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The Chair
Auditing and Assurance Standards Board
PO Box 204
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Our ref ED comment submission ASA
315
Contact Juliet Low (+61 2 9295 3881)

15 October 2018

Dear Sir

Comment submission on AUASB Exposure Draft ASA 315 Identifying and Assessing the Risks of Material Misstatement

We are pleased to have the opportunity to respond to ASA 315 *Identifying and Assessing the Risks of Material Misstatement* exposure draft (ED) issued by the Australian Auditing and Assurance Standards Board (AUASB). This letter represents the views of KPMG Australia.

We understand that the AUASB intends to respond to the International Auditing and Assurance Standards Board's (IAASB's) invitation to comment on ISA 315 *Identifying and Assessing the Risks of Material Misstatement* ED.

The Global KPMG network is still in the process of developing its response to the ISA 315 ED, which will be submitted in accordance with the IAASB's deadline. Accordingly, our response contained herein is not as extensive as the Global response will be, and should be read in conjunction with the KPMG Global response.

Our overarching comments are set out below. Please refer to Appendix 1 to this letter for our views and responses to the specific questions raised by the AUASB for comment.

Overall, KPMG Australia is supportive of the adoption of the proposed Auditing Standard.

We are supportive of the overall direction of the changes proposed to ASA 315 and believe that these broadly achieve the principal objective of the IAASB in relation to this project, i.e. to establish more robust requirements and appropriately detailed guidance to drive auditors to perform consistent and effective identification and assessment of the risks of material misstatement. We also believe that it reflects the rapidly changing business environment, in particular in relation to the use of information technology, and will better foster independence of mind and the application of professional scepticism.

We believe that the proposals represent considerable enhancements to the extant standard, as they provide a stronger foundation for the auditor's risk assessment process, as well as establishing clearer, more granular, requirements, supported by detailed application guidance as to how and why an auditor needs to adhere to these requirements.

However, we do have concerns about certain aspects of the ED, including its application. Our principal concerns relate to the following:

The navigability of the standard

Although we are supportive of the IAASB's decision that the requirements remain principles-based, we note that as a result they are premised on very lengthy and detailed application material, to a much greater extent than is the case for other ISAs. We believe that this structure compounds the difficulties in understanding the intended flow of the standard, which is already complex as a result of its iterative nature.

The complexity of the standard

We highlight that the level of complexity of the standard may give rise to difficulties and potential scope for inconsistency in application of the standard, in particular for audits of smaller and less complex entities. The application material includes high level considerations regarding scalability of the standard, but we recommend that the IAASB consider the inclusion of further clarification and examples as to scalability.

Uncertainty in application of certain requirements in relation to system of internal control

We believe there is scope for inconsistency in application in relation to how to obtain the required understanding of each component of the system of internal control, which may present challenges for auditors of smaller and less complex entities in particular.

We provide more detailed commentary regarding the above in our responses to question 5, set out in the appendix to this letter.

Requirements relating to identification and assessment of risks of material misstatement

The numerous requirements in paragraphs 45 to 50 seem to unnecessarily complicate the risk assessment process.

Paragraph 45 requires the identification of risks of material misstatements, both at the financial statement and assertion level. Paragraph 46 then goes on to require the determination of significant classes of transactions, account balances and disclosures,

and their relevant assertions, based on these identified risks. Paragraphs 47 to 50 require the assessment of the identified risks of material misstatements at the financial statement and assertion levels. Paragraph 48 requires the assessment of the likelihood and magnitude of material misstatement in the assessment of inherent risk for identified risks of material misstatements at the assertion level. Paragraph 49 then specifically requires the determination of whether any of the assessed risks of material misstatement are significant risks. Paragraph 50 requires the assessment of control risk for identified risks of material misstatements at the assertion level.

In practice, it is likely that the 1) identification of risks of material misstatements, 2) determination of significant classes of transactions, account balances and disclosures, and their relevant assertions, 3) assessment of the likelihood and magnitude of material misstatement in the assessment of inherent risk for identified risks of material misstatements at the assertion level and 4) determination of whether any of the risks of material misstatement are significant risks, will be performed in a single inherent risk assessment step. Instead of requiring these four seemingly discrete steps, we propose that starting point be to assess the likelihood and magnitude of material misstatement at the assertion level, which, if high enough, would give rise to significant classes of transactions, account balances and disclosures, and their relevant assertions, and potentially significant risks. Once this has been performed, control risk and the resultant risk of material misstatement can be assessed.

The first step to separately identify risks of material misstatement in particular appears to be duplicative and creates unnecessary complexity in our view.

Incorporation of data and analytics

Lastly, we suggest that the IAASB further explores the impact of data and analytics (D&A) specifically on risk identification and assessment, in terms of whether and how the nature and/or extent of the risk assessment procedures as currently described may change in an audit environment in which the auditor is able to incorporate all transactions into its risk assessment process. As currently described, D&A techniques would appear to be applied in addition to the current requirements of the standard, rather than being an integral part of a possible approach to risk identification and assessment. Paragraphs A33 and A213 touch on this but at a very high level. We recognise that D&A is an emerging area, and that there is a separate project to consider the implications of this on an audit. However, it would be helpful to further acknowledge this area in the ED.

Should you wish to clarify any aspect of KPMG Australia's submission, I would be pleased to discuss. My contact details are julietlow@kpmg.com.au or (02) 9295 3881.



***Auditing and Assurance Standards Board
Comment submission on AUASB Exposure Draft
ASA 315 Identifying and Assessing the Risks of
Material Misstatement
15 October 2018***

Yours faithfully,

A handwritten signature in blue ink, appearing to read 'Juliet Low'.

Juliet Low
Partner

Appendix 1 – KPMG Australia’s views on specific matters highlighted by the AUASB in the Exposure Draft (ED) ASA 315 Identifying and Assessing the Risks of Material Misstatement

1. Has ED 01/18 been appropriately restructured, clarified and modernised in order to promote a more consistent and robust process for the identification and assessment of the risks of material misstatement. In particular:

(a) Do the proposed changes help with the understandability of the risk identification and assessment process?

(b) Are the flowcharts helpful in understanding the flow of the standard (i.e., how the requirements interact and how they are iterative in nature)? If yes, should they be included in the final ISA 315?

(c) Will the revisions promote a more robust process for the identification and assessment of the risks of material misstatement and do they appropriately address the public interest issues outlined in paragraphs 6–28 of the IAASB’s Explanatory Memorandum?

(d) Are the new introductory paragraphs helpful?

We are supportive of the overall direction of the changes proposed to ISA 315 and we believe that these are helpful in addressing the public interest issues identified.

In general, we believe that ED 01/18 has provided significant clarification regarding many aspects of the process for the identification and assessment of the risks of material misstatement, in comparison to the extant standard. In particular, the introductory paragraphs, the flowcharts and the increase in “signposts” or “milestones” help with the understandability of the standard, both in terms of the flow, the overall objectives, and how each part of the process supports the achievement of these objectives. In this regard, we recommend that the flowcharts are ultimately included as part of the standard.

Nevertheless, this is a highly complex standard, with much of this complexity residing in the fact that an auditor executes the procedures required in an iterative, rather than a linear fashion, as described in the Explanatory Memorandum to the ED, as well as in the application material. Furthermore, as we describe in our overarching comments, many “steps” are in practice performed concurrently, and in doing so, implicit consideration is given by the auditor to the results or expected results relating to other aspects of the standard. This level of intricacy, which will vary depending on the engagement circumstances, is challenging to describe in the standard itself, and is also very difficult to capture clearly in flowcharts, which therefore summarise the written material but do not provide more meaningful insights as to its application.

We also note in our overarching comments that the requirements are supported by lengthy and detailed application material, to a much greater extent than is the case for other ISAs. We believe that this compounds the difficulties in understanding the intended flow of the standard.

We consider that the standard would particularly benefit from clearer linkage between the “understanding” obtained regarding each of the components of the entity’s system of internal control and how this is applied in fulfilling the requirements to identify and assess the risks of material misstatement at paragraph 45 onwards. Paragraph 17 describes this understanding as forming the basis for the risk identification and assessment. However, the application material, in particular A201 and A202, focuses more on the inter-relatedness of these aspects of the standard, e.g. that the auditor forms initial expectations and then confirms or updates these, or that information gathered in performing the risk assessment procedures to obtain the understanding is used as audit evidence to support the risk assessment. Paragraph A208 states that the identification of risks of material misstatement at the assertion level is performed before consideration of any controls, which seems to contradict this linkage insofar as risks of material misstatement at the assertion level are concerned.

We suggest that the IAASB consider including further enhancements to the ED to avoid confusion and inconsistency in application of the standard, such as, at a minimum, increased cross-referencing between relevant areas of the standard, in particular in respect of steps that may be performed concurrently. We also recommend that the IAASB may wish to explore alternative or additional flowcharts, or a tabular presentation, to provide a more meaningful summary of the simultaneous nature of the performance of certain key requirements, as well as to illustrate where implicit consideration is made of the results of other steps, and where initial expectations are formed, and then refined, during the performance of certain procedures.

We believe that the introductory paragraphs are helpful, as they “set the scene”, help the auditor to navigate this complex standard, and give emphasis to key overarching concepts, including professional scepticism.

2. Are the requirements and application material of ED 01/18 sufficiently scalable, including the ability to apply ED 01/18 to the audits of entities with a wide range of sizes, complexities and circumstances?

We are supportive of the overall approach taken by the IAASB regarding scalability of the ED, i.e. the establishment of principles-based requirements, supported by detailed application material, including guidance and examples as to how to apply the requirements across entities that vary significantly in terms of size and complexity.

We note that the Explanatory Memorandum, at paragraph 36, states that *“clarifying the requirements related to the understanding of each component of the system of internal control is an important aspect of the proposed enhancements to the standard. Within each component, the IAASB has set out the matters that need to be understood, as well as providing further guidance about the extent and scalability of related procedures, as appropriate.”*

In connection with the above, we welcome, in particular the following enhancements:

- recognition that aspects of the system of internal control may be less detailed / formalised in smaller and less complex entities;
- clarification regarding understanding of the IT environment / identification of risks arising from IT and identification and evaluation of GITCs relevant at smaller and less complex entities;
- recognition that complexity as well as, or even more so than, size of an entity is important. We also support the description of smaller and less complex entities being at one extreme, to help provide a reference point as to how the auditor would apply judgement (paragraph A224) and take into account the nature and circumstances of each entity.

It would be helpful if the IAASB could provide examples as to the execution of certain requirements. The application material contains theoretical guidance that the nature and extent of procedures may vary according to the audit circumstances, including the size and complexity of the entity subject to audit, but this material would benefit from more detailed examples.

Furthermore, the documentation requirements, in their specificity, may be onerous for audits of smaller and less complex entities, as implicitly the judgements in identifying and assessing risks of material misstatement may be difficult to specifically describe. We suggest that the IAASB provide further guidance as to what would be expected in terms of documentation in this area, in particular, the extent to which judgements made en route to a final determination need to be included. We believe it is also critical to clarify the extent of documentation required where, for example, a risk is not significant. While paragraph A245 acknowledges that the auditor is not required to document “every inherent risk factor that was taken into account”, more clarity on the expected extent of documentation will be critical in our view for consistency of application.

3. Do respondents agree with the approach taken to enhancing ED 01/18 in relation to automated tools and techniques, including data analytics, through the use of examples to illustrate how these are used in an audit (see Appendix 1 of the IAASB’s Explanatory Memorandum for references to the relevant paragraphs in ED 01/18)? Are there other areas within ED 01/18 where further guidance is

needed in relation to automated tools and techniques, and what is the nature of the necessary guidance?

We agree with the approach taken and find the illustrative examples helpful. We believe that this is appropriate in terms of the objective of modernizing the standard and making it fit for purpose in today's technological environment.

We are supportive of the approach to avoid the use of terminology that is overly precise/ narrow, or that may be understood differently by various groups, as this is a rapidly emerging field and we recognise the IAASB's intention not to outdate itself at the outset.

However, we suggest that the IAASB further explores the impact of Data and Analytics (D&A) specifically on risk assessment, in terms of whether and how the nature and/or extent of the risk assessment procedures as currently described may change in an audit environment in which the auditor is able to incorporate all transactions into its risk assessment process. As currently described, D&A techniques would appear to be applied in addition to the current requirements of the standard, rather than being an integral part of a possible approach to risk identification and assessment. Paragraphs A33 and A213 touch on this but at a very high level. We recognise that this is an emerging area, and that there is a separate working group/ project to consider the implications of D&A on an audit. However, it would be helpful to further acknowledge this area in the ED.

4. Do the proposals sufficiently support the appropriate exercise of professional scepticism throughout the risk identification and assessment process? Do you support the proposed change for the auditor to obtain 'sufficient appropriate audit evidence' through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement, and do you believe this clarification will further encourage professional scepticism?

Overall, we believe that the proposals are helpful in supporting the appropriate exercise of professional scepticism throughout the risk identification and assessment process. In particular, we agree with the principles-based approach and reference to the concept of professional scepticism in an overarching fashion in the introductory paragraphs, rather than the inclusion of several, individually prescriptive requirements, throughout the standard. We believe that this approach is aligned to the current description of professional scepticism being a mindset/ fundamental behaviour of an auditor.

With regard to the proposal to include a requirement in paragraph 17 for the auditor to "obtain sufficient appropriate audit evidence as a basis for the identification and assessment of risks of material misstatement", we do not consider this concept to be

applicable to separate “steps” in this auditing standard. This terminology is understood in a broader context and the proposed approach does not recognise the cohesive nature of an audit as a whole.

Accordingly, we suggest that the IAASB considers revising the requirement to remove the reference to “sufficient, appropriate” when describing audit evidence.

5. Do the proposals made relating to the auditor’s understanding of the entity’s system of internal control assist with understanding the nature and extent of the work effort required and the relationship of the work effort to the identification and assessment of the risks or material misstatement? Specifically:

(a) Have the requirements related to the auditor’s understanding of each component of the entity’s system of internal control been appropriately enhanced and clarified? Is it clear why the understanding is obtained and how this informs the risk identification and assessment process?

(b) Have the requirements related to the auditor’s identification of controls relevant to the audit been appropriately enhanced and clarified? Is it clear how controls relevant to the audit are identified, particularly for audits of smaller and less complex entities?

(c) Do you support the introduction of the new IT-related concepts and definitions? Are the enhanced requirements and application material related to the auditor’s understanding of the IT environment, the identification of the risks arising from IT and the identification of general IT controls sufficient to support the auditor’s consideration of the effects of the entity’s use of IT on the identification and assessment of the risks of material misstatement?

We are supportive of the IAASB’s aims in enhancing and clarifying this area, as we consider that much of the complexity and scope for inconsistency of application in practice lies in obtaining this understanding. In particular, we welcome the alignment of the categorisation of the components of the system of internal control to the COSO Framework, and therefore the order in which the components of internal control are presented. Additionally, the requirements include greater focus on why we obtain the understanding, with a number of “signposts” or “milestones” that require the auditor to make an evaluation.

However, we suggest that the IAASB consider clarifying that any ‘evaluation’ is made in respect of the overarching objectives of the standard as a whole, and not in respect of any specific matter in isolation.

We believe there is scope for inconsistency in application in relation to how to obtain the required understanding of each component of the system of internal control, which may present challenges for auditors of smaller and less complex entities in particular.

For example, we believe there is an intentional difference in respect of the understanding obtained over the information system and communication component of the system of internal control, and that an auditor is required to identify the controls relevant to financial reporting that are embedded in this component and to evaluate the design of this system by evaluating the design and implementation of these controls, but is not required to perform a similar evaluation in respect of the controls in the other components, other than to identify whether there are any controls relevant to the audit within these components. We suggest that the IAASB clarify whether this is an intentional difference.

We believe that the ED may give rise to uncertainty and inconsistency in application with regards to the understanding that is required to be obtained in respect of the information system and communication component of the system of internal control at paragraph 35(a)–(d) and how this relates to the evaluation of the design and implementation of the information system controls relevant to financial reporting required by paragraph 36. It is unclear whether the requirement at paragraph 36 is achieved through the performance of paragraph 35, or whether it is considered as part of the performance of paragraph 35. This is compounded by a lack of clarity as to how this understanding is obtained.

Furthermore, we are concerned that the ED does not sufficiently clarify which controls reside in the information systems component and which in the control activities component and how these interrelate, if at all.

At paragraph 37 of the EM, the IAASB notes that “Controls relevant to the audit are primarily direct controls and controls in the controls activities component. However, the auditor may identify certain controls in the control environment, the entity’s risk assessment process or the entity’s process to monitor controls as relevant to the audit because they address risks of material misstatement at the assertion level.”

The above leads to a lack of clarity as to the distinction between the nature of the controls in the information system component and the control activities component, including whether controls over the flow of information are direct and why controls in the information system component are relevant to financial reporting whereas controls in the control activities components are relevant to the audit, and how these concepts are connected. There is also uncertainty in relation to the work needing to be performed over controls that are relevant to financial reporting.

We consider that the standard would particularly benefit from clearer linkage between the “understanding” obtained regarding each of the components of the entity’s system of internal control and how this is applied in fulfilling the requirements to identify and assess the risks of material misstatement at paragraph 45 onwards. Paragraph 17

describes this understanding as forming the basis for the risk identification and assessment. However, the application material, in particular A201 and A202, focuses more on the inter-relatedness of these aspects of the standard, e.g. that the auditor forms initial expectations and then confirms or updates these, or that information gathered in performing the risk assessment procedures to obtain the understanding is used as audit evidence to support the risk assessment. Paragraph A208 states that the identification of risks of material misstatement at the assertion level is performed before consideration of any controls, which seems to contradict this linkage insofar as risks of material misstatement at the assertion level are concerned. The reference to “significant classes of transactions, account balances and disclosures” in the requirement at paragraph 35(a), in relation to the understanding of the information system relevant to financial reporting, also seems to contradict the notion that the understanding of this component of internal control is considered in identifying the risks of material misstatement, i.e. significant classes of transactions, account balances and disclosures).

We welcome the additional granularity regarding the types of controls that are relevant to the audit in paragraph 39. We also find the clarification in the application material that most controls, although not necessarily all, that are relevant to the audit will be direct controls, and that these will reside in the Information System and Communication, and Control Activities components, helpful.

Notwithstanding the above, this is a complex area. We recommend that the IAASB introduce further clarity regarding paragraph 39(e), which refers to controls for which it is appropriate to evaluate their design and determine whether they have been implemented to enable the auditor to identify and assess the risks of material misstatement at the assertion level. This is difficult to implement – how can you “know what you don’t know” unless you identify and evaluate all the controls. We believe that this concern applies irrespective of the size or nature of the entity, although the work effort to identify these controls may seem disproportionate in a smaller entity.

We support the introduction of the new IT-related concepts and definitions and agree that these are necessary to ensure that ASA 315 remains fit for purpose in a modern environment.

In respect of the IT environment, we note that the description/ definition at A7 and A8 is very technical and may not be clearly understood by auditors.

6. Will the proposed enhanced framework for the identification and assessment of the risks of material misstatement result in a more robust risk assessment? Specifically:

(a) Do you support separate assessments of inherent and control risk at the assertion level, and are the revised requirements and guidance appropriate to support the separate assessments’?

(b) Do you support the introduction of the concepts and definitions of ‘inherent risk factors’ to help identify risks of material misstatement and assess inherent risk? Is there sufficient guidance to explain how these risk factors are used in the auditor’s risk assessment process?

(c) In your view, will the introduction of the ‘spectrum of inherent risk’ (and the related concepts of assessing the likelihood of occurrence, and magnitude, of a possible misstatement) assist in achieving greater consistency in the identification and assessment of the risks of material misstatement, including significant risks?

(d) Do you support the introduction of the new concepts and related definitions of significant classes of transactions, account balances and disclosures, and their relevant assertions? Is there sufficient guidance to explain how they are determined (i.e., an assertion is relevant when there is a reasonable possibility of occurrence of a misstatement that is material with respect to that assertion), and how they assist the auditor in identifying where risks of material misstatement exist?

(e) Do you support the revised definition and related material, on the determination of ‘significant risks’? What are your views on the matters presented in paragraph 57 of the IAASB’s Explanatory Memorandum relating to how significant risks are determined on the spectrum of inherent risk?

We support the separate assessments of inherent and control risk at the assertion level, and we consider that the related requirements and guidance are clear. We believe this amendment results in better alignment to ASA 330.7, which requires the auditor to consider inherent risk and control risk separately in order to respond, and it also aligns to the amendments already made to ISA 540 in this regard.

As discussed above, we suggest that the IAASB consider whether the concept of ‘identification of a risk of material misstatement’ (versus assessment of a risk of material misstatement) can be dropped, given the separation of assessments of inherent and control risk.

We are supportive of the introduction of the “spectrum of inherent risk” and believe that this will help us to understand that this may vary smoothly, rather than being the binary assessment of significant versus non-significant that we make at present. We are also supportive of the IAASB’s conclusion to retain the concept of significant risk on the basis that other ISAs contain the concept of significant risk and therefore ISA 315 needs to align to this.

Together with the updated definition of significant risk, the concept of a spectrum of inherent risk helps the auditor to focus on the nature of the risks themselves, rather than requiring a determination as to whether a risk is significant based on the expected audit response, i.e. whether the risk requires “special audit consideration”.

We support the IAASB’s preliminary conclusion that significant risks are best represented by a high likelihood of occurrence or high magnitude of potential misstatement (rather than ‘and’), and consider that the auditor will apply its professional judgement as to whether a matter is actually a significant risk.

However, we have some concerns about the description in A229 that significant risks are “assessed close to the upper end of the spectrum” and suggest referring instead to “at the upper end of the spectrum”.

We are supportive of the inclusion of the new concepts and related definitions, however, we recommend that the IAASB provides further information to support the definitions, such as examples of “classes of transactions” and “account balances” and the distinction between the two.

We note that one of the intentions of the IAASB is to clarify the scope of the auditor’s understanding of the information system, and the auditor is required at ED 01/18.35(a) to “understand how information relating to significant classes of transactions, account balances and disclosures flows through the entity’s information system.” We believe that this is helpful as it clarifies when such understanding needs to be obtained.

We also support revisions to the definition that better focus on a significant risk being assessed by reference to the spectrum of inherent risk, rather than on the response to the risk. It better enables compliance with the requirement in the extant standard at paragraph 27 to identify significant risks excluding the effects of controls, i.e. based on the inherent risk alone.

7. Do you support the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level, including the determination about how, and the degree to which, such risks may affect the assessment of risks at the assertion level?

Yes, the guidance better clarifies how risks that affect a number of assertions have a more pervasive effect on the financial statements and therefore need to be assessed to develop overall responses, as well as the consideration of how such risks affect the assessment of risks of material misstatement at the assertion level.

8. What are your views about the proposed stand-back requirement in paragraph 52 of ED 01/18 and the proposed revisions made to paragraph 18 of ASA 330 and its supporting application material? Should either or both requirements be retained? Why or why not?

We do not believe that it is critical that ED 01/18 include a standback requirement, since there is greater emphasis now on the iterative nature of the risk assessment process, as well as the increased clarity in respect of how and why to perform each step.

However, given the complexity of the standard and the fact that many of the steps are performed concurrently, which necessitates the auditor to continually update its understanding and consideration of views formed and assessments made, we believe that overall it may be helpful to have a standback at the end of the risk assessment process, before the auditor proceeds to the execution of responses.

We do not consider it appropriate to retain the standback at ISA 330.18, as we believe that the placement of this requirement at a relatively advanced stage of the audit, as well as the specific language used ("irrespective of [the risk identification and assessment procedures performed]") may serve to reduce the emphasis on the risk identification and assessment process as a critical part of the audit process.

9. Other requests for comment

We do not have any other specific comments in respect of the questions posed.

We believe the effective date to be a reasonable implementation period.

Australian specific questions

10. Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?

We believe the applicable laws and regulations have been appropriately addressed and no references to relevant laws or regulations have been omitted.

11. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

We do not believe any applicable laws and regulations may impact or conflict with the proposed standard.

12. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

We are not aware of any principles and practices that may impact the application of or conflict with the proposed standard.

13. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the



requirements of the proposed standard? If significant costs are expected, the AUASB would like to understand:

- (a) Where those costs are likely to occur;**
- (b) The estimated extent of costs, in percentage terms (relative to audit fee); and**
- (c) Whether expected costs outweigh the benefits to the users of audit services?**

We expect to incur costs associated with training and coaching auditors to apply the changes in requirements. It is difficult to estimate the extent of costs or the proportion of audit fee, as each audit will be impacted in a different manner depending on its size and complexity. We consider that the increase in costs will generally benefit audit quality and therefore the users of audit services.

However, we note that incremental costs may be incurred where the auditor is required to comply with the documentation requirement in paragraph 54(d) relating to the rationale for the significant judgements made in identifying and assessing the risks of material misstatement. We expect that the more extensive documentation requirement in paragraph 54(d) of the ED will increase the time spent on documentation, particularly for smaller firms, without an associated benefit for users of audit services.

14. What, if any, implementation guidance auditors, preparers and other stakeholders would like the AUASB to issue in conjunction with the release of ASA 315 (specific questions/examples would be helpful).

Considering the current status of the ISA 315 project, we cannot at this time identify specific implementation guidance that we would like the AUASB to issue in conjunction with the release of ASA 315.

15. Are there any other significant public interest matters that stakeholders wish to raise?

No, there are no other significant public interest matters that we wish to raise.