

ISA 315 (Revised)

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IAASB Meeting

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Agenda Item 3

Overview

- Objectives of discussion
- Background to ISA 315 (Revised) project
- Post implementation review findings related to ISA 315 (Revised)
- Other issues related to ISA 315 (Revised)
- Interactions with other IAASB projects
- Other resources for consideration

Objectives of discussion

- (a) Present initial background from various sources about issues and concerns relating to ISA 315 (Revised)
- (b) Obtain views from the Board on matters addressed in **Agenda Item 3-A** to inform the ISA 315 (Revised) Working Group (WG) as it commences activities

Background to ISA 315 (Revised) project

- ISA 315 (Revised) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.
- The IAASB's Work Plan for 2015-2016 discusses the preliminary approach to ISA 315 (Revised) as a staff-led initiative to gather information about objectives and scope of the project and possible changes to enhance the requirements and guidance.

Post implementation review findings related to ISA 315 (Revised)

- Inconsistency in the nature and number of significant risks identified (key theme)
- Identification of controls relevant to the audit (key theme)
- Risks and controls arising from IT (important theme)
- Practical issues relating to risk assessment
- Documentation of risk assessment procedures
- Complex organization of the standard

Matters for IAASB consideration

1. Are there any other considerations (for example, developments of internal control frameworks) or aspects relating to requirements and guidance that should be taken into account by the WG as it commences its activities?

2. The IAASB is asked for views on the matters relating to the ISA Implementation Monitoring findings and other practice matters noted in **Sections II and III**, respectively, of **Agenda Item 3-A**. Specifically:
 - (a) Board members are asked to provide views on which of the matters should be prioritized?
 - (b) Are Board members aware of steps that have been taken by NSS, practitioners or others to respond to some of these challenges? If so, what has been the effect these steps have had related to the practical application of ISA 315 (Revised)?

Other issues related to ISA 315 (Revised)

- Audits of small and medium entities (SMEs)
 - Challenges experienced by those who perform audits of SMEs
 - Considerations specific to smaller entities, which are intended to assist in the application of the ISA requirements for audits of SMEs
- Additional feedback and questions that arise in practice
 - At what level should the risk assessment be done (financial statement or lower)?
 - Is there an over emphasis in the auditor's response to assessed risks on those risks that have been identified as significant risks?
 - Should the number of significant risks increase relevant to the increase in size and complexity of the entity?
 - Should the complexity of the entity's information system be more of a consideration in the auditor's assessment of the risks of material misstatement?

Interactions with other IAASB projects

- Completed projects
 - Addressing Disclosures in the Audit of Financial Statements
 - New and Revised Auditor Reporting Standards
- Current projects
 - Professional Skepticism
 - ISA 540 – Auditing Accounting Estimates, including Fair Value Estimates
 - Data Analytics
 - Group Audits

Matter for IAASB consideration

3. Does the IAASB agree with the interactions with completed and ongoing IAASB projects identified in Section IV of **Agenda Item 3-A**? Are there other interactions with IAASB projects that Board members believe should be considered?

Other resources for consideration

- Corresponding national auditing standards (e.g., PCAOB AS 12)
- An Institute of Chartered Accountants in England and Wales publication titled ‘Risk assessment and internal controls: continuing challenges for auditors’
- International Federation of Accountants ‘Guide to Using ISA’s in the Audits of Small-and Medium-Sized Entities’

Matters for IAASB consideration

4. The IAASB is asked to provide its views on the possible actions the WG might consider related to the differences identified between ISA 315 (Revised) and AS 12 in Section V of **Agenda Item 3-A**.
5. The IAASB is asked to provide suggestions for resources the WG should consider in addition to those highlighted in Section VI of **Agenda Item 3-A**.



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