

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** New York, New York  
**Meeting Dates:** September 12–13, 2016

## Agenda Item D

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

#### Objectives of Agenda Item

1. The objectives of this agenda item are to:
  - Update Representatives and Observers on the progress of the ISA 315 (Revised) project since the March 2016 IAASB Consultative Advisory Group (CAG) meeting.
  - Obtain Representatives and Observers views on the project proposal for revisions to ISA 315 (Revised) (**Agenda Item D.1**).
  - Obtain Representative and Observers views on issues and working group recommendations (**Agenda Item D.2**).

#### Project Status

2. The IAASB and IAASB CAG considered the staff-developed agenda material at their respective March 2016 meetings that addressed initial background from a number of sources about issues and concerns relating to ISA 315 (Revised). The ISA 315 (Revised) Working Group (the WG) commenced its work subsequent to the March 2016 IAASB and IAASB CAG meetings.
3. The IAASB, at its March 2016 meeting, agreed with the concerns noted in the [staff-developed agenda material](#) (in particular, those identified by the IAASB's previous ISA Implementation Monitoring project) and provided suggestions for other areas that the WG should consider as it begins its work. Recognizing that ISA 540<sup>2</sup> sets out how ISA 315 (Revised) is to be applied in relation to accounting estimates and given the different stages of the ISA 315 (Revised) and ISA 540 projects, it was agreed that the ISA 540 Task Force (TF) will progress proposed changes to ISA 540 based on extant ISA 315 (Revised). In doing so, the ISA 540 TF will consider how the link between ISA 315 (Revised) and ISA 540 can be strengthened to avoid repetition and to better align language.
4. At the June 2016 IAASB meeting, the WG presented an [initial scoping of a project to revise ISA 315 \(Revised\)](#), drawing the IAASB's attention to the background on the project, outreach undertaken to date, the WG's preliminary views on a project proposal and the significant issues identified to date. The IAASB generally supported the WG's proposed project objectives, the overall focus and direction of the project and the issues that had been identified and provided the WG with input on other issues to be considered for inclusion in the ISA 315 (Revised) project. Taking into account the progress made by the WG in advancing the ISA 315 (Revised) project, the IAASB directed the WG to:

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

<sup>2</sup> ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

- (a) Present a project proposal for approval at the IAASB's September 2016 meeting; and
  - (b) Accelerate its thinking, and discussion with the IAASB and IAASB CAG, of certain priority topics, including those matters that would provide helpful input to the ISA 540 TF.
5. The WG is therefore, in addition to the draft project proposal (**Agenda Item D.1**), presenting issues and recommendations (**Agenda Item D.2**) on priority topics at the IAASB's and IAASB CAG's respective September 2016 meetings, with the objective of minimizing any unnecessary differences in how the risk assessment is approached by the WG and by the ISA 540 TF.

*ISA 315 (Revised) WG's Outreach Activities to Date*

6. The WG has undertaken outreach activities to identify issues involving ISA 315 (Revised) to further inform its thinking. These outreach activities included leadership of the WG and Staff discussions with representatives of the:
- International Federation of Accountants Small and Medium Practices Committee;
  - International Forum of Independent Audit Regulators' Standards Coordination Working Group; and
  - Institute of Chartered Accountants of England and Wales (ICAEW) and other contributors to the ICAEW's publication, [\*Risk Assessment and Internal Controls: Continuing Challenges for Auditors\*](#).

*Ongoing Coordination with the IAASB's Other Ongoing Projects*

7. During the March 2016 IAASB meeting, the ISA 540 TF had a joint meeting with the WG, the Professional Skepticism Working Group (PSWG), and the Data Analytics Working Group to discuss crossover issues. The ISA 540 TF and the WG have identified key areas for interaction that include (i) whether some aspects of understanding the entity and risk assessment procedures relating to accounting estimates could be enhanced in ISA 540; and (ii) which standard should address the requests for more guidance on internal control over models, data and estimation processes and general information technology controls in relation to accounting estimates.
8. In addition to coordination among IAASB staff, one Board member is a member of both the WG and the ISA 540 TF. The WG has continued its coordination with the ISA 540 TF and the PSWG subsequent to the March 2016 IAASB and IAASB CAG meetings as follows:
- Leadership and Staff of the ISA 540 TF and the WG have participated in one teleconference to share views related to matters that cross over the ISA 540 and ISA 315 (Revised) projects;
  - The WG Chair participated in the August 2016 ISA 540 TF meeting discussions related to risk assessment; and
  - Leadership and Staff of the ISA 540 TF, the WG and the PSWG have participated in one teleconference to share views related to matters that cross over the ISA 540, ISA 315 (Revised) and professional skepticism projects.

## **Project Proposal**

9. The draft project proposal (**Agenda Item D.1**) has been considered by both the WG and the IAASB Steering Committee, and will be presented for approval by the IAASB at its September 2016 meeting.

The project objectives are outlined in paragraph 11 of the project proposal. The project scope is outlined within paragraphs 12 to 18 of the project proposal.

### **Matters for CAG Consideration**

10. The Representatives and Observers are asked for their views on the draft project proposal (**Agenda Item D.1**) and on the matters for CAG consideration included in **Agenda Item D.2**.

### **Material Presented – IAASB CAG PAPERS**

Agenda Item D.1	Project Proposal—Revision of ISA 315 (Revised)
Agenda Item D.2	ISA 315 (Revised)—Issues and Recommendations