

**Minutes of the 94<sup>th</sup> Meeting of the  
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD  
Held on May 22, 2018 by Teleconference**

**Voting Members**

**Present:**

Arnold Schilder (Chairman)  
Megan Zietsman (Deputy Chair)  
Fiona Campbell  
Robert Dohrer  
Karin French  
Marek Grabowski  
Chuck Landes  
Prof. Kai-Uwe Marten  
Fernando Ruiz Monroy  
Ron Salole  
Rich Sharko  
Isabelle Tracq-Sengeissen  
Imran Vanker

**Technical Advisors**

Sara Ashton (Ms. French)  
Nicolette Bester (Mr. Vanker)  
Wolf Böhm (Prof. Marten)  
Melissa Bonsall (Ms. Zietsman)  
Andrew Gambier (Mr Chiew)  
Ahava Goldman (Mr. Dohrer)  
Hiram Hasty (Mr. Landes)  
Josephine Jackson (Mr. Grabowski)  
Susan Jones (Mr. Jui)  
Sachiko Kai (Ms. Tracq-Sengeissen)  
Jamie Shannon (Mr. Sharko)  
Eric Turner (Mr. Salole)  
Sylvia van Dyk (Ms. Provost)  
Denise Weber (Ms. Campbell)

**Apologies:**

Abhijit Bandyopadhyay  
Chun Wee Chiew  
Len Jui  
Lyn Provost  
Ge Zhang

Vivienne Bauer (Mr. Monroy)  
Shu Duan (Mr. Zhang)  
Sanjay Vasudeva (Mr. Bandyopadhyay)

**Non-Voting Observers**

**Present:**

N/A

**Apology:**

Yoshinao Matsumoto (Japanese Financial Services Authority), James Dalkin (IAASB Consultative Advisory Group (CAG) Chairman)

**Public Interest Oversight Board (PIOB) Observer**

Karen Stothers

## IAASB Technical Staff

Present: Beverley Bahlmann, Brett James, Armand Kotze, Dan Montgomery, Phil Minnaar

IAASB agenda materials referred to in these minutes can be accessed at <http://www.iaasb.org/meetings/iaasb-conference-call-may-22-2018>. These minutes are a summary of the decisions made at the May 2018 IAASB meeting, in light of the issues and recommendations in the agenda material put forth by the Task Forces (TF), Working Groups, Drafting Teams and Staff supporting the individual projects. These recommendations are made taking into account feedback from respondents to the IAASB's public consultations, in particular Exposure Drafts (EDs) of the IAASB's proposals, consideration of previous discussions of the Board and its CAG, and feedback from stakeholders through outreach activities.

### 1. Welcome

Prof. Schilder welcomed all participants to the teleconference.

### 2. ISA 315 (Revised)<sup>1</sup>

Ms. Campbell noted that the focus of the teleconference was to consider the proposed conforming amendments to other ISAs arising from Exposure Draft (ED) ISA 315 (Revised), as well as proposals in respect of new and revised definitions related to information technology (IT). In relation to conforming amendments, Ms. Campbell emphasized that the Task Force was cautious to not propose wholesale changes throughout the ISAs, in particular where the cost of a change would outweigh the benefits.

#### CONFORMING AND CONSEQUENTIAL AMENDMENTS

The IAASB was broadly supportive of the overall direction of the proposals, including the pragmatic approach proposed by the Task Force for dealing with the volume of conforming amendments, and in particular the proposal to only present the conforming amendments to ISA 540 (Revised) for approval and publication at a slightly later time than the ED. However, some concerns were expressed as to whether such a delay would impact the approval process of ISA 540 (Revised), in particular it was noted that it would be necessary to understand what the conforming amendments to ISA 540 would be before approving that standard.

Notwithstanding the Board's support of the pragmatic approach to the conforming amendments throughout the ISAs by the Task Force, some Board members expressed concern about the Board's ability to properly assess the appropriateness of those conforming amendments that were only 'described' in paragraph 20 of **Agenda Item 1-A**. The Board asked the Task Force to further consider how all proposed conforming amendments would be presented in June 2018 in a manner that provides appropriate context for Board approval.

In addition to the broader comments noted above and other minor or editorial suggestions, the Board

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<sup>1</sup> International Standard on Auditing (ISA) 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

encouraged the Task Force to further consider:

- The consistency with which the change for the ‘system of internal control’ would be processed throughout the standards, for example in ISA 260,<sup>2</sup> ISA 210<sup>3</sup> and ISA 580.<sup>4</sup>
- Whether changes to the terms in ISA 265<sup>5</sup> for deficiencies or significant deficiencies in internal control were truly necessary. Mixed views were expressed about the impact of the change to ISA 265, but on balance the Board agreed to not make the change to this standard, or any other standard (with the exception of ISA 315 (Revised)) regarding deficiencies (and significant deficiencies) in internal control. Rather, it was noted that a change could be made to the Glossary that could refer to both terms that could be used in the ISAs. The Board encouraged further consideration of the alignment of the terminology throughout the ISAs for consistency.
- The introduction of various ISA 315 (Revised) concepts into the application material of ISA 200 (paragraph A40), as this has introduced a measure of complexity and confusion.
- Whether the proposed changes to ISA 240 were within the scope of conforming amendments to ISA 315 (Revised), for example, in paragraph 27 of ISA 240.
- Proposed conforming amendments to ISA 330:<sup>6</sup>
  - In relation to the auditor’s design of further audit procedures (ISA 330 paragraph 7). One Board member questioned whether the concept of a ‘reasonable possibility’ (i.e. significant accounts, classes of transactions and disclosures) in ISA 315 (Revised) is distinct from an assessed risk of material misstatement which may be ‘acceptably low’ in accordance with ISA 200.
  - Concerns were expressed about the complexity of ISA 330 paragraph 18 and the related application material, in particular paragraphs A42–A42a. It was noted that the difference between a ‘quantitatively or qualitatively material’ account balance versus a ‘significant account balance, class of transactions, or disclosure’ is confusing, and therefore additional application material may be needed to further clarify the difference in the required further audit procedures.
  - In relation to paragraph 18 and the use of ‘material’ and ‘significant’ in this paragraph, these terms were sometimes difficult to translate.
  - In relation to the appropriate threshold for the purpose of addressing the requirement in paragraph 18, notably that this should be ‘performance materiality.’

#### NEW AND REVISED DEFINITIONS RELATED TO IT

The IAASB was broadly supportive of the proposals in relation to the modernization of the definitions included on Section II of **Agenda Item 1**, in particular with respect to scalability considerations through the enhancement of the application material in respect of ‘off the shelf’ software. In addition to minor or editorial comments, the Task Force was encouraged to further consider:

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<sup>2</sup> ISA 260, *Communication with Those Charged with Governance*

<sup>3</sup> ISA 210, *Agreeing the Terms of Audit Engagements*

<sup>4</sup> ISA 580, *Written Representations*

<sup>5</sup> ISA 265, *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*, paragraph 6(a)

<sup>6</sup> ISA 330, *The Auditor’s Responses to Assessed Risks*

- The definition of the IT environment, as it refers to IT applications and supporting IT infrastructure that ‘support business operations and achieve business strategies’, as the scope of this proposed definition may be perceived as being too broad and possibly beyond the scope of financial reporting.
- The definition of application controls. Some Board members expressed concern about the complexity of the definition, and others encouraged retaining in the definition the objective of these controls to maintain the completeness and accuracy of transactions.
- How the definitions could be streamlined to be more focused.

#### PIOB REMARKS

Ms. Stothers questioned whether comments and recommended changes would still be considered by the Task Force, taking into account the timing of the teleconference and the short turnaround to the June 2018 IAASB meeting. Ms. Campbell confirmed that all comments would be considered by the Task Force included in the materials being presented for discussion at the June 2018 IAASB meeting.

#### WAY FORWARD

The Task Force expects to present the proposed Exposure Draft of ISA 315 (Revised), and related conforming amendments, for approval at the June 2018 IAASB meeting.

### **3. Closing**

Prof. Schilder thanked the IAASB members, technical advisors and Staff, highlighting the importance of the discussions in June 2018 being focused on substantive matters.

### **4. Next meeting**

The next IAASB physical meeting will be held in New York on June 18–23, 2018.