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Via e-mail

Correspondant	Notre référence	Votre référence	Date
IAASB	MB/IVB/edw	ED ISA 315 (Revised)	26.11.2018

Dear Chairman,

Re: Exposure Draft: Proposed International Standard on Auditing 315 (Revised), Identifying and Assessing the Risks of Material Misstatement and Proposes Consequential and Conforming Amendments to Other ISAs

The IBR-IRE welcomes the opportunity to comment on the International Auditing and Assurance Standards Board's July 2018 Exposure Draft ("ED"), Proposed International Standard on Auditing 315 (Revised), Identifying and Assessing the Risks of Material Misstatement.

As our Institute is very attentive to work around the scalability of the ISAs, our comments in this letter are limited to Question 2. For the other questions we would like to refer to the letter sent to you by Accountancy Europe. We support the comments made in their letter.

Before commenting on this ED, we would like to inform the Board of the decision of Belgian political authorities to request a specific standard for the contractual audit of SMEs, given, according to them, the complexity and volume of the existing set of ISAs. We are aware that other European jurisdictions are discussing the scalability of the ISAs as illustrated by the conference organised by Accountancy Europe last year and where you were one of the speakers. In that respect, we welcome the initiative of the IAASB to develop a Discussion Paper (DP) to explore possible actions to address perceived challenges and issues when undertaking audits of less complex entities, as discussed at the Board's September meeting.

We acknowledge, and welcome, that the Board in the revision of ISA 315 has looked into the matter of scalability as explained in the Explanatory Memorandum to ED-315 (paragraphs 13-17). We note that the scalability considerations of the Board are dealt with in the Application and Other Explanatory Material (AM) of the ED. We are not convinced that this approach is sufficiently satisfactory. Indeed, the AM paragraphs listed in Appendix 1 to the EM highlight the considerations for audits of entities that are both smaller and less complex. However, these considerations do not modify or do not add

nuances to the requirements of the Standard. Application material should aim at explaining a requirement but not alleviate it. We would appreciate the Board to take an approach avoiding different interpretation, if any. The proposed standard does not seem to be sufficiently clear as to how far the risk identification has to go. The ED seems to require a risk identification below assertion level, the so called 'drill down'. This is of particular importance to the audit of SMEs as we firmly believe that such an approach would be inappropriate for this section of the audit market.

Therefore, we would welcome specific requirements for SMEs or general requirements that are scalable with regard to identifying and assessing the risks of material misstatements.

We believe that it is feasible to make the requirements themselves scalable. We would like to illustrate this with the following two examples:

- as to the requirements dealing with the information system and communication (paragraphs 35-37 of the ED), the fourth sentence of paragraph A181 could be elevated by modifying paragraph 35(d) as follows:

35. (d) The entity's IT environment relevant to (a) through (c) above. However, when an entity uses an IT application that is reputable, widely-used and considered reliable, is unable to change its programming, and maintains hard-copy accounting records, the auditor shall conclude that there are no IT applications relevant to the audit. In such a case, the auditor is likely to be able to obtain audit evidence about the completeness and accuracy of the information produced by the entity through substantive testing without the need to test controls over its production (Ref: Para. A144-A150 and Para. A180-A182).

- as to the requirement relating to controls relevant to the audit (paragraph 39), it would be very helpful to explain in the requirement how it would apply to SMEs, particularly paragraph 39 (e) about evaluating the design of controls relevant to the audit. This could be done by elevating the material in A167 that relates to SMEs to the requirement in paragraph 39. Also, we do not understand why the material in A167 refers to controls over journal entries as this paragraph has to be read more broadly.

We hope you find our comments constructive and helpful. If you have any questions regarding these comments, please contact Ms. Inge VANBEVEREN, Head of Professional Expertise and Standards (i.vanbeveren@ibr-ire.be).

Yours sincerely,



Thierry DUPONT
President