

**Responses to ED-315<sup>1</sup>**  
**Comments on 'Effective Date'**  
**NVivo Report 2A**  
**(FOR REFERENCE)**

08. IRBA

It is important that the IAASB provides a sufficient period to support the effective implementation of the final ISA 315 (Revised). This is particularly important since one of the focus areas of ED-315 is the enhanced risk assessment requirements that will be performed by auditors early on in their clients' financial reporting periods, immediately before the effective date. As such, we agree with the IAASB's proposed effective date for financial reporting periods ending 18 months after the approval of the final ISA 315 (Revised).

11. Australian A&A Standards Board

The AUASB supports the proposed effective date of the standard.

12. Canadian AASB

We support that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final ISA.

13. CNCC-CSOEC

Concerning the effective date of the revised standard, we consider it too soon. We believe it is essential for the IAASB that sufficient time be given to finalize the standard. The IAASB should therefore set a more realistic timeline for revising this standard.

15. IDW

The draft represents not only a substantive revision, it also represents the greatest change in audit process since the original issuance of ISA 315 and ISA 330 around 2004. Not only will translation, and its due process, of such a lengthy standard require considerable time that can be measured in several months, the due process, including stakeholder outreach, will also likely require several months. Not to be underestimated is the impact on national standards and guidance for certain audits of financial statements that would also need to be aligned prior to making this standard effective. We are therefore looking at least a year for translation, due process and the impact upon other national standards. In addition, firm methodologies and other guidance, particularly those for mid-sized and smaller practices that are not members of the larger international networks cannot begin to be adjusted for the new standard until at least the translation process is complete. Furthermore, once the methodologies and other guidance have been adjusted, considerable training of firm partners and staff would be needed. We expect the adjustment of methodologies and guidance together with training to take another year.

For these reasons, we believe that an appropriate effective date for the standard would be for financial reporting periods beginning at least two years after the approval of a final ISA.

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<sup>1</sup> Exposure Draft International Standard on Auditing 315, *Identifying and Assessing Risks of Material Misstatement*

#### 17. Malaysian Institute of Accountants

As there are substantive revisions to the standard, the proposed effective date is reasonable and provides a sufficient period to support effective implementation of the final revised standard.

#### 18. Nederlandse Beroepsorganisatie van Accountants

We consider a period of 18 months for implementation after approval of the final ISA a reasonable period. We support earlier implementation as ISA 540 will be applicable earlier and the ISAs are interrelated.

#### 19. National Board of Accountants (Tanzania)

The effective date should at least be 24 months after the approval to ensure availability of adequate time period for auditors to get familiar with a number of new proposed requirements. Earlier adoption should be permitted and encouraged.

#### 20. NZ Auditing and Assurance Standards Board

The NZAuASB supports an effective date of approximately 18 months after approval of the final ISA with early application permitted and encouraged. We believe that 18 months allows sufficient time for national due process

#### 22. BDO International

As we noted earlier in our response, given the volume of changes represented by ED-315 and the consequential and conforming changes affecting other ISAs, this is likely to have a significant impact on many audit firms' methodologies. This could include revising internal guidance and the provision of training materials, combined with a lengthy lead-in time to make modifications to automated tools and techniques. As a result, we support an Effective Date which has a **minimum** of 18 months from the point at which the final ISA is published.

#### 23. Baker Tilly

Given the significance of the proposed changes in ED-315, we believe that the proposed effective date should be extended to at least 24 months after the date that the revised standard is issued in order to allow firms sufficient time to update their audit methodologies.

#### 24. Crowe International

We agree with the proposal regarding the effective date of the standard.

IAASB outreach about the implementation of the standard during this period is essential.

#### 25. Deloitte

As the proposed standard is focused on risk assessment, which requires the auditor to make changes early in the audit process, DTTL is supportive of an effective date for financial reporting periods beginning approximately 18 months after the approval of a final ISA. DTTL would however also support the ability to early adopt the proposed standard, especially given its interaction with ISA 540 (Revised) which would already be effective when this final standard is approved.

#### 26. EY Global Limited

We believe that an effective date for periods beginning at least 18 months after approval of the final revised standard would provide a sufficient period to support effective implementation.

#### 27. Grant Thornton International

We are of the view that an effective date of 18 months after the approval of a final ISA would not be sufficient. This is based on the extent of the change that will be required to implement the revised standard. Firms will need to change their respective methodologies, their audit software and tools and provide sufficient training to their staff. Without such actions, the implementation of the new standard may not result in improving the quality of audits and in reality may be detrimental to quality.

When considering an appropriate period for adoption, we note that the standard is currently scheduled to be approved in June of 2019. If this approval does occur as scheduled, we are of the view that an appropriate effective date would be for audits of financial statements for periods beginning on or after December 15, 2021, a year later than that proposed in ED 315. However, if the approval occurs subsequent to June 2019, we are of the view that the effective date should be for audits of financial statements for periods beginning on or after December 15, 2022.

#### 28. KPMG IFRG Limited

We believe this is a reasonable implementation period.

#### 29. MNP LLP

Given the substantive revisions to ED-315, we recommend providing an effective date that is a minimum of 24 months after the approval of the final ISA. Not only does ED-315 impact our audit methodology, but it will also require extensive training to our audit teams. Allowing sufficient time to revise methodologies and train staff will result in a more comprehensive understanding and interpretation of the changes which will then result in the most appropriate application. Implementing an effective date that is too early after approval of a final ISA is likely to result in rushed implementation and inconsistency in adoption.

#### 30. PwC International

We support an effective date expressed in terms of “periods beginning on or after”, consistent with that recently adopted for ISA 540 (Revised), given this standard affects the planning phase of an audit.

Any such period should begin at least 18 months after the Board’s approval of the final ISA.

In fact, this is the minimum period that we believe is necessary to implement the significant revisions and investment into firms’ own internal methodologies, training, and related technologies and tools that will result from the proposed revisions – assuming the concerns described in our response are addressed. However, if the definitions and concepts as proposed are retained without revision, a greater implementation period would be necessary to address the implementation challenges we foresee in practice.

In addition, timing of approval also needs to be factored into the decision. Many firms conduct annual training in the April to October period in advance of December year-ends. If the expected approval does not take place on or before September 2019 and moves to December 2019 or later, appropriate consideration should be given to an effective date of periods beginning in the 3rd or 4th calendar quarter of 2021.

### 31. RSM International

The length and complexity of the ED could require significant time and effort for implementation. Audit firms may need to develop effective quality control processes as well as make changes to methodology, which in many cases will require changes to manuals, audit programs, forms, trainings, and other processes. We encourage the Board to take these matters into consideration when determining an effective date which, in our view, should not be before the date proposed in the Exposure Draft.

### 32. Office of the Auditor-General of Alberta

In our view, given the substantial changes involved, a longer period of implementation may be appropriate.

### 33. Office of the Auditor-General of Canada

We believe the proposed effective date of financial reporting periods beginning at least 18 months after the approval of the final ISA appropriately reflects the significance of revisions being proposed.

### 35. US Government Accountability Office

We believe that an 18-month transition period for the effective date is appropriate.

### 36. Swedish National Audit Office

We have no opinion on the suggested effective date

### 38. ACCA-CAANZ

We think any consideration of the effective date will depend on the changes that are felt to be necessary following the consultation process. As noted above, we consider that extensive changes to structure and language are required to achieve the IAASB's objectives.

### 39. Accountancy Europe

We find the timeline set for revising the standard too aggressive considering the number of aspects requiring clarification, as outlined in our response to this consultation.

It is crucial that the revision of this standard is given sufficient time to eliminate the unnecessary complex constructions and to address the issues of scalability. In this context, the IAASB should set a more realistic timeline for revising this standard. In particular, it is crucial for the IAASB to address the issues regarding scalability, as highlighted in our cover letter and in our response to Question 2. This may mean that the standard should be re-exposed to allow interested parties to comment on substantial changes made.

### 40. AICPA

We believe that the proposed changes contemplated in ED-315 may necessitate significant methodology changes that could require substantial time and resources to place in operation, particularly for global firms and networks. Therefore, an 18-month after approval effective date may not be sufficient for such methodologies. We recommend at least a 24 month period.

#### 41. Center for Audit Quality

The preparation for and implementation of the proposed requirements in the Exposure Draft could take a considerable amount of time. The length and the complexity of the Exposure Draft will require significant investment of both time and resources to fully evaluate the impact of the standard and implement it accordingly. Audit firms will need to develop effective quality control processes, as well as updates to methodologies, new training, and technology changes to support implementation of the new and revised requirements. Such efforts will need to be finalized well in advance of risk assessment procedures commencing.

Successful implementation will require proactive monitoring of implementation by the IAASB. For example, the IAASB may need to consider developing additional guidance in those areas that may be most challenging to implement to help ensure consistent implementation. If the IAASB believes the flowcharts in the Exposure Draft should be published with the final standard, we would be supportive of them being included in a guide (outside the final standard) to allow for flexibility in applying the requirements of the standard and allow for any changes needed to the flowcharts in the future.

We also recognize that ISA 540 (Revised), Auditing Accounting Estimates and Related Disclosures (ISA 540 (Revised)) is now effective. The IAASB should consider releasing transition guidance prior to the effective date of the Exposure Draft related to, for example, how elements of the revised approach in ISA 315 (Revised) would be expected to apply during the implementation of ISA 540 (Revised).

We encourage the Board to take these matters into consideration when determining if an effective date of 2021 will allow audit firms and preparers the necessary

#### 43. CPA Australia

We agree that 18 months after approval should be sufficient time for effective implementation.

#### 44. EFAA

We hope the final standard will be much shorter and simpler since as it stands it will be. If, however, the final standard remains long and complex then we suggest a longer period to the effective date. We encourage the IAASB to publish the final document in draft form ahead of PIOB approval to facilitate adoption processes at a national level.

#### 45. Finnish Association of Authorised Public Accountants

We find the timeline set for revising the standard too aggressive considering the number of aspects requiring clarification.

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

We agree. The changes are many and several of them important.

#### 47. FSR Danske Revisorer

It is crucial that the revision of the standard is given sufficient time, to make it a clear and simple standard that efficiently can be scaled so it can be applied to audits of small and less complex entities, as well as to large complex entities. In this context, the IAASB should set a more realistic timeline for revising this standard.

#### 48. Interamerican accounting association (South America)

Agree. We understand that the 18-month period is appropriate for the due process of understanding the scope and application of the substantive changes that the IAASB intends to incorporate into ISA 315 (Revised), and its anticipated application would be consistent with the general practice of other standards issued.

#### 49. Instituto dos Auditores Independentes do Brazil

We support an effective date of periods beginning on or after 15 December 2020, on the assumption that the Board approves the revised ISA until June 2019 and that the usual ability to early adoption is maintained.

#### 51. Institute of Chartered Accountants in England and Wales

We note in our major points above our concern that IAASB appears to have seen fit to expose these proposals prematurely, and that we are not convinced that ED-315 can be rendered fit for approval without re-exposure. The proposed timetable for finalisation post-exposure for such an important ISA was aggressive to begin with and companies and auditors globally will live with the adverse consequences of excessive haste for many years to come. We strongly urge IAASB to take the time necessary to get this linch-pin ISA right, in the public interest.

We note in our major points above our belief that IAASB should revisit the process by which these proposals were developed and consider carefully how the shortcomings in drafting can be avoided in the future. We suggest that scheduling out comments and dealing with them on a piecemeal basis will not be enough to render these proposals fit for purpose, and that more fundamental analysis is required of the extent to which IAASB has actually achieved its objectives in these proposals.

Whether an appropriate effective date is for financial reporting periods beginning 18 months after the approval of a final ISA depends on when in the year approval takes place. If the final standard is approved in, say, June and the effective date is for audits of financial statements for periods beginning on or after December 15 the following year, training can take place in Northern Hemisphere jurisdictions such as the UK in the summer of the following year, and software and methodology providers will have approximately 9 months to perform the necessary re-writes in order to facilitate that training. If approval slips beyond June, IAASB should re-consider the effective date as the summer training window cannot easily be extended. We expect that IAASB will publish the final document in draft form (and not wait for PIOB approval) as it has for ISA 540 to facilitate adoption processes at a national level.

#### 52. Institute of Chartered Accountants (Ghana)

We believe that this is sufficient time for the application. This is probably the most important and difficult standard as it represents the core of an audit and so sufficient time is necessary for all to digest and apply if one expects consistent success in application

#### 53. Institute of Chartered Accountants of Pakistan

We consider the effective date to be appropriate.

#### 54. Institute of Chartered Accountants of Scotland

It is crucial that the process to revise this standard is given sufficient time to resolve the difficulties we have highlighted in understanding and following the ED and to address the issues around scalability. As a result, we believe that the IAASB should set a more realistic timeline for revising this standard.

#### 55. Institute of Chartered Accountants (Zimbabwe)

Appropriate effective date for financial reporting periods beginning at least 18 months after the approval of a final ISA is sufficient to allow for due process. It should allow auditors to train personnel and make the necessary methodology amendments.

#### 57. Institute of Public Accountants

While there are some substantial changes to ISA 315 proposed, the IPA does believe these changes represent a fundamental change in audit approach and would suggest that an operative date for financial periods commencing 18 months after the issue of the revised standard is ample time to implement the changes.

#### 59. Malaysian Institute of CPAs

The proposed effective date for the standard to be applied for financial reporting periods beginning at least 18 months after the approval of a final ISA appears reasonable.

#### 60. New York state society of CPAs

We have no objections to the proposed effective date for audits of financial statements for periods beginning on or after December 15, 2020. We understand that there are multiple jurisdictions and languages involved; the translation and national due process that lengthen the implementation period will be longer when compared to other standards setters that are located in one jurisdiction or extant standards that are in one language. As a procedural matter, the United States Auditing Standards Board of the AICPA generally does not permit the early application of an auditing standard. The exception to this relates to the issuance of a new auditing standard that impacts auditor reporting.

#### 61. PAFA

Based on the resource constraints that PAFA member bodies have, any translation undertaken by affected regional bodies would require a longer time frame, making the 18 months after approval too early for effective implementation.

#### 62. SAICA

77% (79/103) of the survey respondents agreed with the effective date proposal. Mixed commentary were received from survey respondents. There was a view that small and medium-sized practices might benefit from a period longer than 18 months as they are often dependent on external methodology / software providers. Some respondents were of the view that a longer period is necessary due to the significant changes, while others agreed with a sooner application as the changes improve the standard and will improve audit quality.

SAICA believes that the proposed effective date of 18 months after the IAASB's final approval of the ISA, with an option of early adoption, is appropriate. The reality is that time will be required to incorporate the

changes into audit methodologies, to update audit enablement tools (e.g. software and templates) and to roll out training across firms.

**63. SMPC**

Given the time required for national due process, translation and implementation (including training) an effective date for the standard for financial reporting periods of at least 18 months after the approval of a final ISA is the minimum timeframe that should be considered adequate. As the standard is very long and complex, the translation work for jurisdictions not using the English version will need additional time. We therefore consider that a longer period to the effective date might be more appropriate.

We encourage the IAASB to publish the final document in draft form (ahead of PIOB approval) as was done for ISA 540 (Revised) to facilitate adoption processes at a national level.

**65. Chartered Accountants Academy (Zimbabwe)**

Appropriate effective date for financial reporting periods beginning at least 18 months after the approval of a final ISA is sufficient to allow for due process. It should allow auditors to make the necessary system amendments and also train personnel to understand the differences and how the revised ISA will alter the way they do work.

**67. Lynessa Dias**

Agree with the IAASB's timeline for implementation of the ISA. The exposure draft clarifies and improves upon the existing standard, so an implementation period of eighteen months seems reasonable for effective adoption of the revised standard.

**69. Dr. Richard Wittsiepe**

In conclusion, I would like to show my express approval for the proposal to voluntarily apply the revised regulations of ISA 314 to audits before 12/16/2020.

**70. S Dianne Azoor Hughes**

No comment