



Overall Questions

1) Has ED-315 been appropriately restructured, clarified and modernized in order to promote a more consistent and robust process for the identification and assessment of the risks of material misstatement. In particular:

(a) Do the proposed changes help with the understandability of the risk identification and assessment process? Are the flowcharts helpful in understanding the flow of the standard (i.e., how the requirements interact and how they are iterative in nature)?

We believe that yes, the proposed changes help with the understanding of the risk identification and assessment process. Flow diagrams are also considered useful, with them you can visualize in a more practical and integral way the flow of the exhibited.

(b) Will the revisions promote a more robust process for the identification and assessment of the risks of material misstatement and do they appropriately address the public interest issues outlined in paragraphs 6–28?

We believe that the reviews will promote a more robust process for the identification and assessment of the risks of material misstatement and will adequately address the public interest issues detailed in the document.

(c) Are the new introductory paragraphs helpful?

We consider that the new introductory paragraphs are very useful.

2) Are the requirements and application material of ED-315 sufficiently scalable, including the ability to apply ED-315 to the audits of entities with a wide range of sizes, complexities and circumstances?

We believe that the ED-315 has focused its capacity on the requirements and material to be applied to the audits of entities with a wide range of circumstances and of different complexity and are sufficiently scalable. The ED-315 has aggregate scalability conditions and examples of simple issues or circumstances compared to more complex ones.

3) Do respondents agree with the approach taken to enhancing ED-315 in relation to automated tools and techniques, including data analytics, through the use of examples to illustrate how these are used in an audit (see Appendix 1 for references to the relevant paragraphs in ED-315)?

We agree with ED-315's approach to the use of such tools and techniques, as well as the understanding of the need not to require the use of tools and techniques that might not be available to all auditors and that could, in judgment of the auditor, not being necessary or appropriate in the circumstances. We consider important the development of application material in ED-315, and with providing examples of how automated tools and techniques are used.

Are there other areas within ED-315 where further guidance is needed in relation to automated tools and techniques, and what is the nature of the necessary guidance?

We do not detect other areas.

4) Do the proposals sufficiently support the appropriate exercise of professional skepticism throughout the risk identification and assessment process?

We consider that the central role that professional skepticism plays in an audit is recognized and that ED-315 contains several key provisions that are designed to improve the auditor's professional skepticism. Emphasizing that the understanding of the entity and its environment, and the applicable financial reporting framework provides a basis for professional skepticism during the remainder of the audit.

Do you support the proposed change for the auditor to obtain 'sufficient appropriate audit evidence'³⁶ through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement, and do you believe this clarification will further encourage professional skepticism?

We believe that the change is convenient, since with them the performance of risk assessment procedures will allow sufficient and adequate audit evidence to be obtained as a basis for the identification and evaluation of the risks of material misstatements in order to lay the foundations for planning the procedures additional audits and emphasizes the need for professional skepticism to obtain and evaluate this audit evidence.

Specific Questions

5) Do the proposals made relating to the auditor's understanding of the entity's system of internal control³⁷ assist with understanding the nature and extent of the work effort required and the relationship of the work effort to the identification and assessment of the risks or material misstatement? Specifically:

a) Have the requirements related to the auditor's understanding of each component of the entity's system of internal control been appropriately enhanced and clarified? Is it clear why the understanding is obtained and how this informs the risk identification and assessment process?

The concepts included in relation to the five components of the internal control system as well as the implication in "direct" and "indirect controls" improve the understanding that the auditor must obtain in the risk identification and evaluation process.

b) Have the requirements related to the auditor's identification of controls relevant to the audit³⁸ been appropriately enhanced and clarified? Is it clear how controls relevant to the audit are identified, particularly for audits of smaller and less complex entities?

The requirements to identify the relevant controls and relate them to the direct controls have been adequately improved. The relevant controls mentioned in the consolidated list, supported by the clarifications mentioned in Application and other explanatory Material, in paragraphs A166 to A180, make it possible to clarify the identification thereof.

c) Do you support the introduction of the new IT-related concepts and definitions? Are the enhanced requirements and application material related to the auditor's understanding of the IT environment, the identification of the risks arising from IT and the identification of general IT controls sufficient to support the auditor's consideration

of the effects of the entity's use of IT on the identification and assessment of the risks of material misstatement?

I believe that the introduction of new concepts and definitions related to IT improves the understanding of the components of the internal control system applied to an IT environment. Likewise, Appendix 4 is very useful to obtain an understanding of the IT environment and identify the relevant controls that should be considered by the auditor.

6) Will the proposed enhanced framework for the identification and assessment of the risks of material misstatement result in a more robust risk assessment? Specifically:

a) Do you support separate assessments of inherent and control risk at the assertion level, and are the revised requirements and guidance appropriate to support the separate assessments'?

In current practice, this separation had already been taking place, so we support that the inherent risk assessment should be done separately from the control risk ones. The requirements and guidance are appropriate to support such evaluations.

b) Do you support the introduction of the concepts and definitions of 'inherent risk factors'⁴⁰ to help identify risks of material misstatement and assess inherent risk? Is there sufficient guidance to explain how these risk factors are used in the auditor's risk assessment process?

The concepts and definitions of "inherent risk factors" are very useful for the auditor to identify and evaluate the inherent risks of material errors. However, in practice, there are still differences in the assessment of inherent risks on the part of professionals, which arise from the fact of the rigor of applied thinking. At one extreme, using the definition of "reasonable possibility" of material error, substantially all assertions in the accounts related to a set of financial statements, present one or more of the inherent risk factors included in paragraphs A.5 and A .6, if no other matter is taken into account, and this leads to the auditor having to expand on documenting an identification and risk assessment analysis that may result in a disproportionate effort with respect to the final outcome of the residual risk assessment of audit, with which it will plan the obtaining of valid and sufficient evidence. That is, an oversized risk analysis is documented, when the auditor has information from past experience in the client or in the industry that the actual risks are different from the theoretical inherent risks (those that arise without taking into account other available elements as the experience in the client or in the industry). As an example, an assertion of the existence of an account, without taking into account any other factor (including minimum internal controls to capture transactions), would always lead the auditor to conclude that it has a "reasonable possibility" of material error.

Therefore, we are pleased to see that the "inherent risk factors" have been separated into two paragraphs, highlighting those included in paragraph A.5 as relevant factors that should be considered when defining whether there is a "reasonable possibility" of material error; while in paragraph A6 other factors to be taken into account are mentioned. The standard should place more emphasis on highlighting that the mere fact of the presence of a factor in paragraph A.6 should not result in the direct conclusion that there is a "reasonable possibility" of material error (i.e. the mere fact that there is a high transaction volume of petty-cash refunding transactions, should not be a decisive factor in concluding that there is a "reasonable possibility" of material error). That is, it should be emphasized that the auditor must take into account the combination of the inherent risk factors to reach a conclusion that there is "a reasonable possibility" of material error, and that only the factors in paragraph A5 could

lead individually to consider that an assertion has a "reasonable possibility" of material error.

c) In your view, will the introduction of the 'spectrum of inherent risk' (and the related concepts of assessing the likelihood of occurrence, and magnitude, of a possible misstatement) assist in achieving greater consistency in the identification and assessment of the risks of material misstatement, including significant risks?

Absolutely agree. The use of this concept will help eliminate the potential oversizing of inherent risks.

d) Do you support the introduction of the new concepts and related definitions of significant classes of transactions, account balances and disclosures, and their relevant assertions? Is there sufficient guidance to explain how they are determined (i.e., an assertion is relevant when there is a reasonable possibility of occurrence of a misstatement that is material with respect to that assertion), and how they assist the auditor in identifying where risks of material misstatement exist?

Absolutely agree. The concept of Relevant Assertion as that which contains an inherent risk other than remote will help to have consistency in practice. We refer to the previous comment about the clarifications regarding the combination of the inherent risk factors, among those mentioned in paragraphs A5 and A6.

e) Do you support the revised definition, and related material, on the determination of 'significant risks'? What are your views on the matters presented in paragraph 57 of the Explanatory Memorandum relating to how significant risks are determined on the spectrum of inherent risk?

Absolutely agree. The use of the combination of High magnitude and/or High likelihood of occurrence helps in a relevant way to define when an inherent risk is significant. The issues presented in paragraph 57 of the Explanatory Memorandum are appropriate to achieve an adequate understanding of the use of the inherent risk spectrum. Anyway, we understand that it would help to achieve greater consistency in practice if guidelines were established to categorize the probability of occurrence and the magnitude of impact in a graphic format

7) Do you support the additional guidance in relation to the auditor's assessment of risks of material misstatement at the financial statement level,⁴³ including the determination about how, and the degree to which, such risks may affect the assessment of risks at the assertion level?

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).

8) What are your views about the proposed stand-back requirement in paragraph 52 of ED-315 and the revisions made to paragraph 18 of ISA 330 and its supporting application material? Should either or both requirements be retained? Why or why not?

The ED315 makes a distinction between:

a) Classes of transactions, account balances and disclosures over which there is a significant risk, and

b) Classes of transactions, account balances and disclosures over which there is no significant risk, but they are material

The issue raised and open to opinion is whether for the statements described in b) it reaches with tests of controls or substantive tests are also necessary. The ED takes this last alternative. We also agree with that position.

Conforming and Consequential Amendments

9) With respect to the proposed conforming and consequential amendments to:

a) ISA 20044 and ISA 240, are these appropriate to reflect the corresponding changes made in ISA 315 (Revised)?

We believe that the changes are appropriate.

b) ISA 330, are the changes appropriate in light of the enhancements that have been made in ISA 315 (Revised), in particular as a consequence of the introduction of the concept of general IT controls relevant to the audit?

We believe that the changes are appropriate.

c) The other ISAs as presented in Appendix 2, are these appropriate and complete?

We believe that the changes are appropriate.

d) ISA 540 (Revised) and related conforming amendments (as presented in the Supplement to this exposure draft), are these appropriate and complete?

We believe that these are appropriate and complete

10) Do you support the proposed revisions to paragraph 18 of ISA 330 to apply to classes of transactions, account balances or disclosures that are 'quantitatively or qualitatively material' to align with the scope of the proposed stand-back in ED-315?

Yes, we support them, in line with our previous response.

The amendments go in the sense of requiring the application of substantive procedures to transactions, balances and disclosures over which no significant risks have been identified. This is clearer in paragraph A42 than in paragraph 18 (in both cases, of ISA 330).

Request for General Comments

11) In addition to the requests for specific comments above, the IAASB is also seeking comments on the matters set out below:

(a) Translations—recognizing that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-315.

We understand that the translations made by the Iberam Project will be in line with the objective of achieving a single translation into the Spanish language, in a timely, updated and high quality.

(b) Effective Date—Recognizing that ED-315 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes 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. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

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