



Contact: Terry Jones

Date issued: November 2018

Wales Audit Office Response to the IAASB's Proposed Revisions to ISA 315

Overall Comments (Q1)

- 1 We are grateful for the opportunity to respond to this Exposure Draft. We welcome the efforts that the IAASB is making to improve the quality of the Standard, which we acknowledge has technically improved in some respects, and broadly agree with the proposed requirements of the Standard. We consider that the stand-back requirement is an important amendment to the proposed Standard.
- 2 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.
- 3 However, we consider that the draft Standard remains complex in its choice of language, its length (at over 80 pages) and its construction (with the vast majority of the proposed Standard being application material). While the development of the supporting flowcharts is helpful, the need for them serves to underline the complexity of the proposed Standard.
- 4 We would suggest that the IAASB consider issuing a shorter, higher-level and principles-based Standard that is accompanied by a more practical-based guide on application and one that uses more user-friendly language than is currently the case in the Standard.

Significant Risks (Q1)

- 5 The definition of 'significant risk' has been a significant difficulty in the application of the current Standard.
- 6 Unfortunately, we do not consider that the proposed revised definition is an improvement. We believe that its theoretical basis will continue to render practical application particularly difficult.

Scalability (Q2)

- 7 We welcome the attempts in the proposed Standard to provide guidance on scalability as application of this Standard has been a particular challenge for small and less complex bodies.
- 8 We strongly agree with the recognition of the importance of both scale and complexity in determining appropriate audit approaches.
- 9 However, we remain concerned that the overall complexity of the proposed Standard remains a barrier to effective and proportionate implementation in such bodies.

Information Technology (Q3)

- 10 We very much welcome the enhanced focus on information technology and in particular, the recognition of the increasingly important role of 'data analytics'.
- 11 We do have a number of detailed comments on this guidance, as follows:
- It would be helpful to clarify what is meant by 'suitably qualified' when referring to an IT auditor.
 - We consider that there is a need to strengthen the guidance to the effect that, if data analytics are to be relied on by the audit team, then sufficient work needs to be carried out on the controls applied to the systems providing the data. It is only appropriate to rely on conclusions gathered from data if that data can itself be relied upon.
 - While the proposed Standard does appear to require an understanding of the IT environment as a whole before focussing in on those controls which are relevant to financial reporting, we believe that this could be stated more clearly than is currently the case.
 - We consider that the distinction between commercially available software with no access to source coding and in-house developed software is particularly welcome. However, in paragraph A181, it would be helpful to confirm whether all the listed conditions should be met before dispensing with the need to test or evaluate controls.
 - We would suggest that the reference to 'general' IT controls should be clarified by providing examples (eg access controls, security controls, change control) of controls which are applied across more than one system.