

**Responses to ED-315<sup>1</sup>**  
**Comments on ‘Conforming Amendments to ISA 540 (Revised)’<sup>2</sup>**  
**NVivo Report 4A**  
**(FOR REFERENCE)**

**01. Basel**

We agree with the conforming amendments to ISA 540 (Revised).

**08. IRBA**

The conforming amendments to ISA 540 (Revised) are appropriate.

**12. Canadian AASB**

Our process for dealing with these conforming amendments is not complete because of our need to translate the final ISA 540 materials and seek comment from stakeholders on the subsequent conforming and consequential amendments. We believe that this will also be an issue in other jurisdictions that have not yet translated ISA 540. We will consult with our stakeholders on these proposed amendments when they have a copy of the revised Canadian equivalent to ISA 540 to consider (expected in February 2019). We will bring any issues identified forward to the IAASB before the conforming amendments are finalized.

In the meantime, we have identified one item to note:

- *Paragraph A39* – There is a sentence added to this application material that seems inconsistent with ED-315 as it discusses evaluating design and determining implementation of controls related to higher assessed risks, which is not required by ED-315. The sentence in paragraph A39 reads “The auditor’s evaluation of the design of such controls and determination of whether such controls have been implemented contributes to the audit evidence related to higher assessed risks.” The IAASB may consider rephrasing this sentence so that it doesn’t read like evaluating design and determining implementation of controls is required for risks assessed as “higher”.

**13. CNCC-CSOEC**

The revision of ISA 315 will generate consequential amendments on other ISA. Therefore, we consider that before addressing the proposed conforming and consequential amendments from the revision of this standard, key issues in the ED-315 should be resolved as a priority. However as at today, we are supportive of the proposed conforming amendments.

**15. IDW**

We have no substantive comments on ISA 540 as presented in the Supplement to this exposure draft, other than those conforming amendments that would result from our comments on the draft of ISA 315.

**17. Malaysian Institute of Accountants**

We agree with the proposed conforming and consequential amendments.

---

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

<sup>2</sup> ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*



#### 18. Nederlandse Beroepsorganisatie van Accountants

It is very confusing as these conforming amendment are presented in a Supplement to the ED which was issued later. Furthermore, not only the conforming amendments are presented, but the whole revised ISA 540. We prefer to see the conforming amendments only, as this is easier to review instead of navigating through the whole revised ISA 540.

#### 19. National Board of Accountants (Tanzania)

ISA 540 (Revised) and related conforming amendments (as presented in the supplement to this exposure draft), they are appropriate and complete

#### 20. NZ Auditing and Assurance Standards Board

The NZAuASB considers the proposed conforming amendments appropriate and complete.

#### 21. Altaf Noor Ali Chartered Accountants

We have not reviewed this in detail and are not in a position to make a meaningful comment.

#### 22. BDO International

We are generally supportive of the conforming amendments included in ISA 200 and ISA 540.

#### 24. Crowe International

We agree with the conforming and consequential amendments.

#### 25. Deloitte

DTTL concurs that ISA 540 (Revised) and related conforming amendments are appropriate.

#### 26. EY Global Limited

Yes, although we have some minor editorial comments, as follows:

- ISA 330, paragraph A42a: Delete 'most' as follows: '...  the effect of that misstatement would be ~~most~~ material ...'
- ISA 540, paragraph 17: Delete 'and' as follows: '... ~~and~~ evaluate whether such controls ...'
- ISA 540, paragraph A10: Delete 'that' as follows: '~~that~~ whether the auditor intends ...'
- ISA 540, paragraph A22: Should 'smaller entities' be amended to read 'smaller and less complex entities'?
- ISA 540, paragraph A39: The use of the term 'higher assessed risks' is not used in ED-ISA 315 nor in the other conforming amendments. We suggest that the IAASB revisit the use of this term in paragraph A39.
- ISA 540, paragraph A86, fourth bullet: This bullet is not clear: Should 'identified deficiencies' read 'identify deficiencies' or 'monitor identified deficiencies'?



#### 27. Grant Thornton International

We have no specific comments in respect of the conforming amendments to ISA 540 (Revised). However, we believe that ISA 540 (Revised) may need to be revisited to address the comments raised in connection with ED 315.

#### 29. MNP LLP

We have no further comments with respect to the proposed conforming and consequential amendments.

#### 30. PwC International

##### ISA 540

We note that the proposed amendment to paragraphs A39 and A86 could be construed as suggesting that evaluating the design and implementation of model controls provides audit evidence that, on its own, can be used to reduce the overall level of substantive evidence required to address the risk. We do not believe that is the intent and recommend this be clarified to be consistent with the position set out in the ED that “[...] *the risk assessment procedures to obtain audit evidence about the design and implementation of controls relevant to the audit are not sufficient to test the operating effectiveness of controls (and thus assess control risk below the maximum) [...]*”.

#### 31. RSM International

Question 9, 10 and 11(a)

We have no comment, other than in respect of paragraph 18 in ISA 330 as mentioned above in our response to questions 6d and 8.

#### 32. Office of the Auditor-General of Alberta

We have no additional comments.

#### 33. Office of the Auditor-General of Canada

ISA 540 conforming amendments - We have no comments concerning conforming amendments identified for ISA 540.

#### 35. US Government Accountability Office

We believe that the proposed amendments to ISA 540 are appropriate and complete.

#### 36. Swedish National Audit Office

We don't have any comments on the confirming and consequential revisions.

#### 38. ACCA-CAANZ

We have no particular comments on this question.



43. CPA Australia

Yes, no concerns noted.

44. EFAA

We have no comments.

45. Finnish Association of Authorised Public Accountants

No comments

46. Fed of Prof Council of Economic Sciences

We believe that these are appropriate and complete

48. Interamerican accounting association

We did not identify the Supplement to ED-315 (Revised) or ISA 540 (Revised) referring to the proposed amendments to said ISA.

49. Instituto dos Auditores Independentes do Brazil

Yes.

51. Institute of Chartered Accountants in England and Wales

We have no comment on the proposed amendments to ISA 540.

52. Institute of Chartered Accountants (Ghana)

Yes. We believe ISA 540(Revised) and related conforming amendments are appropriate and complete.

53. Institute of Chartered Accountants of Pakistan

We agree with the appropriateness and completeness of supplement on ISA 540 to this exposure draft.

55. Institute of Chartered Accountants (Zimbabwe)

Yes. They highlight important amendments regarding the auditing of estimates including fair value estimates and related disclosures. This is a fairly risky area and as such the amendments are appropriate.

57. Institute of Public Accountants

While the IPA supports the consequential amendments to ISA 540, the IPA recommends that further amendments are needed. The IPA does not believe management bias is properly dealt with in ISA 540. The focus is on evidence of management bias in the determination of accounting estimates, in particular, the selection of assumptions. The IPA is of the view the standard should acknowledge that inherent risk related to a motive to misstate by management arising from factors such as remuneration arrangements and other KPIs. The IPA believes such inherent risk should impact the nature, extent and timing of audit procedures carried out in relation to accounting estimates and the current structure of ISA 540 does acknowledge such considerations.



59. Malaysian Institute of CPAs

Generally, MICPA notes that the proposed conforming and consequential amendments are appropriate.

61. PAFA

Yes, the changes are appropriate.

62. SAICA

SAICA agrees with the amendments made to ISA 540 (Revised).

63. SMPC

ISA 540 (Revised) and related conforming amendments are considered appropriate and complete.

65. Chartered Accountants Academy (Zimbabwe)

Yes. They highlight important amendments regarding the auditing of estimates including fair value estimates and related disclosures. This is a fairly risky area and as such the amendments are appropriate.

67. Lynessa Dias

The proposed conforming amendments as a consequence of the revisions in ISA 315, relating:

- to the separation of inherent risk and control risk compared to the combined risk of material misstatement in ISA 200 and 240;
- to the spectrum of inherent risk, inherent risk factors, relevant assertions and significant classes of transactions, account balances and disclosures introduced in the revised standard and explained in paragraph A40 in ISA 200 and in paragraph A43a in ISA 330 to merge the meaning of the purpose of identification and assessment of risks of material misstatement at the assertion level;
- to clarify the work effort related to understanding an entity's system of internal controls new paragraphs in ISA 240;
- to new amendments in ISA 330 to reflect the concepts of significant classes of transactions, account balances and disclosures in the revised ISA 315;
- to recognize that materiality relates to both quantitative and qualitative aspects in ISA 330; and

other such changes are appropriately noted by the Board.

70. S Dianne Azoor Hughes

No matters arising in the context of the current drafting.

Amendments may not be complete to the extent they are impacted by better articulation of the auditor's examination of a company's risk management procedures in further revision to ED-315.