

Q1 – General  
Melbourne

- General comments: too lengthy, too rushed, many errors
- Q3 • Concern as to how this would work in the non-banking sector – appears to be a big onus and significant practical challenges particularly mid-tier and small r.
- Q3 • Introduction of concept of low IR – not sufficient guidance. Concern around moderate.
- Q3 • Challenging with 315 in relation to 315 concept of significant risk and 315 does not require testing of controls
- Q2 • Clearly intent is to remove auditor's professional judgement and make things more prescriptive. In efforts to help – hindered by too much detail.
- Q2 • Concern regarding widening gap between practitioner and regulator and this standard appears to be heading down the performance path.
- Q4 • Real concern that an estimate could fall into all 3 buckets and so testing of all buckets – essentially makes scalability a moot point.
- Term reasonable still unclear – no convergence between regulator and practitioner
- Q4c • Appendix 1 is IFRS 9 focuses – this is inconsistent with the principles of the standard – removed as content should be embedded in principles within the standard.
- Would it be helpful to have separate guidance on how to apply in different frameworks ie. IFRS, greenhouse? Separate from the standard. Keep the standard framework neutral and have separate guidance / application papers
- Is it future proof? Hard to say. but keeping it framework neutral will help keep it future proof.
- Q2 • Lot of reference to management in standard. Unless management educated as to their role and obligations problem persist
- How do we as a profession communicate to preparers about their responsibility to provide adequate records / evidence for the auditor
- Continuing issue with expecting the auditor to audit matters which management has not done.

Points made throughout

Don't think AUASB role to comment

Anne / Matthew Q1.

Sydney

- Q2 • Application material too prescriptive and too detailed with not enough practical examples
- Q2 • Standard full of management expectations – significant step up from extant from management perspective. Need to find a way to educate management and set up management not through the auditing standards – ethical standards, accounting standards. Standard is very much from preparers perspective so coming through in auditing standards not appropriate
- Q3 • Concern regarding extent of audit effort for all estimates
- Q4c • Standard mixed in terms of requirements and guidance – not always clear what the specific requirement is
- Difficult to predict the future to the answer to future proofing is not apparent.

Anne / Matthew Q1

## Q2 – Professional Scepticism

### Brisbane

- Q2 • There should be more onus on management to provide appropriate auditable documentation before onus on auditor to audit it
- Way to encourage above – standard to provide example of sufficient deficiency: inappropriate management supporting evidence ⇒ One off comment ⇒ Don't agree
- Q2 • Example of auditing being expected to do more than management/directors – undue burden/auditing standards being more mature: data governance still guidance note from APRA not yet a standard ⇒ Example too Australia specific
- Q2 • Interesting to note that documentation requirements in standard do not call out regarding stand back provision
- Q2 • Don't believe stand back provision will change practice – already done. Good concept though
- Q5/6 • Management ranges > performance materiality – standard still not clear on how to treat

### Melbourne

- Q2 • View expressed for PS to be more explicit in the standard including change in language to more critically assess/challenge. View that standard is still too subtle regarding exercise of PS. ⇒ First time wanting more ⇒ Disagree ①
- Refers to management bias – but auditors don't always link that well to PS. ?
- Management bias is too far back in the standard. Make it more explicit up front. ⇒ It's at front end - disagree
- Doesn't go far enough. ⇒ See ① above
- Q2 • Should it include the word "challenge". Understand reservations on including this word but how to make it more explicit that it isn't just "enquiry". challenge? Critically assess?
- Par 23 requires the auditor to consider contradictory evidence – but needs to be earlier and more emphasis of this in the requirements. ⇒ comes through elsewhere
- Q2 • Tone of the standard needs to be stronger on PS. Not just obtaining information.
- Point estimate – why should the auditor do it if management haven't. ⇒ comes thru' Q5/6
- Needs more in the documentation. ①

### Sydney

- PS is so pervasive should it be coming through each standard individually or in 1 standard above ⇒ ①
- Q2 • Language still corroborative rather than questioning/challenging – for example para 19
- PS in using experts – how far do you go
- Q2 • Scepticism vs paranoia – A101 "other available" "might have been more appropriate" ⇒ indicating look to any other alternatives - way beyond skeptical
- Q2 • Standard currently so prescriptive – losing PJ and PS
- Q2 • How can auditor fulfil responsibility where management not responsible – para 19 and 21
- Q2 [ • Stand back provision – supportive but question regarding expectation of documentation
- Wording of stand back provision is loose/vague – need to be more explicit in wording and state that this is a "stand-back" provision.

Q3 – inherent risk  
Brisbane

- Party Q3
- Interesting that application material giving examples of what is low IR – surely this is client specific?
  - Inherent risk concept being zoned in on – ahead of where 315 may land – viewed as problematic
  - Para 15(a)(iii) – seems a big step up after (i) and (ii) → It's not an and it's an or so disagree.
  - Concern around more work for moderate risk CRA
  - need to test controls – may impact scalability

Melbourne

- Question as to how relevant and beneficial examples in the application are. → Comes through differently
- Don't agree with using low IR to determine scaling. should be consistent with 315
- Para A97 is confusing. So not all the points i... dures? If not needs to be clearer in the standard.
- Concern most / a lot of estimates would fit into the 3 categories. So how is this scalable?
- Auditors will be conservative and do them all
- A72 and A73 examples are confusing and raise questions. Auditors may use them as rules. for example depreciation goes too far
- Need a contra ie this is an example of high, this would be low?

Sydney

- Q3
- IR low is not defined – yet examples given by A72 are ridiculous – would imply that almost every estimate would be captured by standard – so the objective of scalability is contradicted by this paragraph
  - Key controversial point is what is low?
  - Most auditors perform combined risk assessments – so scoping based on IR alone seems contrary to common practice

Q4: - Where IR is not low  
Brisbane

- Q4 • Seems very checklist mentality / prescriptive
- Q4 • struggled to differentiate between judgement and estimation uncertainty – this needs clarification or perhaps collapsed into 1
- Q4 • Whether something is complex may well depend on composition of audit team
- Q4 • Do you need to consider all 3 buckets once you are in not-low

Melbourne

- Q4 • Complexity as a concept is a relative concept that is not addressed in the standard. Relativity depends on skill of audit team, nature of client/skill of client. Suggest some kind of matrix.
- Q4 • Work effort seems to discount auditor's exercise of PS and PJ
- Q3 • Conflict between extant 315 and 540 – in relation to significant risk concept and testing of controls.
- Q3 • Concern regarding whether estimate will ever not be low and be captured by standard.
- Q4 • View that complexity and judgement drive estimation uncertainty – i.e. before estimation uncertainty will always be a bucket.
- Q4 • Fear of loss of PJ and checklist mentality – potentially end up in all 3 buckets and significant change in practice as more estimates will be captured.
- Q3 • Including more prescription / detail around low IR further diminishes exercise of PJ
- Q3 • Not sufficiently flexibility in the standard – intention is there, however concern that will be auditing estimate because you have to, not because real risk.
- Where IR is low – seems to be a big step up in audit effort in 15(a)(iii) ⇒ As before

Sydney

- Q3 • Fundamental issue with use of IR and not ROMM (IR and CR combined). CR should not be taken out of initial determination of work effort
- Q3 • Estimates by their nature would not have low IR, rather it's the CR that determined whether something is really risky (eg stock provisions)
- Q4 • Buckets are a problem: judgement and estimation uncertainty cannot be split, buckets make it difficult to comply and in effect loose scalability because of cross-over. Non-sensical allocations.
- Q4 • Auditors will be spending time on determining buckets rather than reducing ROMM
- Q3/4 • Loosing PS and PJ
- Q3 • Can you ever have an estimate without no judgement

## Q7 – Audit Evidence

### Brisbane

- Q7 • Wide applicability to all standards – have implications been appropriately thought through enough guidance on what to do where auditors and management have used same source
- Not enough guidance on audit effort i.r.t pricing information/VIDA credit checks – where not externally quoted → Too specific.

### Melbourne

- No real issues
- Q7 • May need more application material as to when it is necessary and extent of work required to understand process & the potentially more 3402 type work
- The information may not be available to the auditor so problematic → comes through.
- Q7 • A3311 – different source? doesn't make sense
- Will it result in more 3402 reports, or types of these
- If applicable – when is it applicable or not? ?
- Increases the bar. Agree auditors need to consider but be careful.

### Sydney

- Q7 • Concern whether this is just too much detail
- Is there enough focus on managements consideration → comes through elsewhere.

Q5/Q6: - auditor's range  
Brisbane

⇒ Not for answer to comment

- Q5/6
- Regulators have a different view and this still leaves the issue open with them
  - Still not enough clarity where outside of range
  - reliance on specialists/experts coming through this standard – those standards not updated ?

Melbourne

Q5/6

- Standard clearly trying to introduce concept that all ranges need to be within materiality – this essentially removes concept of auditor's exercise of PS and PJ. Stems from regulator concerns regarding how auditors are using PS/PJ in the establishment of their ranges and thresholds and holding to them consistently.
- Para 20(b) second part of sentence "and other requirements... reporting framework" – should be removed as this donates materiality. Also risk factors can be driven by industry risks not always reporting frameworks.
- Perhaps guidance is needed as to:
  - types of considerations auditors use in the establishment of setting ranges and thresholds
  - mechanisms through which an auditor documents and reconsiders those thresholds in the conduct of the audit

Sydney:

Q5/6

- A128 – standard deems testing to be a substantive analytical procedure and then sends auditor to ISA 520 for more work (4 step approach). Auditors do not deem their work to be a SAP but rather a hybrid of test of detail and SAP – standard not dealing with the way auditors currently audit. Ranges are audited via SAP while point estimates generally a test of detail.
- Standard not providing guidance on when to use a range vs point estimates are large and exceed materiality.

- Paragraph 20 could be more tightly drafted – a bit vague at the moment, should be more specific ?

Q5/6

- There is a disconnect on the concepts of using a 'point estimate' and 'range' – Paragraph 20 refers to using a range but most of the Application Guidance discusses the use of a point estimate. Suggestion there should be a "hierarchy" added into the standard to assist auditors on when to use a point estimate or range.

- The sequencing of the Application Guidance from A128 and A134 doesn't make sense and should be revised → Bigger issues than sequencing so not raised.

Q5/6

- A greater volume of principle based examples would be helpful in the Application Guidance or Appendix on the use of the point estimate or range and how misstatements are calculated. A visual example of how the range applies per paragraph A145 would be a particularly good idea.
- More guidance needed to support auditors on what the requirements are when the extent of range proposed is in excess of materiality levels, especially as experts (e.g. valuers) will not take materiality into consideration when they set their ranges.