, documentation templates, technology-enabled audit procedures and staff training, particularly in relation to risk assessment, control testing, audit evidence evaluation and analytical procedures.

How to Comment on the Proposals

The AASC invites comments on all aspects of the EDs and welcomes feedback from all stakeholders, including auditors, regulators, investors, other users of financial statements, preparers, those charged with governance, and academics, regardless of whether in agreement or disagreement with the proposed revisions.

Respondents are particularly encouraged to provide views on the questions set out in **Section 2 – Questions for Respondents** of ***each EM***, which are intended to solicit feedback on specific matters arising from the proposals. To facilitate the preparation of responses, respondents may submit their comment using the IAASB Response Form to respond to the questions across the four EMs.

To ensure that your comments be considered in the Institute's response to the IAASB, please submit your comments, supported by specific reasons and in writing, by **15 November** via email to commentletters@hkicpa.org.hk.

Comments will be acknowledged and may be made available for public review unless otherwise requested by the respondent.