

**Responses to ED-315<sup>1</sup>**  
**Comments on 'Conforming Amendments to ISA 330'<sup>2</sup>**  
**NVivo Report 2A**  
**(FOR REFERENCE)**

**01. Basel**

Considering the significance of the changes made to ISA 315 (Revised) and the consequential amendments to ISA 330, we believe it is important for the IAASB to further review ISA 330 with the objective of making appropriate revisions that take into account current developments in auditing (eg greater use of automated tools and techniques, IT as the medium for obtaining audit evidence).

**02. Committee of European Auditing Oversight Body**

We note that revision of ISA 330 is not part of the IAASB current work plan. We believe it is important that ISA 330 is reviewed in light of amendments to ISA 315 given the linkages between the two standards. In particular it is important to make sure that all new concepts of ISA 315 are consistently used and aligned in ISA 330 or other standards dealing with risks assessment or their implications (like ISA 240 for instance). We note, for instance, that conforming amendments are proposed on ISA 330, but that they do not address all new concepts, including 'spectrum of risk' and 'inherent risk factors' (see our comments in paragraphs 6 and 7 of this letter as well).

**04. IAASA**

We note that revision of ISA 330 is not part of the IAASB work plan. We believe it is vital that ISA 330 is reviewed in light of amendments to ISA 315 given the linkages between the two standards. We note that conforming amendments are proposed but do not feel these sufficiently address new concepts including 'spectrum of risk' and 'inherent risk factors'.

**05. IAIS**

Considering the significance of changes made to ISA 315 in the ED, the IAIS believes that it is important to review ISA 330 with the objective to take into account all the changes introduced in proposed ISA 315 as well as the current developments in the auditing techniques.

**06. IFIAR**

ISA 330 addresses the response to assessed risk of material misstatement. We note the current project recommends only minimal changes to ISA 330. Given the significance of changes made to ISA 315, we believe it is important that the Board begin a project to review and update ISA 330 with the objective to update the standard for current developments in auditing and to consider all follow on impacts resulting from the amended ISA 315. In particular, consideration should be given to the impact of the "spectrum of risk" and "inherent risk factors" on the auditor's response.

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

<sup>2</sup> ISA 330, *The Auditor's Responses to Assessed Risks*

## 07. IOSCO

We do not believe the limited changes proposed to ISA 330 are sufficient to address the significant changes to ISA 315 (Revised) and would encourage the Board to consider revising ISA 330 and whether a revised ISA 330 should be issued at the same time as ISA 315 (Revised).

### *Substantive Testing for Relevant Assertions*

Some auditors have interpreted paragraph 18 of ISA 330 as not requiring substantive testing for a relevant assertion for a material class of transactions, account balance, or disclosure where the risk of material misstatement is assessed as low, particularly where it is possible to rely on internal controls.

Paragraph 18 of ISA 330 says:

#### *"Substantive Procedures*

18. Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure."

Paragraph A42 of the related application guidance says:

#### *"Substantive Procedures (Ref: Para. 18)*

A42. Paragraph 18 requires the auditor to design and perform substantive procedures for each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement. This requirement reflects the facts that: (a) the auditor's assessment of risk is judgmental and so may not identify all risks of material misstatement; and (b) there are inherent limitations to internal control, including management override."

Paragraph 18 of ISA 330 requires the auditor to perform some substantive testing for each material class of transactions, account balance, and disclosure. However, the standard, either currently or as proposed, does not explicitly state that the auditor should perform substantive procedures for all relevant assertions for a material class of transactions, account balance, or disclosure.

In contrast, the auditing standards issued by the Public Company Accounting Oversight Board clearly require the auditor to perform substantive procedures for all relevant assertions of each significant account and disclosure, regardless of the assessed level of control risk. See paragraph 36 of AS 2301, *The Auditor's Responses to the Risks of Material Misstatement*.

We are concerned that the approach adopted by certain firms may allow for the possibility of material misstatements in a material class of transactions, account balance, or disclosure where a relevant assertion is identified but substantive procedures are not performed.

We acknowledge that the Board has proposed revisions to both paragraph 18 and paragraph A42 of ISA 330 within the Paper and has also proposed adding paragraph A42a, though we do not believe the proposed revisions and additions are sufficiently clear to address the concerns noted above.

### *Not Significant, but Material*

The Paper addresses classes of transactions, account balances and disclosures that are not significant, but which are material. Paragraph 52 states that the auditor shall:

- a) Identify the classes of transactions, account balances and disclosures that are quantitatively or qualitatively material, and that have not been identified as significant classes of transactions, account balances or disclosures in accordance with paragraph 46; and
- b) Evaluate whether the auditor's conclusion that there are no relevant assertions (that is, no related risks of material misstatement) for these classes of transactions, account balances and disclosures remains appropriate.

Did the Board intend for the language within paragraph 52(b) to imply that circumstances where the auditor does not identify a relevant assertion for a quantitatively or qualitatively material class of transactions, account balance or disclosure should be rare?

Paragraph 52(b) draws a comparison between there being no relevant assertions for a class of transactions, account balance or disclosure as synonymous with there being no related risks of material misstatement.

Is this the right threshold or should the terminology used in the definition of a relevant assertion (i.e.: "more than remote") be used here?

Given the requirements in paragraph 18 of ISA 330 for the auditor to "design and perform substantive procedures for each class of transactions, account balance, and disclosure that is quantitatively or qualitatively material," we believe that it would be useful for the Board to provide clear discussion and examples within the Application and Other Explanatory Material that illustrate how an auditor might conclude there were no relevant assertions for a class of transactions, account balance or disclosure that was concluded to be material. In essence paragraph 52 of ISA 315 (Revised) seems to contradict with paragraph 18 of ISA 330. We believe the concepts in ISA 330, subject to our concerns above, are more relevant and the more likely scenario.

We observed that the Board has requested comment, in question 8, as to views about the revisions to paragraph 18 of ISA 330 and whether the requirement should be retained. We believe that the revised requirements of this paragraph should be retained, subject to our concerns discussed above, and we encourage the Board to consider whether an unintended consequence of removing this paragraph would be auditors not performing any substantive audit procedures on a material class of transactions, account, or disclosure.

## 08. IRBA

### Reference 1:

The revisions made to paragraph 18 of ISA 330 are supported subject to the issues below, with their supporting application material, being resolved.

Paragraph A42a of the proposed consequential amendments to ISA 330 states that in designing the substantive procedures to be performed, the auditor's consideration of the assertion(s) in which a possible misstatement could occur – and if it were to occur, the effect of that misstatement would be most material – may assist in identifying the appropriate nature, timing and extent of the procedures to be performed. This statement is confusing as it seems to imply the identification and consideration of relevant assertions for material classes of transactions, account balances and disclosures, which makes the distinction between significant classes of transactions, account balances and disclosures and

material classes of transactions, account balances and disclosures redundant. To that end, we recommend that the IAASB considers application material to differentiate between significant classes of transactions, account balances and disclosures and material classes of transactions, account balances and disclosures.

It is not clear whether paragraph 18 in ISA 330 requires the auditor to perform substantive procedures on ALL assertions for material classes of transactions, account balances and disclosures. If it's not ALL assertions, then it is recommended that the IAASB provides criteria on how the auditor selects which assertions to perform substantive procedures on. This can possibly be a requirement that the auditor considers the risks of material misstatement at the assertion level and applies professional judgement on selecting assertions to substantively test, including documenting his/her decision on the audit file.

Further, the application material should provide guidance as to whether substantive procedures as envisioned in paragraph 18 of ISA 330 also includes substantive analytical procedures.

We also suggest that the application material to paragraph 6 of ISA 330 state that the auditor focuses on relevant assertions in responding to the assessed risks for significant classes of transactions, account balances and disclosures.

Reference 2:

Except for the issues raised in Question 8 above, the conforming amendments to ISA 330 are appropriate.

09. UK Financial Reporting Council

We support the proposed conforming amendments described in Appendix 2 of the explanatory memorandum. However, we note that the revision of ISA 330 was not explicitly mentioned in the recently proposed 'strategic direction for the IAASB's Strategy for 2020–2023'. We believe it is very important for the IAASB to carefully consider whether the revisions to ED-315 (such as inherent risk factors and the spectrum of inherent risk) have implications for the revision of the requirements in ISA 330 to design and perform further audit procedures that are effective in addressing the identified and assessed risks. In particular, it is important to consider whether the requirements in ISA 330 are aligned with the revised concepts in ISA 315 and use consistent terminology. We therefore encourage the IAASB to include a research project to determine if further amendments to ISA 330 are necessary as a result of the revisions to ED-315.

11. Australian A&A Standards Board

No matters noted.

12. Canadian AASB

Reference 1:

We believe the stand-back requirement should be retained in ISA 315 and removed from ISA 330. Removing the requirement in paragraph 18 of ISA 330 would reduce confusion and enhance clarity as there are different interpretations of why that requirement exists and how it is put into practice.

Reference 2:

Yes, we believe these conforming amendments are appropriate and complete, with the exception of ISA 330.18 which is discussed in Q8 above and Q10 below.

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.

14. Hong Kong Institute of CPAs

Under paragraphs 45 and 46 of ED-315, the auditor first identifies the risks of material misstatement at the financial statement level or assertion level, then goes on to determine significant classes of transactions, account balances and disclosures and their relative assertions ('COTABD') based on the identified risks of material misstatement. We therefore consider significant COTABD are those with identified significant risks which require audit effort under paragraph 21 of the extant ISA 330.

We note that there is no proposed conforming amendment to paragraph 21 of ISA 330.

No change is noted for conforming changes to paragraph 14(b) of ISA 330 for use of audit evidence from tests of relevant and unchanged controls in a maximum cycle of three years in prior audits. It is unclear as to whether such testing results of operating effectiveness from prior audits remain relevant in all assessments of control risks. If the tests of operating effectiveness of controls in the current year audit are planned, such testing results appear to be considered. In contrast, they are not taken into account if no tests of operating effectiveness of controls are planned for the current year audit. The testing results in the latter case appear not to be duly considered in the current year audit despite the availability of such relevant audit evidence.

15. IDW

Our comments in relation to paragraph 18 of ISA 330 are provided in our response to paragraph 10 below. We note that conforming amendments to the wording of the draft of ISA 330 would result from our comments on the draft of ISA 315.

We agree with the other changes made to ISA 330 *with the exception of one fundamental issue, which is our greatest concern with this exposure draft* and which we address immediately below, and a few issues of lesser importance that we address thereafter.

*Fundamental Issue*

ISA 200 is clear in a number of paragraphs that in an audit an auditor is required to reduce audit risk to an acceptably low level. Since aggregation risk for amounts is addressed through performance materiality as required in ISA 320.11 and the aggregate effect of misstatements of disclosures is addressed through ISA 450.A4 & .A17 in connection with ISA 700.13 (d), this implies that audit risk must be reduced to an acceptably low level for the items depicted in the financial statements. This also implies that if an auditor assesses particular risks of material misstatement as being at an acceptably low level, unless paragraph

18 of extant ISA 330 applies, an auditor need not respond to those assessed risks of material misstatement with overall responses or further audit procedures.

However, paragraph 7 (a) of the draft of ISA 330 requires the auditor to consider the reasons for the assessment given to the risk of material misstatement at the assertion level for each *significant* class of transactions, account balance, and disclosure. Since the draft of ISA 315.16 (j) defines a significant class of transactions, account balances or disclosure as one for which there is one or more relevant assertions, and relevant assertions are defined in ISA 315.16 (h) as those for which likelihood of a material misstatement that is more than remote, paragraph 7 (a) of ISA 330 as drafted effectively requires this consideration regardless of the assessed risk of material misstatement and requires such consideration for all significant classes of transactions, account balances and disclosures that contain a risk of material misstatement that is more than remote.

Even worse, paragraph 27 in effect requires the auditor to obtain sufficient appropriate audit evidence for all relevant assertions, which, given the definition of relevant assertions means for all assertions for which the auditor believes the risk of material misstatement is more than remote, regardless of the assessed risk of material misstatement.

There are two main concerns with this approach. First, the entire point of assessing the risks of material misstatement is to determine the nature and extent of responses needed to address the assessed risks. If the risk of material misstatement has been assessed as being acceptably low as described in ISA 200, there are no grounds for requiring any responses at all because none are needed: the objective of the audit to reduce audit risk to an acceptably low level has been achieved for that item. Second, by requiring responses for all relevant assertions as defined in the draft and hence for all risks of material misstatement that are more than remote, together with the application of the iterative approach as described in the drafts of ISAs 315 and 330, the draft of ISA 330 either

- violates ISA 200 by requiring auditors to reduce audit risk to a remote likelihood, rather than to an acceptably low level of risk, or
- changes the meaning of acceptably low level of risk to be equivalent to a remote likelihood and thereby changes the meaning of reasonable assurance, which is definitely beyond the scope of the Project Proposal upon which this exposure draft is based.

Furthermore, by requiring responses to risks of material misstatement regardless of the assessed risk of material misstatement and using the low threshold of a remote likelihood of risk, the draft of ISA 330 would generate a dramatic increase in the work effort currently required for audits – particularly for audits of financial statements of smaller and less complex entities. It would undermine the scalability of such audits. We do not believe that the additional assurance obtained will be worth the additional costs incurred.

Even if the definition of a relevant assertion were to be changed as we propose in our response to question 6 (d), while the effect on work effort would be less pronounced, the concerns we express in the two bullet points above would remain and we would still question whether the additional assurance obtained will be worth the additional costs incurred.

In our view, the wording in the draft of **paragraph 7 (a) of ISA 330** can be changed to read as follows to ameliorate the issues we have noted:

“Consider the reasons for the assessment given to each assessed risk of material misstatement at the assertion level...”

This implies deleting the reference to “significant class of transactions, account balances and disclosures”, which is superfluous for the purposes of this requirement.

Accordingly, the wording of the draft of **paragraph 27 of ISA 330** can be changed as follows:

“If the auditor has not obtained sufficient appropriate evidence as to the assessed risk of material misstatement at assertion level, the auditor shall attempt ...”.

No reference to “relevant assertion” or “significant class of transactions, account balances and disclosures” is needed.

The related application material paragraphs would need to be amended accordingly.

As proposed in our response to question 6 (d) above, we believe that application material to paragraph 6 ought to be added to clarify that auditor need not respond to assessed risks of material misstatement that have been assessed as being at an acceptably low level.

#### *Other Issues*

In line with our response to question 6 (c), the words “material” or “and magnitude of” need to be deleted from paragraph 7 (a) (i) and A9 of the draft of ISA 330. Furthermore, since controls address inherent risk – not control risk – the newly inserted words in paragraph 7(a) (ii) “that address the risk of material misstatement” should either be deleted or the words “risk of material misstatement” need to be replaced with “inherent risk”.

#### **17. Malaysian Institute of Accountants**

We agree with the proposed conforming and consequential amendments.

#### **18. Nederlandse Beroepsorganisatie van Accountants**

In our opinion it is better to revise ISA 315 and ISA 330 simultaneously. Only ‘conforming amendments’ in ISA 330 are not sufficient. We have the impression that the consequences of all changes in ISA 315 are not properly reflected in ISA 330. Furthermore, there is interaction between ISA 315 and ISA 330 which is not taken into account completely. For example the consequences of the ‘spectrum of inherent risk’ are not elaborated in ISA 330 and the consequences of controls not operating effectively on the assessment of control risk are not mentioned. We also do not see the concept of general IT controls relevant to the audit elaborated in ISA 330 (see also Question 5b).

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

ISA 330, the changes are 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

## 20. NZ Auditing and Assurance Standards Board

The NZAuASB considers the proposed conforming amendments appropriate.

## 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

### Reference 1:

In our view, the modifications which have been made to ISA 330 (paragraph 18) do not go far enough (see our response to Question 10 below). Accordingly, our recommendation would be to retain the ISA 315 stand-back requirement and remove the ISA 330 paragraph 18 requirement.

### Reference 2:

We refer to our responses to questions 8 and 10 relating to the conforming amendments proposed in ISA 330. In addition, we feel that a stronger link should be made in ISA 330.07 (and in related paragraphs A10 and A15) to the control risk assessment in ISA 315. As an example, when control risk is set at maximum, the auditor must obtain more assurance from substantive procedures compared to situations where control risk is less than maximum because the auditor tested the operating effectiveness of controls.

### Reference 3:

No, we do not agree with the revisions to ISA 330 paragraph 18 and the accompanying application guidance. We support the IAASB's decision, outlined in the Explanatory Memorandum, that it was also appropriate for the IAASB to consider the ISA 330 (paragraph 18) requirement alongside the planned changes contained in ED-315. We also agree that there has been inconsistent application about how this particular requirement has been applied in practice. We note that regulators and firms have taken differing views about the extent and likely impact of ISA 330 (paragraph 18) and the volume of 'substantive procedures' work that this has entailed.

While we support the decision to look again at ISA 330, we are nevertheless, underwhelmed by the extent of the planned changes made to this particular paragraph which, in our view, only consists of:

- Minor conforming changes of the actual wording of the requirement (i.e. inclusion of the '*quantitatively and qualitatively material*' concept outlined in ISA 315 ED (Revised)), and
- Extensive but ineffective changes to the application guidance as drafted in ISA 330 paragraphs 42-42A of the conforming changes section of the Explanatory Memorandum.
- As noted above, one of the areas that has caused confusion for auditors when applying ISA 330 (paragraph 18) has been the extent of substantive procedures that are required when no potential risks of material misstatement have been identified but the classes of transactions, account balance and disclosures are material. We support the clarification about the 'target' of this particular requirement – as outlined within paragraph 42 of ISA 330 application guidance and the link into ISA 315 (Revised):



*‘...substantive procedures are required to be designed and performed in accordance with paragraph 18...for each class of transactions, account balance or disclosure that is not a significant class of transactions, account balance or disclosure, but that has been identified as quantitatively or qualitatively material in accordance with ISA 315 (Revised).’*

- These changes still however raise more questions than they answer about how much work (i.e. the volume of *substantive procedures*) will be sufficient to meet the objectives of this particular requirement, especially given that (i) final analytical review procedures are already performed by auditors, and (ii) these classes of transactions, account balances and disclosures have also been subjected to a more rigorous ED-315 suite of risk assessment procedures.
- In our view, the ISA 330 requirement is an unnecessary step which is likely to be less effective given our support for the more robust identification and risk assessment procedures outlined in ED-315 (see our responses to Question 8 above) and the extant requirements contained across a range of ISAs, such as:
  - ISA 500 *Audit Evidence* (paragraphs 6 and 11),
  - ISA 505 *External Confirmations* (paragraph 16),
  - ISA 520 *Analytical Procedures* (paragraphs 6 and 7(b)), and
  - ISA 560 *Subsequent Events* (paragraphs throughout)

All of the above ISA requirements, taken together with ED-315 and increasing use of technology procedures to help further drive identification and assessment of risks of material misstatement, would, in our view, contribute to sufficient consideration by auditors of whether there are potential gaps from risk or planned audit work perspectives.

#### 24. Crowe International

We agree with the conforming and consequential amendments.

#### 25. Deloitte

DTTL is supportive of the changes included in paragraphs A29a and A30, which draw linkage to data, reports and substantive procedures alone being drivers for IT application and general IT control relevancy and paragraph A29b, which provides guidance on how the auditor can complete additional procedures to determine if an IT risk has been exploited or identify and test appropriate alternate controls if a deficiency exists in general IT controls. See responses to questions 8 and 10 for comments on ISA 330 paragraph 18.

#### 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 ...’

## 27. GT

We are of the view that paragraph A29a of the proposed conforming and consequential amendments to ISA 330 lacks clarity and would appear to suggest that the performance of control testing in circumstances where substantive procedures alone cannot provide sufficient appropriate audit evidence is optional. This clearly contradicts the requirement in paragraph 8(b) of ISA 330 to perform tests of controls in such circumstances.

We also note that a cross reference in paragraph 10(a) to application material paragraph A29b appears to have been omitted.

## 28. KPMG IFRG Limited

### Reference 1:

In addition, in light of the key objective of improving the application of professional scepticism during an audit, we recommend that the IAASB remove the “standback” requirement in ISA 330.18 as we believe that the placement of a requirement to validate, and even override, the risk assessment at a relatively advanced stage of the audit, as well as the specific language used, i.e. “irrespective of [the risk identification and assessment procedures performed]” may serve to reduce the emphasis on the risk identification and assessment process as a critical part of the audit process, and furthermore, may undermine the objective of the IAASB to underscore the importance of professional scepticism during this phase.

### Reference 2:

Yes we are supportive of these, subject to the comments above, in particular, re GITCs, and also the spectrum of inherent risk.

## 29. MNP LLP

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

## 30. PwC International

### ISA 330

Consistent with our comment on paragraph 21 of proposed ISA 315 (Revised) in Appendix 3, we are not convinced of the need to add “reliability” in paragraph 14 and related application paragraphs. It is unclear why the passage of time affects the reliability of evidence that was previously assessed as reliable. We note that the example in the application material only explains why evidence may no longer be relevant.

We support the amendments made in relation to GITCs, and believe these to be useful additions.

With respect to the changes made to paragraph A1, we are unclear as to the reason for including reference to changing performance materiality and why such a change arises as a conforming amendment from proposed ISA 315.

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

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 as to the risk of material misstatement related to...” In our view, auditors do not obtain evidence as to the risk of material misstatement, but instead obtain evidence in response to 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 as to 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.”

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

We have no comments concerning conforming amendments identified for ISA 330.

### 35. US Government Accountability Office

We believe that the proposed amendments to ISA 330 are appropriate in light of the enhancements that have been made in ISA 315 (Revised).

### 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, except that as noted in question 8 above we suggest that ISA 330 paragraph 18 is removed as it is inconsistent with the stand back provision.

### 44. EFAA

We have no comments.

### 45. Finnish Association of Authorised Public Accountants

#### Reference 1: (question 2)

Also in general, more guidance is needed about what is the effect of inherent risk assessment and control risk assessment, as well as their joint effect, on the audit procedures. For example, if inherent risk is considered low and control risk at maximum, what is the impact on the nature, timing and extent of audit procedures accordingly? The guidance could be added to either ISA 315 or ISA 330.

#### Reference 2:

No comments other than those presented in question 2.

46. Fed of Prof Council of Economic Sciences (Argentina)

We believe that the changes are appropriate.

47. FSR Danske Revisorer

In our opinion, ED-315 needs to be redrafted to address the issues, already stated, connected with scalability and excessive complexity before it is possible to consider if the corresponding amendments are appropriate.

However, in our view, ISA 240 and ISA 330 should be redrafted to ensure that the risk assessment process is simplified and made more scalable as the standards overlap and create unnecessary complexity when they do not promote a clear and consistent process that covers both risk of error and fraud.

48. Interamerican accounting association

Yes, we believe that the proposed changes to NIA 330 are adequate for the introduction of aspects related to IT, included as a draft amendment to ISA 315 (Revised), but new concepts and definitions with their corresponding requirements may be incorporated to the extent that IT advances in the practice of independent audit.

49. Instituto dos Auditores Independentes do Brazil

Reference 1:

We believe that a requirement for a stand-back procedure is not necessary because the risk assessment is an iterative process for which revisions are usually expected and performed during the course of the audit. Considering this, no changes are needed in paragraph 18 of ISA 330. If the requirement remains appropriate in IAASB's view, it is not clear what additional documentation should be prepared to demonstrate that.

Reference 2:

Yes, except what is mentioned in question 8.

51. ICAEW

We note in our answer to Q8 above, the fact that we do not believe that references to the 'qualitative and quantitative' nature of materiality are necessary because materiality, by definition, incorporates both aspects. To include such references implies that there may be situations in which auditors might consider one aspect but not the other, and we do not believe that such a situation would ever arise. We therefore strongly suggest that references to the qualitative and quantitative nature of materiality are removed from paragraphs 18, A4 and A42 of ISA 330.

We note in our answer to Q5(c) above, the importance of IT general controls relevant to the audit, the need for greater emphasis on situations in which the entity uses off-the-shelf software and has no access to the source code, and the fact that there will be a limited number of basic IT general controls relevant to the audit in such cases. This point could be made in ISA 330 as well as ISA 315.

#### 52. Institute of Chartered Accountants (Ghana)

Yes. ISA 330 which deals with the response to the assessed risks needs to reflect our enhanced understanding of these risks particularly in light of our improved understanding of the effect of general IT controls over the audit.

#### 53. Institute of Chartered Accountants of Pakistan

Yes, we agree.

#### 54. ICAS

The revision of ISA 315 will have a significant impact on the revision of future standards. Therefore, before addressing the conforming and consequential amendments from the revision of this standard, our concerns regarding the current ED-315 need to be resolved such as its unnecessarily complex construction and the issues around scalability.

To address some of the specific aspects of this question, on point a) above, we consider the ISA 200 definition of 'small entities' to be sufficient for the time being, while on point b) above, we note that further work is required to promote the use of data analytics as part of the revision of ISA 500. We also reiterate our concerns regarding the introduction of the concept of a 'spectrum of inherent risk' in relation to conforming amendments to ISAs 200 and 300.

#### 55. Institute of Chartered Accountants (Zimbabwe)

Yes, as a result of changes in the risk assessment process, it is vital that the responses also change and encompass professional skepticism.

#### 57. Institute of Public Accountants

##### Reference 1: (overarching comments)

Risk response – It is unfortunate that the IAASB did not address ISA 330 when revising ISA 315 as the two standards are highly interrelated. The IPA is particularly concerned that auditors often display limited responses to increased risk i.e. a decrease in materiality and/or an increase sample size. The materiality response is particularly a concern as in isolation (unless coupled with a sampling methodology) has no direct effect on the nature and extent of audit procedures.

##### Reference 2: (response to question 9b)

The IPA supports the proposed consequential amendments to ISA 315. [Assumed to be a typing error]

#### 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

### Reference 1:

Overall, we are supportive of the conforming amendments to ISA 330. We have provided specific comments in relation to the proposed amendments to paragraphs 18, A42 and A42a. Refer to questions 8 and 10 in this regard.

The expansion of the application material in paragraphs A29a and A29b in relation to the controls in an entity's IT environment, including general IT controls, is a positive contribution to improving the standard and providing clarity regarding the interplay between testing general IT controls and achieving the requirements with respect to the design and performance of tests of controls in paragraph 10.

### Reference 2:

#### Question 8

A matter that requires further clarification, is the extent of substantive procedures or the level of assurance that is required from substantive procedures when material classes of transactions, account balances and disclosures are identified in terms of ISA 330.18. Normally the extent of further audit procedures is based on the assessed risk of material misstatement. It is further not clear whether substantive procedures should be performed for each assertion under ISA 330.18. As the substantive procedures to be performed are not based on assessed risks how should the auditor decide which assertion(s) to test if the intention is not to test all assertions? Although we appreciate that ISA 330, paragraph A42a attempts to provide a solution to some of these issues, we have a sense that the users of these standards require more guidance in this regard.

### Reference 3:

#### Question 10

Yes, SAICA believes this is appropriate as it clarifies that when the ISAs refer to 'material' it means in quantitative or qualitative respects.

Also refer to our comments to **question 8**, above, relating to the interaction between the stand-back provision in ED-ISA 315, paragraph 52 and the conforming amendments to ISA 330.18. In particular, ISA 330, paragraph A42a should be further refined to better describe the work effort required.

## 63. SMPC

The content of responses to risks at the financial statement level is not comparable to the level of the description related to risk assessment of the risks at the financial statement level. In addition, the relationship between these procedures at ISA 330 (A1 – A3) and the procedures in ISA 240 are unclear.

Our main concern relating to ISA 330 is however that the proposed changes to ISA 330.7 in combination with the introduction of the PCAOB threshold "more than remote likelihood" will, given the iterative nature of risk response, result in the performance of excessive work. We refer to our more detailed explanation above in this respect.

65. Chartered Accountants Academy (Zimbabwe)

Yes, the changes are appropriate. Stemming from changes in the risk assessment process, it is vital that the responses also change and allow for professional scepticism.

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.