



Meeting: IAASB Consultative Advisory Group (CAG)
Meeting Location: New York, United States of America
Meeting Date: March 7–8, 2017

Agenda Item F

ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* – Report Back and Cover

Objectives of Agenda Item

1. The objectives of this agenda item are to:
 - (a) Inform Representatives on the ISA 315 (Revised) Task Force's (the Task Force) activities since the September 2016 IAASB CAG meeting;
 - (b) Obtain Representatives' views on the Task Force's recommendations that have been developed since the September 2016 IAASB CAG meeting, including key IAASB decisions related to those Task Force recommendations; and
 - (c) Provide a report back on comments received from the Representatives on this project as discussed at the September 2016 IAASB CAG Meeting.

Project Status

2. The IAASB's ISA 315 (Revised) Task Force comprises the following members:
 - Fiona Campbell, IAASB Member and Task Force Chair (supported by Denise Weber, IAASB Technical Advisor)
 - Marek Grabowski, IAASB Member (supported by Josephine Jackson, IAASB Technical Advisor)
 - Chuck Landes, IAASB Member (supported by Hiram Hasty, IAASB Technical Advisor)
 - Susan Jones, IAASB Technical Advisor
 - Katharine Bagshaw, International Federation of Accountants Small- and Medium-Sized Practices Committee Member
 - Megan Zietsman, IAASB Deputy Chair (correspondent member)
3. Since the September 2016 IAASB CAG meeting, the Task Force met three times by teleconference and twice in person. **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.

September 2016 IAASB CAG Discussion

4. Extracts from the draft minutes of the September 2016 IAASB CAG meeting, as well as an indication of how the Task Force or IAASB has responded to the Representatives' comments are included in the table below.

Representatives' Comments	Task Force/IAASB Response
PROJECT PROPOSAL	
<p>Mr. linuma noted that, with the developments in technology, and particularly the widespread use of cloud computing, it was important to consider whether ISA 315 (Revised) sufficiently addressed the auditor's consideration of technology in gaining the required understanding of the entity's information system. Mr. linuma added that, in his view, the requirements in ISA 315 (Revised) are sound; however, the standard would benefit from simplification in language where possible and the addition of diagrams to assist auditors to better understand the intention of the standard.</p>	<p>Points noted.</p> <p>Ms. Campbell noted that the project includes plans for revisions to ISA 315 (Revised) to integrate the consideration of the impact of technology (including the increasing complexity of the Information Technology (IT) environment) on the auditor's risk assessment procedures throughout the standard, as well as possible restructuring of the standard to address concerns regarding ease of application.</p> <p>In March 2017, the IAASB will discuss the Task Force's views of the extent of the auditor's understanding of IT necessary in obtaining the required understanding of the entity and its environment and internal control and related Task Force views on enhancements to ISA 315 (Revised). The IAASB will also discuss the impact of data analytics to the auditor's risk assessment procedures and possible changes that may be needed to ISA 315 (Revised).</p>
<p>Mr. van der Ende noted that, in his view, the scope of the project should also consider the possibility for revisions to ISA 260 (Revised).¹ Mr. van der Ende explained that his view is based on a requirement in the Netherlands for auditors of financial institutions to communicate with those charged with governance when the auditor's audit approach does not rely on tests of controls, and explain the reasons for that approach.</p>	<p>Point noted.</p> <p>Ms. Campbell noted that such reporting might be viewed as related to the auditor's response to the performance of risk assessment procedures and therefore likely outside of the scope of the project. However, she added that, depending on the revisions to ISA 315 (Revised), there may be a need for consequential amendments to other ISAs as appropriate, including potentially ISA 260 (Revised).</p> <p>Ms. Healy added that, as part of the IAASB's auditor reporting project, revisions were made to the requirement in ISA 260 (Revised) for the auditor</p>

¹ ISA 260 (Revised), *Communication with Those Charged with Governance*

Representatives' Comments	Task Force/IAASB Response
	<p>to communicate an overview of the planned scope and timing of the audit, to require the auditor to communicate with those charged with governance regarding the significant risks identified by the auditor. Application material associated with this requirement in paragraph A13 of ISA 260 (Revised) that explains that the auditor may communicate the auditor's approach to internal control relevant to the audit may be worth further consideration by the Working Group, including whether to incorporate this more directly within this requirement or whether any clarifications arising from the ISA 315 (Revised) project may be needed to this application material regarding communication with those charged with governance about the planned scope and timing of the auditor's procedures.</p>
<p>Messrs. Bini and Yoshii suggested that the project proposal clarify, or state that the project will explore, whether the auditor is required to obtain an understanding of the entity's business model including how the auditor may respond to risks arising therefrom.</p>	<p>Point noted.</p> <p>The Task Force, in its initial considerations related to possible amendments to ISA 315 (Revised) to enhance the application of professional skepticism has explored the consideration by the auditor of inconsistencies between the various aspects of information gathered by the auditor in obtaining an understanding of the entity and its environment, and whether risks arise from such inconsistencies. In addition, the IAASB approved ISA 315 (Revised) project proposal (paragraph 38) and IAASB discussions at the September 2016 and December 2016 IAASB meetings have explored the introduction of qualitative inherent risk factors for use in the identification of inherent risks and significant risks. One of the qualitative inherent risk factors refers to the auditor's consideration of change, which includes changes in the entity and its business model.</p>
<p>Mr. Dalkin noted that there has been a continued focus on fiscal sustainability of governments and, accordingly, ISA 315 (Revised) should address this topic within the sections of the standard that address considerations for audits of public sector entities.</p>	<p>Point noted.</p> <p>The Task Force is yet to discuss specifically governmental entity fiscal sustainability in its discussions to date related to public sector considerations. The Task Force intends to include</p>

Representatives' Comments	Task Force/IAASB Response
	these considerations in its discussions as the project progresses.
INTERNAL CONTROL RELEVANT TO THE AUDIT	
<p>Mmes. Elliott and McGeachy, and Messrs. Fortin and Hansen were in agreement that obtaining an understanding of internal control informs the auditor's assessment of inherent risk, as well as the auditor's assessment of control risk (including informing the auditor regarding whether a controls-reliant audit approach might be taken). They also supported efforts to clarify the purpose of the auditor obtaining an understanding of internal control.</p> <p>Ms. Elliott further noted that ISA 315 (Revised) would need to be made clear which parts of the auditor's understanding of the components of internal control inform inherent risk, as well as being clear as to what is meant by "relevant to the audit", as in her view a high-level understanding of internal control is needed in all audits.</p>	<p>Support noted.</p> <p>At its September 2016 meeting, the IAASB expressed mixed views regarding the Task Force view that obtaining an understanding of internal control informs the auditor's assessment of inherent risk, in addition to the auditor's assessment of control risk, noting that such an approach is more likely to create confusion without really assisting auditors with the identification of risks of material misstatement. The Task Force is continuing to explore clarification of the purpose of obtaining an understanding of internal control, including that the auditor's obtaining an understanding of internal control may provide information about the inherent risk that management is controlling. However, the Task Force is not pursuing further that obtaining an understanding of internal control informs inherent risk.</p> <p>With regard to "relevant to the audit", the IAASB has the view that all components of internal control are relevant if they exist (see further discussion of this in paragraphs 61–70 of Agenda Item F.1). In addition, the Task Force has continued its exploration of clarifying the phrase "relevant to the audit" with regard to understanding control activities, which will be further discussed at the March 2017 IAASB meeting.</p>
<p>Ms. Vanich noted the auditor is required to understand internal control sufficient to assess risks of material misstatement and plan the audit. As such, she was unsure whether the requirement in ISA 315 (Revised) lends itself to being able to obtain less understanding or more understanding. Understanding of internal control is an area of judgment for the auditor and should be scalable in itself, as a less complex entity will have less to</p>	<p>Points taken into account.</p> <p>The IAASB agreed at the September 2016 meeting that the five components of internal control are interlinked and therefore that an understanding of each would be required (if they existed), and therefore were not supportive of suggesting that some of the components are always relevant to an audit, while other components may not always be relevant to the audit.</p>

Representatives' Comments	Task Force/IAASB Response
<p>internal controls about which an understanding would need to be obtained.</p> <p>Ms. Vanich also noted that the Working Group should be careful not to imply that there may be instances where auditors may not need to understand some of the components of internal control, as this may send the wrong message to auditors of smaller entities who may not be doing enough in this area currently.</p> <p>Mr. Dalkin was of the view that all five components of internal control are relevant in every audit.</p>	<p>The Task Force has continued its exploration of the scalability of the requirement to obtain an understanding of internal control, discussion of which is included in paragraphs 61–70 in Agenda Item F.1.</p>
<p>Ms. McGeachy commented that, in audits of small- and medium-sized entities (SMEs), the assessments of inherent risk and control risk are often performed on a combined basis due to the challenges of distinguishing between inherent risk and control risk in an SME audit. Mr. Fortin noted that the Working Group should be careful of blurring the lines between inherent risk and control risk, as these are concepts that have been in place for a long time and are well-understood.</p>	<p>Point taken into account.</p> <p>Ms. Campbell responded that it is not the Working Group's intention to revise the definition of inherent risk, but the Working Group does need to consider the appropriateness of the definition after clarifying the purpose of obtaining an understanding of internal control. The IAASB will further discuss the separate and combined assessment of risks of material misstatement at its March 2017 meeting.</p>
<p>Ms. McGeachy suggested that the effect of a dominant owner-manager should be recognized in ISA 315 (Revised), and the ability for this arrangement to, for example, potentially increase inherent risk and control risk, but also potentially decrease inherent risk and control risk. Ms. McGeachy also noted that all businesses have some level of controls covering various aspects of the business, but the controls may not be adequate for audit purposes in some circumstances, for example in micro businesses.</p>	<p>Point noted.</p> <p>The Task Force has had initial discussions regarding the impact of a dominant owner-manager, but has not yet formed a view of how the impact of a dominant owner-manager might be best reflected within ISA 315 (Revised) or other guidance. As a result, this topic has not been discussed with the IAASB yet. The Task Force intends to continue to form a view on this topic and discuss with the IAASB and the IAASB CAG at a future meeting.</p>
<p>Mr. Hansen queried whether the basis for the components of internal control in ISA 315 (Revised) would be based on the five components in COSO's² Internal Control-Integrated Framework (2013) (COSO Framework).</p> <p>Mr. Dalkin noted the COSO Framework is a universally known framework. Another framework</p>	<p>Ms. Campbell noted that the linkage to the revised COSO Framework had not yet been fully discussed by the Working Group, but would be a matter to be discussed with the IAASB as the project progresses.</p> <p>Since the September 2016 IAASB CAG meeting, the IAASB has provided the clear direction that</p>

² Committee of Sponsoring Organizations of the Treadway Commission

Representatives' Comments	Task Force/IAASB Response
<p>relevant in audits of governmental entities is the United States Government Accountability Office's Standards for Internal Control in the Federal Government, which states that all five components of internal control need to be operating effectively for effective internal control.</p>	<p>ISA 315 (Revised) should remain framework neutral, however frameworks that may be relevant to ongoing work will be considered to inform possible changes that could be made. While the Task Force does not currently intend to make changes to the five components of internal control (i.e., the five components of internal control in extant ISA 315 (Revised) are expected to remain), the Task Force is intending, once it has direction on issues related to internal control relevant to the audit, including IT, to evaluate whether enhancements and revisions made to other internal control frameworks (such as the COSO Framework) that have occurred since ISA 315 (Revised) was first issued should be incorporated into the revised standard (either within the requirements or guidance in the revised standard).</p>
<p>Mr. van der Ende added that, while he supports the Working Group's exploration of scalability of ISA 315 (Revised), the Working Group should consider the proposed revisions to ISA 315 (Revised) in the context of the requirements in ISA 210³ regarding the preconditions for an audit (in other words, there is a minimum level of internal control that needs to be present in order for the preconditions for an audit to be met).</p>	<p>Point noted.</p> <p>The Task Force discussions to date regarding internal control relevant to the audit have followed an approach of considering what the minimum level of understanding of internal control that would be expected in an audit, including consideration of the requirement in ISA 210 with respect to preconditions for an audit.</p>
<p>With regard to whether all five components of internal control are always relevant to all audits or whether only some of the components may be relevant to the audit in some circumstances, Representatives commented as follows:</p> <ul style="list-style-type: none"> o While agreeing that the entity's control environment is relevant in every audit, Ms. Elliott questioned whether the information system component is relevant in every audit, as it might still be possible to audit around the information system in some circumstances. Mr. Sobel agreed, noting that in the vast majority of cases the information system 	<p>Points noted.</p> <p>Ms. Campbell summarized the comments on the scalability of the Working Group's proposals by noting that the views of some Representatives indicated the importance of flexibility of approaches so that the auditor can audit around the information system, specifically the IT system, when appropriate.</p> <p>The IAASB noted during its September 2016 meeting that the five components of internal control are interlinked and therefore were not supportive of suggesting that some of the components are always relevant to an audit, while other</p>

³ ISA 210, *Agreeing the Terms of Audit Engagements*

Representatives' Comments	Task Force/IAASB Response
<p>component would be relevant to the audit, but there would be occasions where it may be more efficient for the auditor to audit around the information system. Mr. Stewart suggested that the Working Group consider clarifying in ISA 315 (Revised) that the information system itself could be a source of material misstatement, and is, therefore, relevant to the audit.</p> <ul style="list-style-type: none"> ○ Ms. McGeachy noted that, in her view, control activities are relevant to the audit only if they relate to a significant risk or to an area of the audit where substantive procedures alone do not provide sufficient appropriate audit evidence. Monitoring of controls may not be relevant to the audit in all circumstances, and in those instances the auditor would not need to obtain an understanding of the monitoring of controls. Ms. McGeachy added that an additional challenge for auditors of SMEs is the documentation requirements to evidence the understanding of internal control obtained by the auditor. ○ Mr. Fortin highlighted the role that internal audit, if present, can play in the auditor's risk assessment, and suggested this might be made clearer in the revised standard, particularly as it relates to the auditor's understanding of the information system. ○ Mr. Sobel noted that, if an entity does not have a risk assessment process, this in itself tells the auditor something about the control environment. 	<p>components may not always be relevant to the audit. The IAASB has clearly communicated to the Task Force that all five components of internal control are relevant in all audits, to the extent they exist. As a result, the Task Force is no longer exploring this previous recommendation. The Task Force is continuing to explore the scalability and proportionality of the requirements for the auditor to obtain an understanding of internal control, including how the understanding of each of the components of internal control may vary based on the nature and the complexity of the entity (i.e., internal control in smaller, less complex entities is likely to require relatively less effort to understand when compared to obtaining an understanding of internal control of a larger or complex entity).</p> <p>The Task Force has continued its considerations of controls within each of the five components of internal control relevant to the audit, with specific discussion regarding control activities relevant to the audit planned for the IAASB's March 2017 meeting.</p> <p>With respect to Mr. Stewart's comment regarding the information system being a source of material misstatement, in its discussions to date regarding the consideration of the impact of IT on the auditor's risk assessment, the Task Force has explored the impact that the increased complexity of the entity's information system may have on the auditor's assessment of the risks of material misstatement.</p> <p>The Task Force will continue to consider whether the role that internal audit, when present, can play in the auditor's risk assessment procedures might be enhanced in ISA 315 (Revised).</p>
SIGNIFICANT RISK	
<p>Messrs. Dalkin, Nicholson, Rockwell, Thompson and van der Ende agreed with the Working Group's view to retain the concept of significant risk in the ISAs, regardless of whether the standard continues to refer to the highest risks of material</p>	<p>Points noted.</p> <p>In addition to the Task Force's discussions with the IAASB related to significant risk (summarized in paragraphs 42–49 in Agenda Item F.1), the Task Force has also continued its considerations of the</p>

Representatives' Comments	Task Force/IAASB Response
<p>misstatement as “significant risks” or not. However, Mr. Rockwell stated that having the concept of significant risk does not mean that those risks that are not significant risks are automatically low risk.</p> <p>Mr. Nicholson agreed with the factors to consider when evaluating the relative likelihood and magnitude of the related risk and that another aspect to consider might be the auditor’s relative confidence in their knowledge about the risk (i.e., the less confident the auditor is about a certain aspect, the more information the auditor would need to be able to design the audit procedures to be performed).</p>	<p>introduction into ISA 315 (Revised) of explicit reference to a spectrum of inherent risks.</p> <p>The Task Force is of the view that the auditor’s understanding of the reasons for the assessed risk of material misstatement would be enhanced as a result of the proposed inclusion of a spectrum of inherent risk in ISA 315 (Revised) and therefore may contribute to improving the auditor’s responses to all assessed risks of material misstatement at the assertion level.</p>
<p>Mr. van der Ende inquired whether the IAASB would look further at whether significant risks should continue to be a subset of inherent risks, or whether control risk should be factored into the determination of significant risks.</p>	<p>Point taken into account.</p> <p>Ms. Campbell noted during the September 2016 IAASB CAG meeting that the Working Group was seeking further input from the IAASB on this matter. Subsequently, the IAASB has agreed at the September 2016 and December 2016 meetings that significant risk should continue to be a subset of inherent risks.</p>
<p>Mr. Rockwell agreed with the Working Group’s observation from the outreach that the definition of significant risk could be seen to be circular and that this should be revisited as part of the ISA 315 (Revised) project.</p>	<p>Point noted.</p> <p>The IAASB has continued its considerations of the Task Force views related to significant risk, discussion of which is included in paragraphs 42–49 of Agenda Item F.1.</p>
<p>Ms. Elliott and Messrs. Fortin and van der Ende were supportive of the Working Group’s thinking related to the application of filters to the highest inherent risks to assist auditors with the identification of significant risks. On the proposal to apply filters to the highest inherent risks, Mr. Rockwell noted that the two filters described in IAASB CAG Agenda Item D.2 should be applied to the same population of high inherent risks, and not applied in a two-step process.</p> <p>Ms. Elliott noted that it would be useful to have the filter regarding items that are difficult for management to control, as it would help auditors focus on the challenging and interrelated risks.</p>	<p>Points noted.</p> <p>Ms. Campbell clarified Mr. Rockwell’s point that the intention of the ISA 315 (Revised) Working Group was to apply the two filters to the same population of high inherent risks.</p> <p>Feedback from the September 2016 IAASB meeting was that it wasn’t clear how the proposed two filters (“difficult for management to control” and “management does not or fails to control”) would work together in practice without creating additional complexity, nor how the two filters would interrelate and work with the proposed qualitative inherent risk factors. Various IAASB members expressed the view that the filter “management does not or fails to control”</p>

Representatives' Comments	Task Force/IAASB Response
<p>On the filter related to failure to control, Ms. Elliot requested the ISA 315 (Revised) Working Group to clarify whether this was whether the entity did not attempt to control, or whether there was an attempt to control but that attempt failed.</p>	<p>is delving into control risk and that would mean that significant risks would not continue to be a subset of inherent risks.</p> <p>In considering the feedback from the September 2016 IAASB meeting, the Task Force was of the view that the proposed two filter process for the determination of significant risks would not have the intended effect of bringing clarity and consistency to the determination of significant risks, and therefore decided to no longer consider this approach.</p> <p>The IAASB was supportive of the Task Force continuing to explore inclusion of the concept of “difficult for management to control” in guidance related to the identification of significant risk. This will be discussed with the Board during the March 2017 IAASB meeting.</p>
<p>Ms. Vanich and Mr. Hansen suggested the Working Group explore further how the application of the proposed filters would work with fraud risks, particularly that fraud risk is presumed under the ISAs to be a significant risk, and that it would likely be helpful for the Working Group to think about what specifically the auditor would need to do to address the significant risk (i.e., think about what the auditor would need to do differently in assessing how to clarify the identification of significant risks).</p>	<p>Point taken into account.</p> <p>The Task Force discussed the ‘filters’ and the qualitative inherent risk factors and considered whether some or all of the qualitative inherent risk factors presented during the September 2016 meetings (complexity, ambiguity, change and uncertainty) would also be present in circumstances where fraud risk factors were indicated.</p> <p>The Task Force concluded that there was likely to be some correlation between the presence of fraud risk factors and at least some of the other qualitative inherent risk factors because these other factors often provide an opportunity to commit fraud. However, the Task Force considered that, despite such correlation between these factors (complexity, ambiguity, change and uncertainty) and fraud risk factors, it would be appropriate for the auditor to specifically consider susceptibility to fraud (i.e. fraud risk factors) as an additional qualitative inherent risk factor. See paragraph 25 of the December 2016 IAASB meeting Agenda Item 10–A.</p> <p>At its December 2016 meeting, the IAASB expressed mixed views regarding adding the susceptibility to fraud as an additional qualitative inherent risk factor. Some IAASB members expressed support for its</p>

Representatives' Comments	Task Force/IAASB Response
	<p>inclusion, while others suggested further consideration of the addition of susceptibility to fraud as a qualitative inherent risk factor as it appears to include aspects of both inherent risk and control risk. This will be further considered at a future IAASB meeting.</p>
<p>Ms. Vanich noted that the auditor's identification of significant risks could be enhanced by explicitly adding disaggregation to the auditor's identification of the risks of material misstatement. Having a more granular understanding of the risks of material misstatement at a disaggregated level would drive a more tailored response from the auditor.</p>	<p>Point noted.</p> <p>Ms. Campbell noted that this was an area on which the Working Group has had some preliminary discussions, although the challenge is likely to be in defining what an appropriate level of disaggregation may be.</p>
<p>SPECTRUM OF RISK</p>	
<p>Messrs. Thompson and van der Ende and Ms. Elliott were supportive of the Working Group exploring explicit introduction of the concept of a spectrum of risk into the ISAs, specifically within ISA 315 (Revised). Mmes. Elliot and Vanich cautioned against introducing more complexity in the standard, as a spectrum of risk has the potential to do that (especially if a certain number of categories of risk were introduced into ISA 315 (Revised)). Mr. ilnuma asked if there was a specific number of risk categories the Working Group had in mind.</p>	<p>Point taken into account.</p> <p>Ms. Campbell responded that the Working Group is not intending to specify a certain number of risk categories, but rather to emphasize the concept of a range of risks.</p> <p>The IAASB has supported further exploration of explicit reference to a spectrum of inherent risk in ISA 315 (Revised), noting clearly that the standard should not include defined categories of risk (other than the significant risk category that exists in extant ISA 315 (Revised)), leaving it to practitioners to determine how their audit methodologies categorize risks (e.g., high, medium, low).</p> <p>Further detail on the IAASB's views related to spectrum of risk is included in paragraphs 33–41 of Agenda Item F.1.</p>
<p>Ms. Vanich suggested that further exploration of what is occurring in practice be considered by the Working Group. Ms. Vanich also noted that lower risk items could aggregate to something that may be material.</p>	<p>Point taken into account.</p> <p>In December 2016, the Task Force Chair and Staff participated in a video conference with staff and other representatives of the Nordic Federation of Public Accountants to discuss the insights learned from the responses to their consultation on Nordic Standard for Audits of Small Entities. In January 2017, some Task Force members participated in a</p>

Representatives' Comments	Task Force/IAASB Response
	<p>teleconference discussion with representatives from the United States Public Company Accounting Oversight Board (PCAOB), which included discussion of observations of what is occurring in practice related to the PCAOB's risk assessment standards.</p> <p>Further detail on the IAASB's views to date related to spectrum of risk is included in paragraphs 33–41 of Agenda Item F.1. The Task Force is continuing its considerations related to the explicit inclusion of a spectrum of risk in ISA 315 (Revised), including the potential for lower risk items to aggregate to something that may have a higher risk of material misstatement.</p>
<p>Messrs. Thompson and van der Ende asked how the proposals in the project to revise ISA 540⁴ regarding identification of risks that are considered lower fit into the project to revise ISA 315 (Revised).</p>	<p>Ms. Campbell explained the coordination process that is in place between the ISA 540 Task Force and the Working Group. She noted that the Working Group's proposal to further explore a spectrum of risk in ISA 315 (Revised) may remove the need for similar material to be repeated in other standards. Ms. Campbell added that, if something more specific is needed in the other ISAs, such as ISA 540, then clarification of the application of the requirements in ISA 315 (Revised) could be added to those standards.</p> <p>The Task Force and the ISA 540 Task Force will continue to coordinate and, where appropriate, consider how to ensure consistency between ISA 315 (Revised) and revised ISA 540.</p>
<p>PIOB REPRESENTATIVE'S REMARKS</p>	
<p>Mr. van Hulle added a concern regarding the audits of financial institutions and the expectation that certain aspects of internal control should exist at these types of entities. As an example, he was of the view that for a financial institution the auditor should always have an expectation that the entity has a risk management function and, if it does not, then the auditor needs to highlight that, for example, with those charged with governance. He</p>	<p>Point noted.</p> <p>The Task Force has considered this observation in its discussions and is of the view that this observation, given the industry specific nature of the recommendation, is best addressed by the IAASB's planned project related to special audit considerations relevant to financial institutions.</p>

⁴ ISA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

Representatives' Comments	Task Force/IAASB Response
further noted that he was concerned about using the concept of significant risk when dealing with financial institutions, as a risk that may not appear to be significant could lead to an audit failure because of the nature of the business.	

Matters for IAASB CAG Consideration

5. The Representatives asked for their views on the matters for IAASB CAG consideration included in **Agenda Item F.1**.

Material Presented – IAASB CAG Papers

Agenda Item F.1 ISA 315 (Revised) – Issues, Recommendations and IAASB Decisions to Date

Project History

Project: ISA 315 (Revised)

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 relevant to ISA 315 (Revised)	September 2016	September 2016 December 2016

IAASB CAG Discussions: Detailed References

Information gathering	<p><u>March 2016</u> 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> See IAASB CAG meeting material (Agenda Item D) http://www.iaasb.org/cag/meetings/new-york-usa</p>
Issues	<p><u>September 2016</u> See IAASB CAG meeting material (Agenda Item D) http://www.iaasb.org/cag/meetings/new-york-usa</p>