08. IRBA

We 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.

09. UK Financial Reporting Council

We support the additional guidance related to the auditor’s identification and assessment of risks of material misstatement at the financial statement level. We also agree with the IAASB that the additional guidance has clarified the relationship between financial statement level risks and risks of material misstatement at the assertion level. In addition, in combination with the enhancements to the guidance related to the auditor’s understanding of the entity’s system of internal control (particularly ‘indirect controls’) we believe that the relationship between the components of internal control and financial statement level risks is clearer.

11. Australian AASB

Yes, the AUASB agrees that the additional guidance in relation to financial statement level risks explains how these are assessed at the assertion level. To improve the standard we consider paragraph 47 (a) and 48 (b) are duplicative and recommend they are combined (or more clearly distinguished). We also consider that auditors find this difficult in practice and more guidance or examples could be provided. We note that Appendix 2 only includes examples of risks of material misstatement at the assertion level. We suggest that this Appendix should also include at least one example of risk of material misstatement at the financial statement level, and how this may affect the assessment of risks at the assertion level.

12. Canadian AASB

- Yes, we support the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level. The guidance assists auditors in appropriately determining how risks at the assertion level may be affected by the assessment of risks at the financial statement level.

- We suggest that the flowchart entitled “ISA 315 (Revised) Identifying and Assessing the Risks of Material Misstatement” be amended to include a solid line instead of a dotted line between the identification of risks of material misstatement at the financial statement level (paragraph 45(a)) and the assessment of inherent risk (paragraph 48). This is because paragraph 48(b) requires the auditor to take into account how the risks of material misstatement at the financial statement level affect the assessment of inherent risk at the assertion level.
13. CNCC-CSOES

We do not find that the additional guidance in relation the auditor’s assessment of risks of material misstatement at the financial statements level sufficiently clear and explanatory. This guidance appears superfluous, repeating the requirements in the standard without providing additional guidance.

14. Hong Kong Institute of CPAs

Additional guidance or application material should be provided on the interaction between risks of material misstatement at the financial statement level and assertion level.

15. IDW

We support the fact that in paragraph A207 the draft did not change the description of what a risk of material misstatement at the financial statement level is. However, given the importance of this description and the fact that it is required, we believe that this description should be moved to the definitions section of the standard. With respect to the requirements, from a process point of view it would make sense to do 47 (b) first to address overall responses prior to addressing the specific responses to address (a) because some overall responses will have an impact on the assessment of inherent or control risk in (a). For this reason, we would reverse the order of (a) and (b). Aside from the wording changes that would result from our responses to question 6 above, we found paragraph A216 to be difficult to understand and we believe that in the first bullet of A219 the phrase “risk of management misrepresentation” ought to be changed to “risk of material misstatement due to fraud”, since this is the term normally used in the ISAs and the term “management misrepresentation” is currently undefined, even if it is currently used in one other place in the ISAs.

16. Japanese Institute of Certified Public Accountants

We support the inclusion of additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level. We have the following comments with respect to relevant application materials.

- Paragraphs A215 and A217 (Risks related to management override of controls)
  - In paragraph A215, the risk of management override of controls is illustrated as an example of the risk of material misstatement due to fraud at the financial statement level that cannot be associated with a particular assertion. Paragraph A217 also states that risks of material misstatement due to fraud may be relevant to the auditor's consideration of the risks of material misstatement at the financial statement level, and the risk of management override of controls is illustrated as an example.
  - ISA 240 states that, although the level of the risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Paragraphs A215 and A217 in ED-315 seem to indicate that a risk related to management override of controls is treated as a risk of material misstatement at the financial statement level in all audits, and therefore we are concerned that it may cause the misunderstanding that an overall response in accordance with paragraph 29 of ISA 240 is required for all audits.
  - We believe that it is necessary to clarify that the risks related to management override of controls may be determined as a fraud risk either at the assertion level, or at the financial
statement level depending on the circumstances.

- The first sentence of paragraph A215
  To be consistent with the second sentence, "more" should be deleted.

  Because risks of material misstatement at the financial statement level have a pervasive effect on the financial statements, it may not be possible to identify the specific assertions that are more susceptible to the risk (e.g., risk of management override of controls). In other cases, a number of assertions may be identified as susceptible to the risk, and which may therefore affect the auditor’s risk identification and assessment of risks of material misstatement at the assertion level.”

- Paragraph A216
  We propose to delete it, as it is not useful guidance.

17. Malaysian Institute of Accountants
We consider this additional guidance useful.

18. Nederlandse Beroepsorganisatie van Accountants

- Misstatements will always occur in account balances, classes of transactions or in disclosures. This goes for risks of material misstatement at the financial statement level and for risks of material misstatements at the assertion level. In our opinion there are more levels that can lead to material misstatements. For instance risk of material misstatement can result from doing business in a certain geographical area, divisions, subsidiaries or processes within the business process of a group or product groups.

- Although we do not suggest to alter the ISAs to reflect this we suggest to make it clear that these kind of risks are covered by the risks at the financial statement level. We feel that this would help users to better understand the risk of material misstatement at the financial statement level.

- Risk at the assertion level are relevant when these risks alone or aggregated can lead to material misstatement. We feel that this concept is not well explained. In principle all misstatements can together with other misstatements lead to material misstatements. We advise the IAASB to explain in the standard how this should be applied.

- In the requirements little attention is paid the risks at the financial statement level and these risks are also dealt with rather late in the ED. We recommend to pay more attention to these risks in the requirements and at an earlier stage in the process.

- Management override and relating concerns about management’s integrity are mentioned as concrete example in the application material. Another example that could be mentioned is a material uncertainty relating to going concern. It could be stated more clearly that it is difficult to determine how this affects the assessment of risks at the assertion level and that this depends on the specific circumstances.
19. National Board of Accountants (Tanzania)

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 are helpful.

20. NZ Auditing and Assurance Standards Board

The NZAuASB supports the additional guidance on the auditor’s assessment of risk of material misstatement at the financial statements level. The feedback received from the NZAuASB’s constituents indicates that additional examples of risks of material misstatement at the financial statements level (in addition to the commonly used fraud risk) is welcome. Similarly, additional examples to illustrate the auditor’s response to the identified risks of material misstatement at the financial statements level is likely to enhance the understandability of ED-315 in this regard.

21. Altaf Noor Ali Chartered Accountants

A7: Yes.

22. BDO International

We support the requirement to assess financial statement level risks. However, more clarity is required in how to perform the assessment of financial statement level risks, especially regarding the effects of these financial statement level risks on the assessment of risks at the assertion level.

24. Crowe International

The additional guidance is welcome and practical, and will assist the application of the standard.

25. Deloitte

DTTL agrees with the guidance on risks of material misstatement at the financial statement level; however, the guidance is currently in various paragraphs throughout the proposed standard. DTTL believes that the guidance could be better organized to more clearly articulate the proposed standard by consolidating where the guidance is located.

26. EY Global Limited

Yes, we believe that this guidance provides useful clarification about the nature of risks at the financial statement level and how such risks are assessed.

27. Grant Thornton International

We believe that the additional guidance in relation to the auditor’s assessment of risk of material misstatement at the financial statement level could be improved by the inclusion of examples of specific financial statement level risks that would affect the assessment of risks at the assertion level and examples of those that would not. Examples of financial statement level risks that could affect the assessment of risk at the assertion level could include uncertainty about the ability of an entity to continue as a going concern or the impact of a business combination. An example of a financial statement level risk that does not necessarily have an impact on the assessment of risk at the assertion level could be the presumed risk of
management override of controls, unless a specific risk of management override has been identified and assessed by the auditor.

28. KPMG IFRG Limited

We consider that the additional guidance better clarifies that when risks affect a number of assertions, the risks have a more pervasive effect on the financial statements and therefore this needs to be assessed to develop overall responses, as well as to consider how such risks affect the assessment of risks of material misstatement at the assertion level. We also support the focus on, and clearer linkage between, control deficiencies identified in the system of internal control and the implications for the audit in terms of designing and implementing overall responses.

29. MNP LLP

Yes, we support the additional guidance in relation to the assessment of risks of material misstatement at the financial statement level.

30. PwC International

We fully support the need to consider how pervasive risks might increase the risk at the assertion level for a particular financial statement item. However, we find the articulation of the requirements addressing the relationship between risks at the financial statement level and risks at the assertion level to be unclear. We agree that the auditor takes into account the potential effect of financial statement level risks when thinking about risks at the assertion level. However, it is unclear how the auditor is supposed to determine “the degree to which” financial statement level risks affect the assessment of risks of material misstatement at the assertion level - how is this to be measured and what are the consequences of varying degrees? The application material does not address this aspect of the requirement. This same concern also applies to paragraph 48(b). Furthermore, the requirement to “determine” an effect also implies a quantifiable judgement, which we believe is unrealistic and creates an onerous and impractical documentation expectation. We also question the intent of the requirement in paragraph 47(a), given the almost identical requirement in paragraph 48(b).

31. RSM International

We support the additional guidance to paragraph 47. However, we believe that determining financial statement level risk with reference to ‘the degree to which’ such a risk may affect risk at the assertion level is likely to be subjective and inconsistent. It is not clear, for example, how auditors can assess ‘the degree to which’ a common financial statement level risk such as going concern affects risks at the assertion level.

32. Office of the Auditor-General of Alberta

In our view, the concept of risks at the financial statement level may not be helpful, because all assertions are about components, which are also at the financial statement level. The concept seems to be about pervasiveness of risks i.e. risks that impact many assertions, but this does not mean that these are new kinds of risks that are somehow different in nature. Or it may mean risks like the going concern assumption is no longer valid, which do not impact any particular component and may related more to issues of the acceptability of the applicable financial reporting framework. There are few risks which are not identifiable with any particular component(s). It may be more useful to emphasize instead that all risks of material misstatements that are risks at the component level are by definition risks at the financial statement level,
and that there may be engagement risks such as the risk that the going concern assumption may not be valid, for which the auditor has specific reporting responsibilities under ISA 570.

33. Office of the Auditor-General of Canada

Yes, in our view, additional guidance and examples of risks of material misstatement at the financial statement level would improve the auditors understanding of how to meet the requirements expressed in paragraph 47 to identify and assess risks at the financial statement level.

35. US Government Accountability Office

We support the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level, including determining how, and to what degree, such risks may affect risk assessment at the assertion level.

36. Swedish National Audit Office

We would suggest a reference to paragraph 44 instead of 43 in paragraph A218. We also noticed that paragraph 44 is silent on evaluating any effects on the risk of financial statement level when there is a control deficiency (those deficiencies that may have an impact on the financial statements as a whole). Some guidance in this area may be considered by the IAASB.

38. ACCA-CAANZ

We have no specific comments on this guidance.

39. Accountancy Europe

- We do not find the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statements level sufficiently clear and explanatory.

- This guidance is superfluous, repeating the requirements in the standard without providing additional guidance. Therefore, we do not think that this additional guidance is necessary. This is an example of the standard being unnecessary lengthy and complex.

- In addition, the application material (paragraph A.215) does not make it clear whether instances where such risks can be contained at the assertion level or should still be categorized at the financial statement level.

40. AICPA

Yes.

42. Chartered Institute of Public Finance & Accountancy

More work is required on this guidance. CIPFA agrees that ED-315 provides more information on the nature of risks of material misstatement at financial statement level, but more clarity is needed on how these relate to the assessment of risks at the assertion level.
43. CPA Australia

The requirement in paragraph 47 is somewhat circular in that it focusses on the impact on risks at the assertion level and on the responses to assessed risk under ISA 330. This doesn’t provide clarity about how risks at the financial statement level are actually determined without pre-empting how those risks will influence these other matters.

44. EFAA

We have no comments.

45. Finnish Association of Authorised Public Accountants

No comments about the additional guidance.

46. Fed of Prof Council of Economic Sciences (Argentina)

- We agree with paragraph A216 when establishing that risk assessment at the Financial Statements level should be considered for the evaluation of the inherent risk.
- Related to paragraph A219, which establishes the possibility of not accepting work if there are doubts about the integrity of those responsible and the reliability of the accounting records. Should clarify that this depends on the legislation of each jurisdiction (as it does in A220).

47. FSR Danske Revisorer (Denmark)

- In our view, the additional guidance does not add any value. The additional guidance only states the obvious, which is that financial statement risks that are pervasive, increase the risk at the assertion level.
- The requirements and related application guidance only add to the complexity of the standard. In our opinion, these pervasive risks, where identified, should be reflected in the assessment of risk of material misstatements in the financial statements, in a way that procedures can be designed to appropriately address the identified risks. For example, regarding going concern, where appropriate audit procedures need to be performed to ensure that the going concern principle is appropriately taken into account. The concept of identifying assertions is usually not relevant when addressing these types of pervasive risks, as it is only when the risk cannot be addressed that assertions become relevant.

48. Interamerican accounting association (South America)

Yes, we support. We understand that the additions to the requirements in paragraphs 25 and 26, and A118 to A131 of the current ISA 315 (Revised) will greatly improve the auditor's performance in determining and assessing risks at the assertion level.

49. Instituto dos Auditores Independentes do Brazil

The requirement to assess financial statement level risks is appropriate. However, more clarity is required in how to perform the assessment as it can be different from the assessment at an assertion level. We also support the focus on and clearer linkage between control deficiencies identified in the system of internal control and the implications for the audit in terms of designing and implementing overall responses.
51. Institute of Chartered Accountants in England and Wales

The additional guidance relating to determining financial statement level risk needs more work. The reference in proposed paragraph 47 to ‘the degree to which’ such a risk may affect risk at the assertion level is somewhat circular, as well as being problematic in other respects. It is not clear, for example, how auditors can assess ‘the degree to which’ a common financial statement level risk – going concern – affects risks at the assertion level. Doubts about the going concern status of an entity affect valuation and disclosure at the assertion level but these are assertions per se, not risks at the assertion level. Documentation of this assessment is likely to be subjective and inconsistent.

52. Institute of Chartered Accountants (Ghana)

Yes we do. The additional guidance was presented in a way that is easy to understand. From the “Entity’s system of internal controls”, the concept of ‘indirect controls’ – (control environment, entity’s risk assessment process and entity’s monitoring of internal control) is that a deficiency in these controls will cause a risk of material misstatement at the financial statement level and the related pervasive effect of this on the risk of material misstatement of numerous assertions in the financial statement was most enlightening.

53. Institute of Chartered Accountants of Pakistan

We recognize that that the additional guidance in relation to financial statement level risks explains how these are assessed at the assertion level. However, we consider that auditors’ in general find this difficult in practice and more guidance or examples could be provided. Further, example/s of risk of material misstatement at the financial statement level and how this may affect the assessment of risks at the assertion level should be provided in the appendix to the revised standard.

54. Institute of Chartered Accountants of Scotland

We do not find the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statements level sufficiently clear or explanatory. Rather than being applicable in practice, this guidance is superfluous and does not necessarily fit naturally within the application material. This is another example of material that leads to the standard being unnecessarily lengthy and complex.

55. Institute of Chartered Accountants (Zimbabwe)

Yes. The guidance provided in the application material is appropriate especially given the pervasive nature of risks at financial statements level which have more than one assertion affected.

57. Institute of Public Accountants

The IPA support the additional guidance in relation to the auditor’s assessment of risk of material misstatement at the financial statement level.

58. Institute of Singapore Chartered Accountants

- For assessed risks of material misstatements at the financial statement level, the IAASB could clarify if the auditor needs to determine whether any of these risks are significant risks.
- Based on paragraphs 47 and 49 of ED-315, it would appear that the auditor would not need to make this determination. The auditor is only required to determine how, and the degree to which, such risks
affect the assessment of risks of material misstatement at the assertion level and to evaluate the nature and extent of their pervasive effect on the financial statements.

- In comparison, paragraph 25 of ISA 240, The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements requires the auditor to identify and assess the risks of material misstatement due to fraud at the financial statement level, and at the assertion level for classes of transactions, account balances and disclosures. Paragraph 27 of ISA 240 further requires the auditor to treat those assessed risks of material misstatement due to fraud as significant risks. For example, management override of controls is a risk of material misstatement at the financial statement level and is required in paragraph 31 of ISA 240 to be considered as a significant risk.

- Hence, the clarity should be enhanced to reconcile the requirements in ISA 315 and ISA 240.

- In addition, we suggest that the IAASB provides examples of risks of material misstatement that can exist at the financial statement level, and to demonstrate how the suggested overall audit responses in paragraph A1 of ISA 330, The Auditor’s Responses to Assessed Risks can address such risks of material misstatement. In practice, only the risk of management override of controls would be typically identified as a risk of material misstatement at the financial statement level.

- Paragraph A1 of ISA 330 provides suggested overall responses that the auditor could implement to address risks of material misstatement at the financial statement level. The IAASB may wish to consider making reference to paragraph 29 of ISA 240 which stipulates the responses required when these assessed risks are due to fraud.

59. Malaysian Institute of CPAs

We support the additional guidance which would be useful 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.

61. PAFA

- PAFA supports the requirement to assess risks of material misstatement at financial statement level with a clear link to the overall responses to such risks in ISA 330. PAFA also agrees that it is appropriate to determine how risks at the financial statement level may affect the assessment for risks of material misstatement at the assertion level, and, furthermore, that the auditor may decide during the assessment of risks of material misstatement at assertion level that some risks relate to more than one assertion and update the identification of risks at financial statement level.

- PAFA agrees that the auditor’s assessment should, among others, be influenced by his/ her understanding of the entity’s system of internal control. It is suggested that the application material in paragraphs A218-A219 be expanded to specifically relate risks at the financial statement level to the auditor’s understanding of indirect controls, similar to how direct controls primarily address potential risks of material misstatement at the assertion level.

62. SAICA (South Africa)

- A vast majority [82% (86/105)] of survey respondents predominantly agree that the revisions will enhance a better understanding and application of how the auditor assesses risks of material misstatement at the financial statement level.
SAICA supports the requirement to assess risks of material misstatement at financial statement level with a clear link to the overall responses to such risks in ISA 330. We also agree that it is appropriate to determine how risks at the financial statement level may affect the assessment for risks of material misstatement at the assertion level, and, furthermore, that the auditor may decide during the assessment of risks of material misstatement at assertion level that some risks relate to more than one assertion and update the identification of risks at financial statement level.

We agree that the auditor’s assessment should, among other, be influenced by his/her understanding of the entity’s system of internal control. It is suggested that the application material in paragraphs A218-A219 be expanded to specifically relate risks at the financial statement level to the auditor’s understanding of indirect controls, similar to how direct controls primarily address potential risks of material misstatement at the assertion level.

63. SMPC

We are concerned that the complexity and inconsistent use of terminology will lead to considerable confusion. Furthermore, documentation of this assessment of risks of material misstatement at the financial statement level will be highly subjective and lead to inconsistencies in practice.

65. Chartered Accountants Academy (Zimbabwe)

The guidance provided in the application material is appropriate especially given the pervasive nature of risks at financial statements level which have more than one assertion affected.

66. FocusRoi Inc.

We support the additional guidance.

67. Lynessa Dias

As noted in the additional guidance, the risk of material misstatement at the financial statement level resulting from the risk of management override of controls could pervasively impact business processes at the assertion level and as a result affect the overall integrity of financial information. Based on materiality levels for an entity and significant financial statement balances that could effectively alter decisions of stakeholders, the assessment of risk of material misstatement at the financial statement level, as noted in the standard, should extend to related process controls and their effectiveness to mitigate inherent risks.