Identifying and Assessing the Risks of Material Misstatement

The Board discussed a full version of the standard\(^1\) reflecting the new drafting approach that was broadly supported with the Board at its March 2019 meeting. The Board broadly supported specific aspects of this approach, in particular the enhanced flow and understandability of the requirements, as well as the separate presentation or signposting of examples and scalability paragraphs in the application material.

Notwithstanding broad support for the overall approach, concern was expressed about the change to move certain material (primarily criteria or terms previously included in requirements relating to the understanding of the system of internal control) to definitions. It was also highlighted that this could cause challenges in navigating the standard. The Board was presented with a revised approach to drafting the requirements for the understanding the system of internal control, which reconnected the definitions, and the Board broadly supported moving forward.

Specific other areas discussed and agreed include revisions to the definitions of significant risk and the inherent risk factors, specifically in relation to how fraud is presented within the inherent risk factors.

Conforming amendments arising from the proposed changes to the standard will be discussed at an IAASB teleconference in August 2019 and a final draft of the proposed standard will be presented to the IAASB for approval at its September 2019 meeting.

Agreed-Upon Procedures (AUP)

The Board received an overview of the responses to proposed ISRS 4400 (Revised)\(^2\) (ED–4400). The Board discussed, among other matters, respondents’ comments on the application of professional judgment when performing procedures, the independence disclosure requirements, and the effective date.

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\(^1\) Proposed International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement*

\(^2\) International Standard on Related Services (ISRS) 4400 (Revised), *Agreed-Upon Procedures Engagements*
The Board also acknowledged areas of broad support, including not including a precondition for the practitioner to be independent, using the term “findings” and requiring an explanation of this term in the engagement letter and the AUP report, not requiring or prohibiting a reference to the practitioner’s expert in the AUP report, and not requiring a restriction on use or distribution of the AUP report.

The AUP Task Force will deliberate the Board’s input and will present the first read of the post-exposure ISRS 4400 (Revised) to the Board in the second half of 2019.

International Accounting Standards Board (IASB) Update

The Board received an update from Mary Tokar, IASB Member, which covered how the IASB sets their work program, as well as resources and consultations with stakeholders, in light of the upcoming discussions about the IAASB Strategy for 2020–2023; the IASB’s experience of the impact of technology on standard setting; and an update on relevant topics on the IASB’s current agenda, including discussions about various aspects of auditability related to these.

Auditor Reporting Post-Implementation Review

The Board received an update on the main trends and issues that the Auditor Reporting Implementation Working Group (ARIWG) have noted through their ongoing information gathering and research activities. The Board also discussed the ARIWG’s initial proposals regarding the objective, scope and approach to the PIR. The Board provided various suggestions about the approach to the PIR, including matters to be considered as part of the PIR, and encouraged the ARIWG to issue a project update so that external stakeholders are aware of the IAASB’s ongoing activities.

Group Audits

The Board was updated on the ISA 6003 Task Force’s progress since the March 2019 meeting and discussed the public interest issues that the ISA 600 Task Force identified, the ISA 600 Task Force’s proposals with respect to the risk-based approach to scoping a group audit, and the special considerations related to auditing a group. The Board also discussed indicative drafting related to the risk-based approach to scoping a group audit and the special considerations related to proposed ISA 220 (Revised).4 Generally, the Board was supportive of the approach taken but had suggestions on the way forward and the indicative drafting. The ISA 600 Task Force will take these comments into account and will present further drafting at the September 2019 meeting. The ISA 600 Task Force will also continue its outreach to key stakeholders and coordinate with IESBA and other IAASB Task Forces as needed.

Audit Evidence

The Board discussed the analysis undertaken by the Audit Evidence Working Group of the issues across the ISAs related to audit evidence and the use of technology more broadly, and the possible actions to address the issues. The Board concurred that guidance should be developed on the effect of technology when applying certain aspects of the ISAs, and that this should be actioned expeditiously. The Board also indicated that more extensive information gathering and research need to be

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3 ISA 600, Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)
4 Proposed ISA 220 (Revised), Quality Management for an Audit of Financial Statements
undertaken to understand the issues related to audit evidence, so that the Board is fully informed of the issues in determining the need for revisions to ISA 500\(^5\) and possibly other related standards.

**Extended External Reporting (EER) Assurance**

The Board was updated on the work of the EER Task Force on the challenges allocated to Phase 2 of the project. These challenges include: determining the scope of an EER assurance engagement; obtaining evidence in respect of narrative and future-oriented information; exercising professional skepticism and professional judgment; obtaining the competence necessary to perform the engagement; and communicating effectively in the assurance report. The Board discussed views on the EER Task Force’s initial proposals to address each of these challenges in the Phase 2 guidance. The EER Task Force will consider the inputs received from the Board, together with responses to the Phase 1 EER Consultation Paper in so far as they impact the Phase 2 guidance, in developing the draft Phase 2 guidance, which will be presented for discussion at the September 2019 IAASB meeting.

**IAASB–IESBA Coordination Update**

The Board received an update on the process put in place to inventory, capture and manage coordination needs, prioritize topics requiring coordination and allow for periodic review. The presentation also included an update on recent discussions between the IAASB, IESBA and their NSS groups during a joint session in May 2019, as well as a joint presentation of the Chairmen of both Boards to the IFAC Board on coordination efforts. The Board supported the initiatives to enhance the monitoring of coordination activities between the IAASB and IESBA. The Board emphasized the need for early identification of relevant coordination topics to ensure that related coordination activities occur at the appropriate level, including elevating certain matters for deliberation at Board level, and confirmed that transparent and timely communications between the SSBs will contribute to constructive coordination in the public interest.

**Next Meeting**

The next IAASB teleconferences will be held on July 16\(^6\) and August 1, 2019. The next physical IAASB meeting will be held in New York, United States of America on September 17–20, 2019.

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\(^5\) ISA 500, *Audit Evidence*

\(^6\) The teleconference initially scheduled for July 16, 2019 will likely be rescheduled to a different time