

Responses to ED-315¹
Comments on ‘Public Sector’
NVivo Report 5A
(FOR REFERENCE)

11. Australian A&A Standards Board

Reference 1:

The public sector considerations could be further enhanced - refer to appendix 2 for details.

Reference 2:

Appendix 2

We received feedback from public sector auditor representatives that the considerations specific to the public sector do not articulate their requirements to consider the risks of probity and propriety and the need to comply with legislated financial accountability frameworks (ED 315 – Paragraph A36).

21. Altaf Noor Ali Accountants

Re-structure ED-315 to make it easier for the auditor to get down to what is relevant to one’s interest at the earliest. Consolidate guidance for smaller entities separately in one place. Similarly, consolidate guidance for auditors of public-sector entities in one place.

25. Deloitte

Paragraph A24 is written as a consideration specific to public sector entities; however, DTTL believes that this paragraph as written is applicable to all entities. DTTL would encourage the Board to consider if this guidance should be revised to clarify why it is applicable only to public sector or be removed.

32. Office of the Auditor-General of Alberta

We also note a concern with the application guidance for public sector. Our concern is not that there is guidance provided, but instead that it appears that the “main” requirements are for entities for which generation of wealth for owners (A55/A58) is the purpose, because A55 states that typically business models include processes important for capturing value. A58 then mentions there may be entities that, rather than creating wealth for owners, instead “promote value in the public interest.” It is not clear what “promoting value in the public interest” means. Furthermore, the audit standards should be written neutrally, without consideration for the ownership characteristics of the entity. So, there should be application guidance for “Considerations specific to entities that generate wealth for owners” or “Considerations for entities that serve the public interest” and for other types of entities.

36. Swedish National Audit Office

Specific comments on guidance for Public sector auditors

In general, we are supportive of including specific public sector guidance throughout the ISAs as this would improve the application of the requirements in the public sector context.

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

The application material in revised ISA 315 includes several paragraphs related to public sector. We find several of the paragraphs more related to public sector auditors that also have reporting responsibilities for issues relating to compliance audits (a common audit type in the public sector) and not specifically to an audit of financial statements. The matter of additional responsibilities relating to compliance is far more complex and needs a thorough explanation if it should be included in the guidance in ISA 315.

We would suggest that an additional paragraph is added right after paragraph A20 in which the following could be explained:

- Public sector auditors may have additional responsibilities relating to compliance with laws and regulations etc.
- When that is the case, public sector auditors need to assess whether these additional responsibilities constitute part of the audit of financial statements or if any other relevant standards may be used for those types of audit.
- If a public sector auditor decides that these additional responsibilities can be performed during the course of a financial audit, then the public sector auditor may gather all relevant information for those responsibilities while performing the requirements in § XX – XX.
- Public sector auditors may also have specific requirements on how to report on these additional responsibilities.

Our comments related to specific paragraphs:

- Paragraph A29. We suggest deleting this paragraph as the issue would be addressed by introducing the paragraphs suggested above. Further on, we do not agree that auditors in the public sector often have additional responsibilities, instead we would prefer using the word “may”.
- Paragraph A46. We find this paragraph to be more of a compliance audit matter than financial audit. Our suggestion would be to delete it, if not thoroughly explained.
- Paragraph A50. Consider shortening the paragraph.
- Paragraphs A63, A68, A78, A210. We are questioning the added value of these paragraphs for a public-sector auditor and suggest deleting them as we are struggling with understanding their purpose.
- Paragraph A82. The last sentence in this paragraph is not relevant as it relates to the ability to assess accountability. This issue is not relevant in this context, and probably more relevant when assessing the applicability of the financial reporting framework itself.
- Paragraph A96. We do not agree with the statement that public sector auditors **often** have additional responsibilities, instead they “may” have. We also find that this paragraph is out of the scope of a regular audit of financial statements as it rather refers to a compliance audit which is quite common in the public sector context. Our suggestion would be to delete the paragraph.
- Paragraphs A210 and A228. We suggest deleting these paragraphs as we find them to be out of the scope of an audit of financial statements. This refers more to compliance audit.

37. Wales Audit Office

As the Auditor General for Wales has always required his audits to be carried out in accordance with ISAs, we also welcome the enhanced guidance for public sector entities.

55. Institute of Chartered Accountants Zimbabwe

The issues have been addressed due to its scalability considerations. The proposed revisions to enhance the specific considerations relevant to audits of public sector entities will go a long way in addressing and protecting public interests.

63. SMPC

Overall, the requirements and application material read more as if they were a large firm methodology than a principles-based standard and we encourage the IAASB to consider how much material can be moved to separate appendices, including, in addition to the material on IT and controls referred to above, considerations specific to public sector entities. The Application Material in para. A38, A79 and A142 are considered overly detailed and may not all be necessary.