

Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: New York, United States of America
Meeting Date: March 5–6, 2019

Agenda Item B

ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* – Cover

Objective of the Agenda Item

1. The objectives of this agenda item are to receive:
 - (a) A presentation of an overview of the responses received on the Exposure Draft of International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* (ED–315); and
 - (b) An update on the ISA 315 Task Force's (the Task Force) initial thoughts about how to address the broader issues and concerns raised, as well as proposed responses to certain individual issues.

Project Status

2. ED–315 was approved by the IAASB for exposure in June 2018. The comment period closed on November 2nd, 2018 and 72 comment letters were received to date. The exposure draft (including an explanatory memorandum) and the comment letters are available on the IAASB's website.¹ A list of respondents is included in Appendix 1 of **Agenda Item B.1**.
3. Since the September 2018 IAASB CAG meeting, the Task Force has met two times in person and three times by teleconference. **Agenda Item B.1** outlines the progress the Task Force has made to address key concerns of respondents and the Board in relation to aspects of:
 - Complexity and scalability / proportionality;
 - Understanding of the entity's system of internal control; and
 - Identifying and assessing the risks of material misstatement.
4. **Appendix A** to this paper provides a history of previous discussions with the IAASB CAG and IAASB on this topic, including links to the relevant IAASB CAG documentation.

¹ <https://www.ifac.org/publications-resources/exposure-draft-isa-315-revised-identifying-and-assessing-risks-material>

What Does the ISA 315 Task Force Want Your Views On?

5. The IAASB Agenda Papers will be used as a basis for the CAG discussions. However, the focus of the discussions with the CAG Representatives will be on the broader overall concerns related to complexity, and scalability / proportionality (see Sections II and V of **Agenda Item B.1**). **Agenda Item B.2** sets out the table of drafting used to present the two alternatives relating to '*understanding the entity's system of internal control*' to be discussed by the IAASB, as well as the extant standard and ED-315. Column 3 within this table of drafting presents proposed changes to address individual issues related to the *understanding the entity's system of internal control* (with a markup of the changes in Appendix 1 of **Agenda Item B.1**)
6. The IAASB CAG is asked to read the following sections included in **Agenda Item B.1** (in combination with the table of drafting in **Agenda Item B.2**):
 - Overall Proposed Responses to Complexity and Scalability / Proportionality
 - **Section II** – Overarching Issues Relating to Complexity and Scalability / Proportionality in the Responses to ED-315, and Task Force views on these matters (paragraphs 11–33).
 - **Section V** – Scalability and Proportionality of Application Material (paragraphs 138–143)
 - Individual Issues Related to *Understanding The Entity's System of Internal Control*
 - **Section III** – Specific Issues Related to Understanding of the Entity's System of Internal Control (paragraphs 34–83)
7. The IAASB CAG is asked to provide views on:

<i>Complexity and Scalability / Proportionality</i>
1. The two different alternatives or approaches in presenting the requirements of the standard – as set out in Column 3 (Option 1) and Column 4 (Option 2) of Agenda Item B.2 respectively. In particular, whether the broad approach to apply an 'overall response' (Column 4 (Option 2)) to draft the requirements could be an effective way to address the overarching comments from respondents relating to complexity and scalability/proportionality, and if not, why not?
<i>Understanding the Entity's System of Internal Control</i>
2. The proposed changes set out in Section III of Agenda Item B.1 and Agenda Item B.2 (Column 3).
3. Any other matters that the Task Force should consider as it progresses the changes to ED-315.

Material Presented – IAASB CAG Papers

- Agenda Item B.1** ISA 315 (Revised) – Issues and Recommendations (IAASB Paper)
- Agenda Item B.2** ISA 315 (Revised) – Table of Drafting (IAASB Paper)

Appendix A

Project Details and History

Project: ISA 315 (Revised)

Link to IAASB Project Page: [ISA 315 \(Revised\) Project Page](#)

Task Force Members

The IAASB's ISA 315 (Revised) Task Force comprises:

- Fiona Campbell, IAASB Member and Task Force Chair (supported by Denise Weber, IAASB Technical Advisor)
- Karin French, IAASB Member
- Marek Grabowski, IAASB Member (supported by Josephine Jackson, IAASB Technical Advisor)
- Susan Jones, IAASB Technical Advisor
- Kai Morten Hagan, IAASB Member

Summary

	IAASB CAG Meeting	IAASB Meeting
Project commencement and preliminary discussions on audit issues relevant to ISA 315 (Revised)	March 2016	March 2016 June 2016
Discussion on the project proposal to revise ISA 315 (Revised)	September 2016	September 2016
Discussion on audit issues and recommendations for proposed changes to ISA 315 (Revised)	September 2016 March 2017 September 2017 March 2018 September 2018	September 2016 December 2016 March 2017 September 2017 October 2017 December 2017 March 2018 June 2018 December 2018

IAASB CAG Discussions: Detailed References

Information gathering	<p><u>March 2016</u></p> <p>See IAASB CAG meeting material and meeting minutes (Agenda Item C): http://www.iaasb.org/cag/meetings/paris-france</p>
Project Proposal	<p><u>September 2016</u></p> <p>See IAASB CAG meeting material and meeting minutes (Agenda Item D) http://www.iaasb.org/cag/meetings/new-york-usa</p>
Development of Exposure Draft	<p><u>September 2016</u></p> <p>See IAASB CAG meeting material (Agenda Item D) and meeting minutes (Agenda Item C) http://www.iaasb.org/cag/meetings/new-york-usa</p> <p><u>March 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item F) and meeting minutes (Agenda Item C) http://www.iaasb.org/cag/meetings/iaasb-cag-meeting</p> <p><u>September 2017</u></p> <p>See IAASB CAG meeting material (Agenda Item K) and meeting minutes (Agenda Item C) http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-madrid-spain</p> <p><u>March 2018</u></p> <p>See IAASB CAG meeting material (Agenda Item G) and meeting minutes (Agenda Item A) http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny</p>
Development of Final Standard	<p><u>September 2018</u></p> <p>See IAASB CAG meeting material (Agenda Item J) and meeting minutes (Agenda Item A) http://www.iaasb.org/cag/meetings/iaasb-cag-meeting-new-york-ny-0</p>