

Responses to ED-315¹
Comments on ‘Introductory Paragraphs’
NVivo Report 3A
(FOR REFERENCE)

08. IRBA

Reference 1:

We support the iterative nature of ED-315 but maintain that it is important that auditors ensure that they obtain an understanding of the entity and its environment before commencing with identifying and assessing the risks of material misstatement. In other words, the latter is informed by the former. We suggest that the need to understand the entity and its environment be highlighted in the introductory paragraphs to the standard and referenced to paragraph 23 of ED-315 (under “*Key Concepts in this ISA*”).

Reference 2:

The new introductory paragraphs are helpful in providing an overview of the concepts, especially the new ones that are used in ED-315, and they also link the concepts back to ISA 200.

09. UK Financial Reporting Council

We support the inclusion of the introductory paragraphs. We agree that they are helpful in facilitating auditors understanding of the important linkage between ED-315 and the foundational concepts of audit set out in ISA 200. In addition, providing a summary of the flow of the auditor’s risk assessment process demonstrates the iterative nature of the process and overall context for the structure of the standard.

10. AASB of ICAI

New introductory paragraphs 2 to 13 are included in ED 315 explaining key concepts of this ISA. In our view, these paragraphs are quite helpful.

11. Australian A&A Standards Board

Yes. The AUASB considers the introductory paragraphs greatly assist with the understandability of the risk identification and assessment process and helpfully explain a number of important concepts in the standard. However their inclusion is further evidence of ED 315’s complexity. We would caution that extensive introductory paragraphs shouldn’t be required for all IAASB standards. Also to avoid confusion it would be beneficial to describe the status of these paragraphs (i.e. are they authoritative?) in more detail.

We also consider that the introductory paragraphs should be enhanced as follows:

- We received feedback that the current terminology used in paragraph 4 of ED 315 is confusing. Specifically, we consider the two sentences in this paragraph relating to the identification and assessment of risk (“The identification of risks of material misstatement at the assertion level is performed before consideration of any controls.” and “The auditor does so based on a preliminary assessment of inherent risk that involves identifying those risks for which there is a reasonable

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

possibility of material misstatement”) should be removed as they duplicate concepts relating to inherent risk which are already addressed in paragraph 5 of the ED. This is consistent with our comments about the use of the term “risks of material misstatement” in our response to Question 1(a) above.

- The “spectrum of inherent risk” needs to be described in greater detail by including how a practitioner may assess at which point a risk resides on the spectrum, or alternatively referring to where this concept is specifically explained in the application material.
- Provide an overview of the identification and assessment of the risk of material misstatement at the financial statement level.

We also consider that the IAASB should consider removing paragraphs 10, 11 and 12 of the ED as they rephrase the relevant requirements and therefore add little incremental value.

12. Canadian AASB

We support the new introductory paragraphs. Stakeholders commented that these paragraphs were a useful “executive summary” of the requirements and provided context for what they should expect later in the standard. They help explain the iterative nature of the proposed standard.

13. CNCC-CSOEC

We consider that ED-315 provides clarification regarding several aspects of the process for the identification and assessment of the risks of material misstatement, in comparison to the extant standard.

In particular, the new introductory paragraphs help with the understandability of the standard as they set the scene and highlight the iterative nature of the standard. The key concepts developed in the introductory paragraphs are well-written, accessible and understandable; these help the auditor to navigate this complex standard. These three pages of introductory paragraphs accompanied by the 3 flowcharts provide the big picture of the standard.

14. Hong Kong Institute of CPAs

The introductory paragraphs help to set the scene and explain key concepts.

15. IDW

Yes, the new introductory paragraphs are helpful, just as the flowcharts are. However, the fact that such an “overview” of the process is necessary at the beginning of the draft is an indication that the requirements as written do not lead to a description of the process that is sufficiently understandable. In addition, a correct overview of a process that we believe is flawed does not alleviate the flaws that we believe we have identified.

16. Japanese Institute of Certified Public Accountants

We find that the inclusion of the introductory paragraphs to highlight key concepts is generally helpful to promote the understandability of the whole picture of standard, however, the proposed introductory paragraphs seem to be a short list of some requirements, and do not clarify the key concepts or adequately describe the purpose of introducing new concepts. We propose that the introductory paragraphs should focus on clarifying the key concepts and explaining how the key concepts interact with one another. In particular, we encourage the IAASB to consider the following modifications:

- Paragraphs 2 and 3: These paragraphs are already included in ISA 200 and we believe that they are repetitive and therefore unnecessary.
- Paragraphs 4 through 8: We encourage the IAASB to revise these paragraphs as below:
 - The auditor is required to identify and assess the risks of material misstatement at the financial statement level and at the assertion level. While the risks of material misstatement at the financial statement level are assessed on a combined basis of inherent risk and control risk, the risks of material misstatement at the assertion level are assessed for inherent and control risk separately. The separate assessment of these risks enables the auditor to design and perform a more robust and appropriate risk responses.
 - Risks of material misstatement in financial statements can arise from either fraud or error, and the auditor identifies and assesses risks of material misstatement due to fraud separately from those due to error. The risk assessment process is cumulative and risks due to both error and fraud are covered by ISA 315 (revised). Further requirements and guidance for the fraud risks are provided in ISA 240. The distinguishing factor between fraud and error is whether the underlying action that results in the misstatement of financial statements is intentional or unintentional, which requires the auditor to consider different risk factors and different responses to the risks.
 - Robust assessment of inherent risks is necessary to design and perform further audit procedures that are appropriate for responding to the risks of material misstatement at the assertion level. For this purpose, ISA 135 (revised) requires the following:
 - Inherent risk is higher for some assertions and related classes of transactions, account balances and disclosures than for others. The degree to which inherent risk varies is referred to as the “spectrum of inherent risk.” The auditor’s assessment of inherent risk due to error which is close to the upper end of the spectrum of inherent risk results in significant risks, which require special audit considerations in other aspects of the audit (refer to our comments on question 6) e)).
 - Assertion is relevant when there is a reasonable possibility of occurrence of a misstatement with respect to an assertion that is material, individually or in combination with other misstatements. The determination of whether an assertion is a relevant assertion is made before consideration of controls, taking account of inherent risk factors. For identified risks of material misstatement at the assertion level, the auditor assesses inherent risk by assessing the likelihood and magnitude of material misstatement.
 - A class of transactions, account balances or disclosures where there is one or more relevant assertion is determined as a “significant class of transactions, account balances or disclosures.” Based on the identification of significant classes of transactions, account balances or disclosures, the auditor understands the system of internal control, identifies “controls relevant to the audit” and assesses control risks (refer to our comments on question 5) b)).
- We suggest to emphasize the auditor’s risk assessment process is iterative and dynamic (the first sentence in paragraph 9) and state that the order in which the requirements are applied may vary. We encourage the IAASB to consider whether the remaining sentences in paragraph 9, and paragraphs 10 through 12 are necessary to enhance understandability.

- We support that the introductory paragraphs mention scalability because of its importance. However, we encourage the IAASB to reconsider the description of scalability (refer to our comments on question 2)). We are concerned that ED-315 seems to suggest that if the entity falls under the category of “smaller and less complex entities”, all guidance relating to the smaller and less complex entities are applicable to the audit. We suggest that the description of scalability should be modified and should state that consideration of how to apply requirements be made on a requirement-to-requirement basis in light of the aim of each requirement taking account of “the nature, size and complexity of the entity” (refer to our comments on paragraph A47, question 2)).

17. Malaysian Institute of Accountants

The ‘Key Concepts in this ISA’ introductory paragraphs are helpful in providing context to the standard. This section also provides auditors with an overview of the flow of risk assessment process and structure of the standard.

18. Nederlandse Beroepsorganisatie van Accountants

We are reluctant whether the risk identification and assessment process has become more understandable. A lot of new concepts are introduced which are not always elaborated and the relationships between them are not always clear. We wonder what the status of the key concepts is which are de-scribed in the introduction and not in the requirements.

If we had to explain a risk based audit of financial statements in an elevator pitch we would explain that in an audit:

- The auditor gathers information to understand the entity and the environment in which it operates and the applicable financial reporting framework and based on that knowledge identify risks that could materially misstate the financial statements;
- The auditor tries to understand and evaluate what the client has done to identify those risks and to mitigate them by getting an understanding of the internal control framework and test-ing the effectiveness thereof where relevant; and
- The auditor performs substantive procedures to mitigate the risk of material misstatement to an acceptable level of audit risk.

These three bullets are reflected in the audit risk model. The first bullet leads to the inherent risk, the second bullet reflects the control risk and the third bullet reflects the detection risk. Combining inherent risk and control risk leads to the risk of material misstatement.

20. NZ Auditing and Assurance Standards Board

Yes. The introductory paragraphs provide an overview of the standard and help the reader to better understand the principles underlying the proposed standard. However, it may be useful to clearly describe the status of these paragraphs, and if they are authoritative. The NZAuASB believes that this may need further clarification.

21. Altaf Noor Ali Chartered Accountants

Yes. They are helpful. We also appreciate ‘Key concepts in this ISA’ which provides a brief and concise high-level summary that warms up users. Match each heading listed under the ‘Requirements’ in the

contents as a sub-heading in the 'Key Ideas...'. This will ensure completeness; and the revised version will surely include a summary of requirements relating to the documentation as well.

Is it possible to come up with all the requirements of this ISA summed up in one para? "This ISA requires that-(1,(2)...(3)...'. A kind of a master/crown paragraph.

Match the sub-headings in italics in 'Application and other explanatory material' to main para in the standard.

22. BDO International

The new introductory paragraphs describe key concepts in the standard. It is not clear what the status of these key concepts is as these are described in the introductory paragraphs instead of in the requirements paragraphs.

We note that the introductory paragraphs include concepts that are further developed later in the standard which may lead to misinterpretation and inconsistent application. For example, paragraph 4 states that the 'identification of risks of material misstatement is performed before the consideration of any controls' which seems to be the definition of inherent risk. Paragraphs 5 and 7 then refer to the assessment of risks of material misstatement being based on the auditor's assessments of inherent risk and control risk. Further, paragraph 9 then refers to 'potential risks of material misstatement' as a general concept in the risk assessment process. The inconsistent use of the term 'risk of material misstatement' in the introductory paragraphs and throughout the standard could lead to incorrect application when implementing the standard. We recommend that the standard use the term 'potential risks of material misstatement' as a general term during the risk identification stage and the term 'risk of material misstatement' during the risk assessment stage which encompasses assessments of inherent and control risks. When referring to 'risks of material misstatement without consideration of controls', we suggest that the term 'inherent risk' be used instead.

24. Crowe International

Yes. These are a very clear summary of the approach of the standard.

25. Deloitte

DTTL is supportive of the inclusion of the introductory paragraphs and the context that they provide to the proposed standard.

26. EY Global Limited

Yes.

27. Grant Thornton International

We are of the view that some of the information in the introductory paragraphs is helpful in understanding ED 315 and, in particular, the iterative nature of performing risk assessment procedures. However, these paragraphs should not alleviate the need for the auditor to read and understand the ISAs or the proposed standard in its entirety, nor result in the impression that without such paragraphs, the auditor would not have the knowledge to understand the ISAs or the proposed standard. We believe that, to reduce the overall complexity of the proposed standard, many of the concepts within these paragraphs can be

included in the relevant section of the application material, to the extent that the concept is either unclear or not otherwise incorporated into that section.

28. KPMG

We believe these are helpful to an auditor as they “set the scene”; help the auditor to navigate this complex standard, and give emphasis to key overarching concepts, including professional skepticism.

29. MNP LLP

Yes. We found that the new introductory paragraphs provided a clear overview of the standard and the intended flow of understanding and assessing risks of material misstatement.

30. PwC International

Introductory paragraphs

Feedback from our field-testing exercise was that engagement teams found this section to be useful. Consequently, we support retaining an introductory section that explains the thought process and key concepts used in the risk assessment process, having addressed the concerns we describe related to the current complexity of proposed concepts, which would enable the explanation of the key concepts to be simplified and made more succinct. Clearer mapping or cross-referencing from this section to the relevant requirements of the standard would also be useful.

While the overall length of this introductory section needs to be carefully managed, we would also recommend that this section could do more to draw out two specific points that would reinforce the scalability of the standard. First, consistent with one of our key themes, we think the standard could better explain the required extent of understanding of the system of internal control necessary to support each of the assessments of inherent risk and control risk. Our suggested structure for the requirements would allow this point to be made clearly in the introductory section. Secondly, we believe the introductory section could highlight the role of IT and why this is of increasing importance in today’s audit environment. This could specifically draw out a key scalability message by highlighting that in smaller entities the sophistication of an entity’s use of IT (and overall control environment) and related documentation may be less. This would help avoid implications, from reading and applying the requirements and application material, that a certain level of IT structure and auditor work effort thereon is required, or indeed possible, in all audits.

31. RSM International

The new introductory paragraphs are helpful and clearly written. However, due to the complexity of the rest of the proposals, auditors may unduly rely on these introductory paragraphs rather than reading the very lengthy standard and they might therefore take on greater significance than is intended.

32. Office of the Auditor-General of Alberta

Yes – the new introductory paragraphs are helpful to help guide the reader through the standard. We note the current wording does not resolve the areas of concern identified throughout our response.

33. Office of the Auditor-General of Canada

Yes, new introductory paragraphs are helpful in introducing the key concepts in this ISA. We would suggest the Board consider whether it would also be helpful to present the audit risk formula to reinforce the basic concept.

34. Auditor General Montreal

The notion of control risk not taken into account in the definition of risk of material misstatement

Paragraph 4 is not consistent with paragraph 3.

In paragraph 3, it says that the risk of material misstatement consists of two components: inherent risk and control risk.

In paragraph 4, it says that the « [...] identification of risks of material misstatement at the assertion level is performed before consideration of any controls. The auditor does so based on a preliminary assessment of inherent risk that involved identifying those risks for which there is a reasonable possibility of material misstatement. » The notion of control risk is not taken into account, while this notion is at the heart of the definition of a risk of material misstatement.

Risk of material misstatement based solely on the assertions, rather than on the assertions for a specific class of transactions

According to us, the wording of the seventh phrase in paragraph 4 isn't clear. When reading, we understand that the assessment of the risk of material misstatement is performed only at the assertion level. It can't be so.

The assessment of the risk of material misstatement has to be performed considering the assertion and the significant class of transactions, significant balance account or significant disclosures, as indicated in paragraph 16h).

35. US Government Accountability Office>

In general, we support the IAASB's addition of introductory paragraphs. We believe that they provide a helpful overview of the standard. However, as discussed in our response to question 1(a), we believe that the IAASB should clarify the order of the steps in obtaining an understanding of the entity and its environment and identifying and assessing risks of material misstatement.

36. Swedish National Audit Office

The introductory paragraphs are helpful and should be kept.

38. ACCA-CAANZ

We appreciate having introductory paragraphs to help navigate through the standard, however, these do not substitute high-quality drafting in the standard as a whole. As noted above in our general comments, we believe the Requirements of the standard should be complete, understandable and capable of being applied on a standalone basis, as envisaged in the IAASB's Clarity Center which says that requirements shall be stated clearly.

According to the clarification provided during the Q & A webinar held on 3 October 2018, introductory paragraphs of ISAs do not carry the same authority as the requirements of the standard and are included

for explanatory purposes. We noticed however, that some terms have been included in the introductory paragraphs or definitions, and appear in the Application and Explanatory Material, bypassing the Requirements. As a result, the structure of the standard is unnecessarily complex and makes it difficult for practitioners to implement these new concepts. For example:

- The term 'reasonable possibility' is used in paragraph 4 of the Introduction and paragraph 16(h) of the Definitions, but does not otherwise appear in the Requirements.
- The term 'spectrum of inherent risk' is used in paragraph 5 of the Introduction and referred to in paragraph 16(k) of the Definitions, but does not otherwise appear in the standard's Requirements. While we understand the spectrum of inherent risk to mean that the work effort in accordance with ISA 330 should be responsive to the level of inherent risk, the standard should make that link explicit.
- The term 'significant risk' is defined in paragraph 16(k) of the Definitions with reference to risks that are close to the upper end of the spectrum of inherent risk due to the degree to which... the inherent risk factors affect the likelihood... or the magnitude of potential misstatement'. The Requirements do not otherwise explain how to determine a significant risk. We have further comments about the spectrum of inherent risk and determination of significant risk in our response to Question 6(c).
- The term 'relevant assertions' is defined in paragraph 4 of the Introduction and in paragraph 16(h) of the Definitions but is not further elaborated on in the Requirements. Taking into consideration the introduction of new concepts and the overall complexity of ED-315, practitioners should be able to understand such terms by reading the Requirements without the need to refer to the Definitions for each and every term used.
- The term 'significant classes of transactions, account balances and disclosures' is used in the Introduction and is defined in paragraph 16(j) but is not further elaborated on in the Requirements.

39. Accountancy Europe

Reference 1:

Use of flowcharts and introductory paragraphs

Visual guidance is of personal preference, some find this visualisation useful, others are annoyed by flipping between the standard and the non-authoritative flowchart. However, in this instance, the use of flowcharts is necessary to navigate the complexity of the standard; this indicates a weakness in the written content.

On a similar note, the introductory paragraphs are helpful to set the scene and to put the standard into context, but it is regrettable that these paragraphs are needed to understand the standard. The standard ought to be standalone and its understanding should not be conditional to the introductory paragraphs. As proposed, these paragraphs are a must-read to understand the depth of ISA 315 requirements.

Reference 2:

On one hand, using introductory paragraphs contributes to setting the scene and highlights the iterative nature of ISA 315. However, on the other hand, it is regrettable that these paragraphs are needed to understand the standard. The standard ought to be standalone and its understanding should not be conditional to the introductory paragraphs. As proposed, these paragraphs are a must-read to understand the depth of ISA 315 requirements.

40. AICPA

Reference 1:

Overall Approach to Risk Assessment

We recommend that the IAASB highlight, as part of the introductory material, a general overview of an effective risk assessment process, including the need for the auditor to first apply a top-down approach in identifying and assessing risks, including identifying significant classes of transactions, accounts balances and disclosures. Following this initial consideration, the auditor then focuses on how those risks may affect the risk of material misstatements at the assertion level. We believe describing this top-down approach would help auditors better understand how the standard is intending to focus the auditor on risks relevant to the financial statements and controls relevant to the audit.

Reference 2:

We believe that the introductory paragraphs are helpful in guiding readers as they navigate the standard. Given the iterative nature of the risk assessment process, the introduction provides a necessary bridge that allows for a more fulsome understanding of the interaction among the paragraphs. As stated above, we do believe the application material can be streamlined.

42. Chartered Institute of Public Finance & Accountancy

The new introductory paragraphs are helpful in some ways, because they provide more of an overview of the principles which the main body of the standard is seeking to follow. However, we consider that it would be more effective to redraft the main body of the standard in line with our comments in the covering letter

The explanations in the introductory paragraphs are not wholly effective and in some cases add further confusion. This is partly because they are foreshadowing the requirements of the standard, but without using the drafting conventions for requirements. They include explicit statements that ISA 315 requires certain things without fully explaining why they are required. They also include descriptions of the audit process where it is not always clear whether the matters described are true by definition, or because they are true for audits which are carried out in accordance with the requirements of ISAs.

The suggestion that where controls are not tested 'control risk is assessed as a maximum' seems to be an artificial usage which may cause confusion. It would be more natural to explain that if related controls are not tested, control risk cannot be considered to have been assessed, and there can be no reduction in the level of audit work to reflect the benefit of these controls. The work to be done by the auditor will therefore need to address the entirety of the inherent risk, which must be assessed separately.

We also suggest that the material on skepticism could be better placed to reflect its overarching nature, rather than interrupting the discussion of concepts relevant to the risk assessment model.

43. CPA Australia

We welcome the introductory paragraphs which provide context and an overview of the approach within the standard. However, we suggest that the relevance "significant risks" and "risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence" needs to be addressed in the introduction and how the response to these will differ from "other assessed risks of material

misstatements". It would be helpful if this was covered in paragraph 7 and if paragraph 11 was removed as it does not put these risks into context.

44. EFAA

We believe the new introductory paragraphs are helpful.

While the introductory paragraphs are generally helpful in understanding the standard we are, however, concerned that the references to smaller and less complex entities are unclear. Generally, smaller entities are less complex than larger entities, but this is not always the case. Simpler, less onerous requirements should apply to entities that are less complex, less risky and by virtue of size of lower public interest.

45. Finnish Association of Authorised Public Accountants

On the whole, the standard should be understandable without flowcharts, even though they are helpful. Reference to flowcharts cannot be an appropriate substitute for clear standards.

The same applies to the introductory paragraphs, which are also helpful but should not be necessary.

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

We consider that the new introductory paragraphs are very useful.

47. FSR Danske Revisorer (Denmark)

The need for introductory paragraphs shows that the standard is too complex. In our view, the introductory paragraphs lack context when trying to summarise basic concepts. Consequently, we believe these paragraphs may confuse, rather than assist, auditors in performing robust and consistent risk assessments.

48. Interamerican accounting association (South America)

Yes, they are very illustrative and will be very useful for the auditors to better understand the new version of the Revised ISA 315, since, comparatively with the current version (2013) of two paragraphs devoted to introduction it goes to 15, in fact 14 because 15 corresponds to the effective date, like paragraph 2 of the current edition.

49. Instituto dos Auditores Independentes do Brazil

Yes, but the authority of these paragraphs can be questioned or might not be clear. So, we would suggest including references to the paragraphs in the standard that relates to the subject in each introductory paragraph.

51. Institute of Chartered Accountants in England and Wales

The introductory paragraphs are helpful, although they would probably be unnecessary if the proposed requirements were sufficiently clear. We make a detailed suggestion regarding the wording of proposed paragraph 13 in our answer to Q2 below.

Paragraph 13 refers to considerations specific to 'smaller entities which are also less complex', which is unambiguous in plain English. This terminology should be used throughout, rather than the phrase 'smaller and less complex entities', because the latter construction is ambiguous and begs the question as to whether the two characteristics apply independently of each other, which is not the intention. While

we agree that some larger entity audits may be less complex, we do not think it is helpful to state that the relevant considerations may also apply in such cases. All of that said, we note some opposition in our outreach to the notion that the relevant considerations should be limited to less complex smaller entities, and a belief that they can and should apply to less complex entities of any size. We also note (a) a lack of clarity arising from the ISA 200 definition of smaller entities which already includes the characteristic of uncomplicated operations, and (b) IAASB's recently approved project on the audit of 'less complex entities', but not necessarily smaller ones. Taken together, rightly or wrongly, it is hard to avoid an unfortunate impression that IAASB is simply unwilling or unable to grasp the nettle of smaller audits per se.

52. Institute of Chartered Accountants (Ghana)

Yes they are. Paragraphs 1 – 14 provide an overview of what is contained in this standard. The new introductory paragraphs are very helpful as it not only highlights the risks of material misstatements to be identified and assessed during audits planning but also provides guides in the assessment and identification of the risks of material misstatements.

53. Institute of Chartered Accountants of Pakistan

We note that the inclusion of introductory paragraphs, which provide summary of flow of auditor's risk assessment process and the overall structure of the standard, are helpful in reading and increasing the understandability of the standard.

54. Institute of Chartered Accountants of Scotland

With regard to the introductory paragraphs, we believe that these merely confirm matters of which the auditor should already be aware and therefore do not see any value in their inclusion. They also add unnecessarily to the length of the standard.

55. Institute of Chartered Accountants (Zimbabwe)

Yes,

These are helpful as they provide useful guidance on the application material for risk assessment processes. They also help clarify what is meant to be iterative and dynamic. This should help with regards to understanding of the standard on the part of the users even before they dig into the deeper more specific concepts.

57. Institute of Public Accountants

The IPA supports the inclusion of introductory paragraphs in the proposal

The introductory paragraphs should be extended to include the importance of documenting the auditor's understanding of the client's business and systems, and the need to obtain sufficient appropriate audit evidence when undertaking the risk assessment.

58. Institute of Singapore Chartered Accountants

The introductory paragraphs in ED-315, together with the flowcharts, provide a good summary of the flow of the auditor's risk assessment process, thereby providing overall context for the structure of the standard. We recommend that the flowcharts, which currently accompany the Explanatory

Memorandum, be included either together with the introductory summary or as an Appendix to the standard. We believe that diagrammatic representations will help enhance the auditor's understanding of the risk assessment process.

We also suggest that Appendix 1 of the Explanatory Memorandum be included as part of the standard so that auditors can quickly reference to the relevant paragraphs of interest.

59. Malaysian Institute of CPAs

Yes, MICPA finds the new introductory paragraphs helpful indeed as they set the scene upfront on what to expect from ED-315 and the context of the standard.

60. New York state society of CPAs

Although we believe the new introductory paragraphs are helpful, we recommend the relevant requirements be indicated immediately following the introductory paragraphs.

61. PAFA

PAFA believes that the introductory paragraphs serve to provide a useful indication of the flow of the risk assessment process.

62. SAICA

SAICA believes that the introductory paragraphs are helpful in setting up the standard in terms of the detailed requirements and application material that follow. It provides a concise overview of the key principles and matters that the standard deals with, including the logical flow in terms of how these all fit together and are encountered in the main body of the standard. It should be noted that the extent to which the introductory paragraphs may assist rather than complicate the reader's understanding would probably depend on the reader's level of knowledge and experience; but it is fair to assume a reasonable level in this regard.

SAICA agrees with the views of its members in question 1, but we have included suggestions under the detailed questions that follow to further improve on the structure and flow, and some aspects of the risk identification and assessment process.

63. SMPC

With one exception, the introductory paragraphs are helpful in understanding the standard and highlight the iterative nature of the auditor's risk assessment process but if the requirements were clearer, they would probably not be necessary.

We are very concerned that the references to smaller and less complex entities are unclear. Despite the explanations, some readers assume that these references are to smaller entities that are also less complex, others assume that they are to smaller entities and less complex entities regardless of their size. If IAASB intends the references to exclude larger entities, it should refer to smaller entities that are also less complex. It should also be made clearer its intention to exclude smaller entities that are complex.

Para 2 of ISA 315 (Revised) states that "ISA 200 explains that the risks of material misstatement may exist at two levels: the overall financial statement level; and the assertion level for classes of transactions, account balances and disclosures." However, para 13 (n) in ISA 200 only refers to the assertion level, with financial statement level referred to in application material (e.g. para. A36). Furthermore, the

proposed requirements regarding assessing the risk of material misstatement at the financial statement level are unclear and this area should thus, be re-considered.

64. Wirtschaftsprüfer

Yes, the new introductory paragraphs are helpful.

However we think that a clarification of the term "smaller and less complex entities" shall be helpful. It remains unclear whether the term refers to smaller entities that simultaneously are less complex, or whether it refers to smaller entities as well as to less complex entities regardless of their size.

65. Chartered Accountants Academy (Zimbabwe)

Yes, the new introductory paragraphs are helpful as they provide useful guidance on the application material for risk assessment processes. They also help clarify what is inherent risk and control risk and also how the risk assessment process is meant to be iterative and dynamic. This should help with regards to understanding of the standard on the part of the users even before they dig into the deeper more specific concepts.

66. FocusRoi Inc.

Yes, they provide a good overview of the changes

70. S Dianne Azoor Hughes

No significant matters arising