AASB

Auditing and Assurance Standards Board

Exposure Draft

Proposed revisions to the Canadian Auditing Standards (CASs) for Audit Evidence and Risk Response

This Exposure Draft includes the following:

Proposed CAS 330, The Auditor's Responses to Assessed Risks

Proposed CAS 500, Audit Evidence

Proposed CAS 520, Analytical Procedures

August 2026

Comments to the AASB on this Exposure Draft are due on November 2, 2026.

Comments to the IAASB on its questions are due on December 15, 2026.

The Auditing and Assurance Standards Board (AASB) welcomes feedback from any interested party on any or all the questions posed in this Exposure Draft.

You can provide feedback to the AASB on the proposals in a variety of ways:

- **Engage with the AASB:**
  - Attend a discussion session on this Exposure Draft to provide your views. Session dates and registration information will be posted to the project page; or
  - Participate in field-testing of select requirements in the Exposure Drafts to determine their operability. Participants will also be invited to attend a discussion session with other field testers to share their experiences and learn from one another. If you are interested, please email Birender Gill (bgill@aasbcanada.ca).
- **Write a response letter:**
  - Upload your response via our online form. Response letters can be addressed to:

    Karen DeGiobbi, CPA, CA
    Director, Auditing and Assurance Standards
    Auditing and Assurance Standards Board
    145 King Street West, Suite 500
    Toronto, Ontario M5H 1J8

Note: Response letters will be posted online shortly after this Exposure Draft closes for comment. Confidentiality can be requested when uploading letters via the online form.

The AASB Proposal

The AASB proposes, subject to comments received following exposure, to adopt with appropriate Canadian amendments:

- 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*; and
- proposed conforming and consequential amendments to International Standards on Quality Management (ISQMs) and other ISAs issued by the IAASB.

The result would be revised respective CASs and Canadian Standards on Quality Management (CSQMs).

The AASB has committed to adopting ISAs as CASs and ISQMs as CSQMs. Therefore, the AASB is issuing this Canadian Exposure Draft concurrently with the IAASB Exposure Drafts.

Comments Requested

Responding to the IAASB's Exposure Drafts

Respondents are asked to provide comments on the International Auditing and Assurance Standards Board's (IAASB's) Exposure Drafts directly to the IAASB and to provide the AASB with a copy of the response. Where timing permits, the AASB will take these comments into account when drafting its own response to the IAASB's Exposure Drafts. Respondents are asked not to include comments on matters particular to the Canadian environment in their responses to the IAASB. Such comments should be included only in the response sent to the AASB.

Please refer to the Request for Comments sections in the IAASB's Exposure Drafts and respond to the specific questions therein.

Providing comments to the AASB

The AASB would appreciate receiving responses to the questions set out below, in addition to receiving a copy of the response to the IAASB's Exposure Drafts.

The deadline for providing your comments to the AASB is November 2, 2026.

Questions

1. Do you believe that the proposed changes to ISA 330 (Revised), ISA 500 (Revised) and ISA 520 (Revised) appropriately integrate scalability considerations (i.e., scalable to entities of different sizes and complexities)? If not, what revisions would you suggest?

2. What implementation challenges, if any, might the proposed standards create for practitioners in Canada?

3. Do you agree that there are no additional Canadian amendments required to ISA 330 (Revised), ISA 500 (Revised) and ISA 520 (Revised) to adopt as revised CASs, other than the existing amendment to CAS 500 described below? If not, what Canadian amendments do you believe are required, and why?

   Note: *Any proposed amendments would need to meet the criteria set out in the Appendix.*

4. The AASB anticipates that the IAASB will approve the final standards in December 2027, with a proposed effective date for audits of financial statement for periods beginning at least 18 months after approval. Is the proposed timeline appropriate? If not, please explain your concerns.

Helpful tips when providing feedback:

- Comments are most helpful if they relate to a specific standard and paragraph or group of paragraphs found in the IAASB's Exposure Drafts.
- If you field-test selected requirements in the IAASB's Exposure Drafts, in your response letter, please include:
  - the process followed;
  - the specific requirement paragraphs tested; and
  - the results.
- If you identify a potential issue with a proposed change in the IAASB's Exposure Drafts, we encourage you to clearly explain the issue and include a suggested alternative, supported by specific reasoning.
- The AASB does not expect you to respond to every single question posed – only those to which you feel you can or should respond.

Highlights

This Exposure Draft consists of:

- an explanation of why change is needed;
- a link to the IAASB's Exposure Drafts and its Explanatory Memoranda, including key public interest considerations, the proposed changes and its questions for respondents;
- a description of the AASB's process for adopting ISAs;
- a discussion of proposed Canadian amendments; and
- a proposed effective date.

Please review "Comments requested" on page 3 for information on preparing your response to this Exposure Draft.

Why change is needed

The project began with proposed revisions to ISA 500, for which the IAASB issued an Exposure Draft in October 2022. Feedback to that Exposure Draft indicated that the proposed revisions could do more to address issues related to audit evidence and technology used in the audit. Subsequently, information gathered also highlighted the close interrelationship between audit evidence and the auditor's response to assessed risks, and called for ISA 500, ISA 330 and ISA 520 to be revised concurrently. In response, the IAASB expanded the project to revise the three standards together as an integrated project on audit evidence and risk response.

The IAASB was encouraged to make revisions to:

- support more consistent practice by helping auditors respond effectively to risks of material misstatement, including by strengthening the auditor's work on internal controls;
- modernize the standards to reflect how evolving technology effects the auditor's work in obtaining and evaluating audit evidence; and
- strengthen the exercise of professional judgment and professional skepticism when making judgments about information intended to be used as audit evidence, and obtaining sufficient appropriate audit evidence, particularly in light of the use of emerging technologies in audit engagements.

IAASB Exposure Drafts, Key Public Interest Considerations and Proposed Changes

The IAASB's Exposure Drafts for this project are available on the IAASB's Exposure Draft page:

- Exposure Draft for the Audit Evidence and Risk Response Project Overall;
- Exposure Draft, "Proposed ISA 330 (Revised), *The Auditor's Responses to Assessed Risks*";
- Exposure Draft, "Proposed ISA 500 (Revised), *Audit Evidence*"; and
- Exposure Draft, "Proposed ISA 520 (Revised), *Analytical Procedures*."

In addition to the text of proposed ISA 330 (Revised), ISA 500 (Revised) and ISA 520 (Revised), the IAASB's Exposure Drafts include related Explanatory Memoranda, which provide:

- the key public interest considerations for the project;
- a background and explanation of the key proposed changes to the extant standards; and
- the IAASB's questions to respondents.

Process for adopting ISAs

The AASB has committed to adopting ISAs as CASs and ISQMs as CSQMs. As part of that commitment, the AASB monitors and influences IAASB projects to help ensure proposed revisions serve the Canadian public interest, and issues a Canadian exposure draft for each IAASB exposure draft of a proposed ISA. However, adoption of an international standard as a Canadian standard is not automatic. The AASB follows strict amendment criteria, as outlined in the Appendix, when it considers whether Canadian amendments are required in specific circumstances.

Proposed Canadian Amendments

CAS 330 and CAS 520

The AASB is not proposing any Canadian amendments to ISA 330 (Revised) or ISA 520 (Revised). The AASB has reviewed the proposed requirements and application material in each of these standards against the amendment criteria set out in the Appendix and has not identified any circumstances that would warrant a departure from the IAASB's text.

CAS 500

The AASB is not proposing any new Canadian amendments to the requirements or application material of proposed ISA 500 (Revised).

However, the AASB proposes to retain, in the revised CAS 500:

- the existing Canadian amendment in application paragraph CA59A of extant CAS 500; and
- the appended Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors (Joint Policy Statement).

The proposed application paragraph to be added, set out below, would be unchanged from extant CAS 500.

> CA73A. ~~CA59A.~~ In Canada, when the financial statements prepared by management include amounts determined by or with the assistance of an actuary, communications between the auditor and the actuary are guided by the "Joint Policy Statement Concerning Communications between Actuaries Involved in the Preparation of Financial Statements and Auditors." This Joint Policy Statement is appended to this CAS.

The Joint Policy Statement in the Appendix to CAS 500 would be appended, without change.

These Canadian amendments reflect a circumstance particular to the Canadian environment. In Canada, communications between practitioners and the audit entity's actuary involved in preparation of the financial statements are guided by the Joint Policy Statement, which was approved by the Canadian Actuarial Standards Board and the AASB.

Conforming Amendments to CSQMs and other CASs

The AASB is not proposing any Canadian amendments in adopting the conforming and consequential amendments to the ISQMs and ISAs. However, some of the proposed revisions relate to paragraphs/appendices in the CSQMs and CASs that contain existing Canadian amendments. While these paragraphs/appendices will be revised to reflect the proposed conforming and consequential amendments in this Exposure Draft, the existing Canadian amendments will be retained.

Respondents are asked whether there are any unique circumstances in the Canadian environment that may require other considerations for Canadian amendment(s) to ISA 330, ISA 500 or ISA 520. Any proposed amendments would need to meet the amendment criteria set out in the Appendix.

Proposed effective date

The IAASB expects to approve the final ISA 330 (Revised), ISA 500 (Revised) and ISA 520 (Revised) as a package in December 2027. The IAASB proposes that the three final standards will be effective for audits of financial statements for periods beginning at least 18 months after the approval of the final standards. Earlier application will be permitted.

The AASB's commitment to adopt ISAs as CASs includes aligning the effective date. Therefore, the revised CASs are expected to have the same effective date as the revised ISAs. The AASB makes CASs available shortly after they are approved so those affected can become familiar with them and prepare to implement them by the effective date.

Appendix

Criteria for amending ISAs when adopting them as CASs

With respect to an international standard, issued by the IAASB, adopted as a Canadian standard, the AASB's overriding goal is to adopt the international standard into the CPA Canada Handbook – Assurance without amendment. However, there may be circumstances where amendments are required. The following sets out the limited circumstances when the AASB will make amendments to an international standard:

1. The AASB will limit additions to an international standard to those required to comply with Canadian legal and regulatory requirements.[1]
2. The AASB will limit deletions from, or other amendments to, an international standard to the following:
   (a) The elimination of options (alternatives) provided for in the international standard.
   (b) Requirements or guidance, the application of which Canadian law or regulation[1] does not permit, or which require amendment to be consistent with law or regulation.
   (c) Requirements or guidance, where the international standard recognizes that different practices may apply in different jurisdictions and Canada is such a jurisdiction.
3. The AASB may make amendments to an international standard with respect to requirements or guidance that do not fall within 1 or 2 above when it believes that there are circumstances particular to the Canadian environment where such amendments are required to serve the Canadian public interest and maintain the quality of auditing, assurance and reporting in Canada.
4. To the extent possible, amendments that are:
   (a) Additions to an international standard will not be inconsistent with the current requirements or guidance in the international standard; and
   (b) Deletions from, or other amendments to, an international standard will be replaced by an appropriate alternative that achieves the objective of the deleted requirement.

Proposed amendments to an international standard will be highlighted in exposure drafts of proposed Canadian standards. The AASB will indicate the reasoning for the amendments and respondents will be invited to comment on them, including when the amendment will not result in convergence with the international standard in accordance with the IAASB's guide for national standard setters. Amendments to international standards will be separately identified in the final Assurance Handbook material.

[1] Canadian incorporating and other governing legislation often require entities to prepare financial statements in accordance with Canadian generally accepted accounting principles (GAAP). Accordingly, if Canadian GAAP necessitates a different audit response in Canada, these differences fall within the definition of a legal or regulatory requirement.