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IAASB
529 Fifth Avenue
New York, NY 10017

Dear IAASB,

Our response to exposure draft, Proposed International Standard on Auditing 315 (Revised) is below:

General comments:

The basic audit risk model is fundamentally sound. However, the exposure draft includes significant changes in wording and is more prescriptive in the documentation that should be completed. It is difficult to evaluate what the impact on audit quality and audit practice will be given how complicated, long, intricate and subtle the revised standard is. We encourage the Board to analyze if the changes will clearly achieve the desired results or will have unintended consequences.

The ED indicates that a more robust, consistent and effective identification and assessment of risk of material misstatement is the objective. However, it has not adequately identified the root-cause(s) for this currently not being done, nor clearly demonstrated how the additional volume of guidance or intricacy in definitions will result in improved audit quality. There seem to be more basic questions that should be dealt with first, such as what documentation practices are auditors using? Is documentation sufficiently done for an experienced auditor to re-perform? How unreasonably inconsistent are risk assessments presently? What timelines and costs are the audits being conducted under, and how does that relate to risk assessments? The answers to these and similar questions likely impact the identification and assessment of risk of material misstatement. We encourage the Board to consider these before all the changes proposed move forward.

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)?

The proposed changes have limited benefit to increase the understandability of the risk assessment process and overall may hinder the risk identification process. The fundamental audit risk model is robust. But it seems to have been unnecessarily complicated with a tremendous amount of guidance as well as subtle and intricate definitions. One example is the concepts of inherent risk, significant risk and control risk. Inherent risk is the risk before consideration of related controls. We understand the necessity of theoretically distinguishing inherent risk from control risk. But the proposal does not incorporate the fact that many components, such as payroll, accounts payable and cash, may have inherent risk assessed with some consideration of controls in order to operate an efficient audit. If you do not consider controls with these components, the auditor would have no other defendable conclusion, based on the ED, but to assess these components as significant risks. No controls in payroll would mean anyone could pay anyone. No controls in accounts payable or cash would likely result in material outgoing payments for which nothing was received, or missing cash. Yet most auditors would reasonably consider payroll, accounts payable and cash to not be significant risks.

The need for flowcharts is an indication that the standard is too long and complicated.

The ED seems to set out a conceptual framework for auditing, or at least there are hints of a conceptual framework underling the standard. There is the basic audit risk model. There are concepts of what an entity is, what it does, what control is, and what risk is. We propose that the Board should consider elaborating these more fully into a clearly articulated conceptual framework for the audit standards.

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 are unsure whether the process will be more robust. It will be more complicated, less intuitive, and may result in unintended consequences. An example of this is paragraph A153. After the second bullet is an "or." This may be a typographical error, in which the "or" should be after the third bullet. Or it may be intended that the auditor selects between the first two bullets and the last two bullets. Or it allows the auditor to select which steps to make and makes the important walk-through step of "selecting transaction and tracing them through the applicable process in the information system" optional. We would encourage the Board to consider all four procedures requirements and the listing should state "and" after bullet three.

We feel some important aspects of risk assessment in existing ISA315 could be retained. For example, the control environment in existing ISA315.14 (A78) includes important aspects such as communication and enforcement of integrity and ethical values, commitment to competence, participation by those charged with governance, management's philosophy and operating style, organizational structure, assignment of authority and responsibility, and human resource policies and practices. These should remain in the standard; without consideration of these various factors it is difficult for the auditor to be able to make the evaluations required in paragraph 28. In our view these are "entity-level controls" and are analogous to general IT controls, but for the entire entity.

We also suggest that paragraph A198 include walkthroughs. We consider the current 315.13 which states, "When obtaining an understanding of controls that are relevant to the audit, the auditor shall . . . [perform] procedures in addition to inquiry of the entity's personnel" is more robust and requires the completion of a walkthrough. We are not aware of any procedure(s) more effective and efficient to assess the implementation of a control than a walkthrough. As previously stated, we encourage the Board to make walkthroughs a requirement as part of the implementation assessment. This would be a significant step for the public interest, as it would eliminate the practice by some auditors of rotating walkthroughs and create a more consistent risk assessment.

c. Are the new introductory paragraphs helpful?

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.

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?

The proposed amendments appear less scalable than the current standards. For example, 315.18 "The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including the following areas . . ." is clear and concise. The proposed revision (315.35) is significantly longer and uses different wording but does not appear to change the requirements.

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.

We are pleased that the proposed standard did not have differential requirements for listed entities.

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)? 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?

Yes – we agree with the approach taken and consider the approach taken to incorporate scalability, specifically 315.A30 – .A34. We note the ED does not include any subsequent amendments to ISA 520 Analytical procedures. We agree the Board should consider possible amendments to ISA 520 given the proposed amendments to 315, specifically amending 520.05-.06. Secondly, additional amendments should be made to 330 to incorporate what impact, if any, the automated tools and techniques have on substantive procedures – specifically sample sizes.

We note the Board should clarify to what extent risk assessment procedures constitute audit evidence. Paragraph 17 states that "risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence." Paragraph A17 notes that ISA 500 explains the "types of audit procedures may be performed in obtaining audit evidence from risk assessment procedures and further audit procedures." This may mean that there are risk assessment procedures which provide audit evidence. The issue is most profound for data analytics, which may provide sufficient appropriate audit evidence, especially if combined with robust risk assessment procedures and analytical procedures. Guidance on this would be useful and the revised standard could clearly explain or describe, perhaps in conjunction with amendments to ISA 330, that there may be data analytic-based risk assessment procedures that are "dual purpose," i.e. both risk assessment and also evidence collection procedures. In this situation, the auditor may be able to demonstrate sufficient appropriate audit evidence has been obtained. This would modernize the audit standards tremendously.

4) Do the proposals sufficiently support the appropriate exercise of professional skepticism throughout the risk identification and assessment process? Do you support the proposed change for the auditor to obtain 'sufficient appropriate audit evidence' 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?

Further improvements could be made to support the use of professional skepticism, such as paragraph A5 under susceptibility to misstatement due to management bias or fraud, the responsibility and bias of those charged with governance is not incorporated. Those charged with governance may have bias that should also be considered as part of the auditor's understanding of the control environment.

Conceptually there is a trade-off within the exposure draft, between consistency and skepticism. The executive summary of the ED states "the objective . . . to drive auditor's to perform consistent and effective identification and assessment of the risks of material misstatement." The exposure draft would increase consistency in some areas, such as the assessment of control risk – the proposal states unless control risk is tested, control risk is high. This increases consistency and is clear in the proposal, however it has removed all professional judgement from the auditor to rate control risk other than high based on the information the auditor has gained through his or her control assessment procedures, such as review of process documents, walkthroughs and overall entity level controls.

In the interest of modernizing the standard and promoting skepticism, application guidance could direct the auditor to perform procedures to monitor social media for references to the entity.

We note that paragraph 21 may reduce the auditor's skepticism. Paragraph 21 allows the auditor to use information obtained in previous audits. This may reduce risk assessment effectiveness if auditors argue that the concept is similar to ISA 330 "use of audit evidence obtained in prior audits" and argue that risk assessment procedures can also similarly be rotated across three years. Instead, we suggest a skeptical auditor would perform risk assessments each year "fresh" and rely very little on prior years' assessments. While the existing wording in ISA 315 did not include reliable, it may have been a stronger requirement, because effectively the auditor had to determine for all prior information being relied upon whether any changes had occurred to make the information not relevant. The proposed language is simply "to evaluate whether such information remains relevant and reliable."

Specific Questions

5) Do the proposals made relating to the auditor's understanding of the entity's system of internal control 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?

      It is clear why the understanding is obtained. We note that throughout the ED there are references to "system of internal control," "internal control," "control," and "controls." It is not clear if these are the same. We are unsure why the need to refer to "internal control" as a "system" is necessary or how this is distinct from the concept of control as a process.

      We note that paragraph 35 requires the auditor to obtain an understanding of the information system and communication for significant classes of transactions, account balances and disclosures. Herein arises our concern with the intricacy of the definitions and the standard itself. The definition of "significant classes of transactions" is one with one or more relevant assertions, and the definition of relevant assertions is where there is a reasonable occurrence of a misstatement. But for purposes of paragraph 35, how does the auditor conclude the classes of transactions are "significant" if they first don't understand how these transactions were initiated, recorded, processed, etc. as described in paragraph 35?

      In our view, risk assessment comes first. The auditor first needs to understand how transactions are initiated and processed and recorded, and can then make more informed judgments about significance. The existing requirements in ISA 315.18 are more appropriate, because they used the concept significant to the financial statements.

We note the theory of the entity underlying the proposed standard is unclear. Specifically, sometimes in the proposed standard it is unclear whether those charged with governance are part of the entity or not. If those charged with governance are part of the entity, then they are part of internal control, and also potentially a source of risk, no different from management as a source of both control and risk (i.e. bias and override). The Board should resolve this issue and provide guidance on how characteristics of those charged with governance may influence risk. Do dual boards increase or reduce risk? Do independent/outside directors increase or reduced risk? In our view, those charged with governance are part of the entity. Paragraphs A112 and A113 provides some guidance, and recognizes that those charged with governance may counterbalance management, but could also stress the importance of the auditor recognizing when those charged with governance are not an effective counterbalance or may have the same biases as management.

We note guidance could be provided that expands why the auditor obtains an understanding of control and that the auditor need not focus only on the financial statement audit purposes in obtaining their understanding. What we are suggesting is simply an extension of the understanding in A55. The auditor should understand the mission and purpose of the entity. As well, in understanding how the entity creates value, the standard should mention that the auditor may also understand how the entity operates efficiently, with economy, and effectively. Such an understanding helps the auditor form expectations about the entity. For example, an efficiently run entity should have lower costs. If the entity has economy in its purchasing, it may have lower input costs and higher margins.

We agree with paragraph A46 which recognizes that consideration may be given to broader objectives, and we suggest that it would be helpful to add "broader objectives, <u>such as effectiveness, efficiency and economy</u>, and related risks…"

The exposure draft in our view does not emphasize enough that the purpose of understanding the entity is two-fold: it is not only risk assessment but also being able to form expectations about the financial statements themselves. The ED does not emphasize enough that risk assessment has a secondary or intermediate purpose, which is to evaluate how much and what types of evidence the auditor should efficiently gather. The standard should emphasize the importance of understanding the entity for analytical procedures, or even more profoundly, being able to form expectations about what is "fair presentation" in the financial statements, which accounts should be there, and what balances should be there. The best auditors will be able to use their understanding of the entity, not to document intricate risk assessments which are a means to an end, but to read the financial statements of the entity and say that "sales looks wrong because I know it should be $X higher because I know they had at least 5 large contracts completed worth $Y." In other words, to evaluate whether the information on performance and financial position being communicated by the financial statements is fairly presented, or compliant with the applicable reporting framework.

b. Have the requirements related to the auditor's identification of controls relevant to the audit 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?

We agree. However, we are concerned about the concept of significant risk and suggest it be removed.

We are unsure how paragraph 39 (e) would be applied in practice. It seems to suggest that a control is relevant if the auditor needs to assess control risk with respect to that control, which is then every control relevant to financial reporting, which makes the second last sentence in paragraph 39 “Not all controls that are relevant to financial reporting are relevant to the audit” contradictory. Or 39 (e) may imply that the standard recognizes that some controls may actually introduce additional risk i.e. raise the level of risk above inherent risk? Paragraph A179 does not help and makes it more confusing by a reference to ISA 330. Unless clear examples of paragraph 39 (e) can be provided, we suggest it be removed.

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?

We agree. We note the definition of application controls should say “detective and corrective” rather than only “detective.”

We note the definition of IT environment, in particular bullet three regarding IT processes, could be modernized. In general, the term IT that is used throughout is too narrow. The standard could better stress how information is a strategic asset of the organization as important as people, capital and infrastructure and that all organizations have a critical dependency on the technology systems that create, store, manipulate and retrieve information. The use of the word IT may bring too much focus onto technology (hardware and software) rather than on the information. A broader and more modern term we suggest is “information and related technology (IrT)” which would help expand auditor attention to issues of enterprise architecture, enterprise information management, governance and management of IrT, and IrT strategy, and related risks. Auditors may also need to consider issues such as privacy and identity management, not just from the integrity of data perspective but also from potential risks of material misstatement due to contingencies arising from inadequate privacy protection, for example.

We suggest guidance be added that the auditor should consider whether the entity uses a generally accepted good practice framework, such as COBIT, to manage its IrT, and to evaluate the risks if the entity does not use such a framework.

We are concerned about the use of the word “high-level” in A147 and A180. What is a “high-level” understanding and would it be appropriate for an auditor to have obtained a “high-level” understanding of the entity’s risk assessment process, to comply with paragraph 29, or a “high-level” understanding of how significant classes of transactions are processed to comply with paragraph 35? We suggest that the ED remove “high-level” as an adjective. The auditor should obtain an understanding.

We note the various items in paragraph 40 are too narrow. In particular, paragraph 40 (a) to (d) are connected by an "or" at the end of paragraph (c). It is unlikely the auditor would select only one of these. We suggest the Board consider how practically paragraphs 40 and 41 would be applied in the case of a spreadsheet that tracks sales, or the alternative case of an ERP on which all operations of the entity rely. In the former case the auditor may (incorrectly) not even consider the spreadsheet to be an IT application. In the latter case, the auditor may (incorrectly) only consider (a) automated controls but not (b) (c) and (d) because of the "or" logic used in paragraph 40. We suggest paragraph 40 and 41 be replaced by the very broad yet clear requirement in existing ISA315.21, which was that the auditor shall obtain an understanding of how the entity has responded to the risks arising from IT [IrT]. The detail in paragraph 40 could be added to the various proposed guidance paragraphs.

We find the guidance in A193 useful regarding specialists. We suggest the ED consider referring specifically to specialists such as Certified Information Systems Auditors that may need to be involved in the audit.

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?

Yes. However, we note guidance on how to combine inherent and control risk assessments would be useful. Can control risk only "reduce" inherent risk? If inherent risk is low, and control risk is high, is the resulting combined risk low or medium? Or can management systems sometimes also be a source of risk, such as implementation of complex software in which the controls are not adequately designed or operating effectively?

We note the Board may be concerned with overstepping from a standard into methodology. However, this may be unavoidable if it desires consistency.

b. Do you support the introduction of the concepts and definitions if "inherent risk factors" 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?

We agree, however we note that the list is not complete. For example, the risk of the asset to misappropriation or theft is a common inherent risk factor in textbooks.

We note that the risk "susceptibility to misstatement due to management bias or fraud" is too narrow and should state "susceptibility due to misstatement due to management, those charged with governance, and/or employee bias or fraud."

We suggest paragraph 18(a) be amended to include inquiries to those charged with governance.

We note that risks due to climate change should be included as either inherent risk factors in general or in paragraph A59 as examples of business risks.

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?

We note that the concept of "spectrum of risk" is too vague. We acknowledge that risk may be expressed qualitatively (low, medium, high) or quantitatively (10%, 20% etc.). Spectrum seems to imply a continuous scale. Yet other definitions seem to imply otherwise; "relevant assertions" uses "reasonable possibility" as something more than remote, "significant risk" uses "close to the upper end of the spectrum" while 330.A42a may need to be revised because it uses "possible misstatement."

Our concern is that auditors may judge a risk to be remote because it is not "close to the upper end of the spectrum" or even a "reasonable possibility." It is difficult to evaluate what a "reasonable possibility" is. Does it mean more likely than not? Does it mean that 19 out of 20 auditors would also arrive at the same assessment? Or does it just mean reasonable as "reasons have been documented for why this risk was assessed in that way."

The objective of consistency could have been achieved by simply stating that auditors typically are presumed to assess risk as low, medium and high. The concept of significant risks could be removed and instead the concept of "high risk" be used instead.

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 risk of material misstatement exist?

Our concern is that the definitions are too intricate and may be misused. For example, does the concept of "relevant assertions" then imply that some assertions can be argued to not be relevant? Assessing that an assertion is not relevant may be equivalent to assessing the assertion has a low risk of misstatement. For others, it may be that an assertion is not relevant if it is not a requirement of the applicable financial reporting framework. For others, it may be that an assertion is not relevant if the risk of misstatement is "remote." For accounts payable, to what extent is the existence assertion ever relevant, when most auditors would say that the relevant assertion is completeness?

Moreover, the standard should consider the basic impact of double-entry accounting and to what extent auditors can argue that assertions are not relevant. To illustrate, some auditors may argue that reciprocal transactions make the offsetting assertion irrelevant; existence of accounts payable is not a relevant assertion because existence is relevant to purchases, inventory and supplies expense (the reciprocal transactions). Other auditors may suggest that this substantially increases audit risk, and only by assuming all assertions are at least “low risk” relevant does an auditor obtain sufficient appropriate audit evidence. It is not clear which approach the Board intends, but by introducing the concept of relevant assertions, the Board may unintentionally endorse the “offsetting assertions” approach to risk assessment.

We suggest that all assertions are relevant, so the concept of “relevant assertions” should be removed from the standard. What matters to practice is what the assessment of risk itself is, not whether an assertion may be relevant. In our view, conceptually an assertion is not relevant only if it is an assertion that explicitly is not being made by management, consistent with the applicable financial reporting framework.

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?

   In our view, risk assessment would be more consistent if the concept of significant risk is removed. It is conceptually difficult to distinguish significant risk from the concept of high inherent risk. There is a practical matter in that ISA 330 does not allow the auditor to use evidence obtained in prior periods for significant risks, but an editorial change to “inherent risk other than low” would achieve the same result.

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

   In our view, the concept of risks at the financial statement level may not be helpful, because all assertions are about components, which are also at the financial statement level. The concept seems to be about pervasiveness of risks i.e. risks that impact many assertions, but this does not mean that these are new kinds of risks that are somehow different in nature. Or it may mean risks like the going concern assumption is no longer valid, which do not impact any particular component and may related more to issues of the acceptability of the applicable financial reporting framework. There are few risks which are not identifiable with any particular component(s). It may be more useful to emphasize instead that all risks of material misstatements that are risks at the component level are by definition risks at the financial statement level, and that there may be engagement risks such as the risk that the going concern assumption may not be valid, for which the auditor has specific reporting responsibilities under ISA 570.

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 maintained? Why or why not?

In our view the stand-back requirements are of limited usefulness because the "stand-back" would occur during planning and therefore may be too close to the prior period to reveal any differences. These procedures would likely result in the conclusion that no change to risk assessments was necessary, and therefore would not deal directly with the completeness matter. To more properly deal with any biases or overlooked information in risk assessment, other techniques may be useful, such as the auditor using root cause analysis, discussing at least some of the non-significant components with management and those charged with governance, and/or the auditor specifically asking the EQCR, if appointed, to agree on judgments of non-significant components. What would also be useful to evaluate completeness of the significant components is that the auditor shall select one or more of the non-significant components ("residual balances") and audit them as if they were significant components. This would also add unpredictability to the audit.

We note that ISA 450 has a stand-back in determining whether the audit strategy and plan need to be revised, based on misstatements. It may be good to also have a stand-back requirement during the completion stage, specifically in ISA 700. ISA 700 could more clearly require the auditor to evaluate whether their initial or revised assessments of risk through the audit continue to remain appropriate, and whether the financial statements corresponded with their knowledge of the entity obtained through the audit.

We note that paragraph 52 and the revision to ISA 330.18 could be improved by providing guidance on what auditors should do when the aggregate of non-significant components is material. It is not clear what work, if any, auditors would need to do on these "residual balances" that may be an artifact of how the entity has dis-aggregated its transactions or balances/disclosures. We note that ISA 315/330 should state that regardless of the risk of material misstatement, the auditor should perform risk assessment procedures, including inquiry in addition to other procedures, on each account balance, class of transactions or disclosure.

Conforming and Consequential

9) With respect to the proposed conforming and consequential amendments to [various standards], are they appropriate?

We have no additional comments. We note that the amendment to paragraph 27 of ISA 330 states "if the auditor has not obtained sufficient appropriate audit evidence <u>as to the risk of</u> material misstatement related to…" In our view, auditors do not obtain evidence as to the risk of material misstatement, but instead obtain evidence <u>in response to</u> the risk of material misstatement. This may be a typographical error or an error in concept. If it is intentional then it may simply mean the documentation of evidence of risk assessment being performed. But auditors typically don't consider "evidence <u>as to</u> the risk of material misstatement."

We note that the word "address" is used throughout the standards. We believe it is more appropriate to use "responds to."

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 qualitatively or quantitatively material to align with the scope of the proposed stand-back in ED-315?

As we note above, the revision to ISA 330.18 could be more helpful if it provided guidance on what auditors should do when the aggregate of non-significant components is material. It may be that simply how the entity has dis-aggregated its transactions or balances or disclosures that there are few relevant assertions. We note that ISA 315/330 should state that regardless of the risk of material misstatement, the auditor should perform risk assessment procedures, including inquiry in addition to other procedures, on each account balance, class of transactions or disclosure.

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.
    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.

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

Thank you for the opportunity to comment.

Sincerely,

Wayne Morgan PhD, CPA, CA, CISA

Colin Semotiuk CPA, CA