

**Draft Minutes of the 106th Meeting of the
INTERNATIONAL AUDITING AND ASSURANCE STANDARDS BOARD
Held on August 1, 2019 in Teleconference**

Voting Members

Present:

Tom Seidenstein (Chairman)
Fiona Campbell (Deputy Chair)
Chun Wee Chiew
Julie Corden
Robert Dohrer
Karin French
Marek Grabowski
Kai Morten Hagen
Len Jui
Sachiko Kai
Kai-Uwe Marten
Lyn Provost
Fernando Ruiz Monroy
Rich Sharko
Roger Simnett
Isabelle Tracq-Sengeissen
Eric Turner
Imran Vanker

Technical Advisors

Denise Weber (Ms. Campbell)
Sara Ashton (Ms. French)
Vivienne Bauer (Mr. Monroy)
Nicolette Bester (Mr. Vanker)
Wolfgang Böhm (Mr. Marten)
Melissa Bonsall (Ms. Corden)
Fabien Cerutti (Ms. Tracq-Sengeissen)
Antonis Diolas (Mr. Chiew)
Johanna Field (Mr. Turner)
Hiram Hasty (Mr. Dohrer)
Rene Herman (Mr. Simnett)
Susan Jones (Mr. Jui)
Jamie Shannon (Mr. Sharko)
Sylvia van Dyk (Ms. Provost)
Kohei Yoshimura (Ms. Kai)

Apologies:

Helene Agélii (Mr. Hagen)
Josephine Jackson (Mr. Grabowski)

Non-Voting Observers

Present:

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

Public Interest Oversight Board (PIOB) Observers

Present:

Markus Grund

IAASB Staff

Present: Willie Botha (Technical Director), Beverley Bahlmann, Yvonne Chan, Brett James, Armand Kotze, Phil Minnaar, Joy Thurgood, Hanken (Jane) Talatala

IAASB agenda materials referred to in these minutes can be accessed at the [August 1, 2019 IAASB Teleconference](#). These minutes are a summary of the decisions made at the August 1, 2019 IAASB Teleconference, in light of the issues and recommendations in the agenda material put forth by the ISA 315 Task Force (the Task Force) and Staff supporting the project. These recommendations are made through consideration of previous discussions of the Board and its CAG and feedback from stakeholders through outreach activities.

1. Welcome

Mr. Seidenstein welcomed all participants to the teleconference.

2. ISA 315 (Revised)¹ Conforming and Consequential Amendments

Ms. Campbell noted that the focus of the teleconference was to consider changes to the conforming and consequential amendments to address comments received in the responses to ED-315² and on the basis of the proposed revisions to ISA 315 (Revised) presented for the June 2019 Board meeting. Ms. Campbell noted that the conforming amendments based on matters still being discussed would be brought to the September 2019 IAASB meeting for discussion with the Board.

The IAASB Board broadly supported the changes to the conforming and consequential amendments presented in **Agenda 1-A**; however, encouraged the Task Force to further consider:

ISA 200³

- In paragraph A42, whether “in most cases” is an appropriate descriptor for “the ISAs refer to the “risks of material misstatement rather than inherent and control risk separately”, because it is only ISA 315 (Revised) and ISA 540 (Revised)⁴ that now refer to inherent risk and control risk separately, which is limited.
- Whether more is needed in relation to the spectrum of inherent risk in ISA 200.
- The intent of paragraph A61a, specifically as the ‘why’ relates to a requirement and not a procedure, it was encouraged that further consideration be given to how this explanation has been phrased.
- The appropriateness of “in some ISAs” to reference the format of application and other explanatory materials, when the format is used in ISA 315 (Revised) only, such as considerations related to automated tools and techniques.

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

² Proposed ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* (ED-315)

³ ISA 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with the International Standards on Auditing*

⁴ ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*

- The articulation and flow of the paragraphs related to the “Scalability Considerations” (paragraphs A65a to A66a), as there was inconsistency with how these paragraphs were described with the way that other special considerations were described, and it was also not clear exactly to what they related. In addition, it were also queries as to whether these paragraphs are needed.

ISA 240⁵

- The consistency of the revised wording in paragraph A25 in ISA 240 and Appendix 1⁶ of ISA 240, with further consideration about consistency of both to the way that fraud has been articulated in ISA 315 (Revised).

ISA 330⁷

- Whether an example should be added to illustrate what is meant by “the effect of that misstatement that would be most material” in paragraph A42a of ISA 330, or whether further clarification is needed, as there is confusion about how the paragraph should be applied.
- The use of ‘plans to test’ the operating effectiveness of controls versus ‘intends to rely on’ the operating effectiveness of controls.
- Whether adding ‘magnitude’ to the assessment of the risk of material misstatement is logical (in paragraphs 7 and A9), and whether this should rather be of a misstatement (because “magnitude” and “material” are both quantitative measures).
- Whether application material is needed to paragraph 27 of ISA 330 to clarify that the risk of material misstatement for a relevant assertion has been assessed as being acceptably low if the auditor has obtained sufficient appropriate audit evidence in relation to that assertion.
- Aligning the wording of paragraph A4(b) to paragraph 8, as they appear to be inversely written, which may cause confusion and risk misinterpretation.

ISA 540 (Revised)

- Aligning the wording of paragraph A65 in ISA 540 (Revised) to ISA 200, paragraph A42, as both paragraphs relate to the separate assessments of inherent and control risk.
- Whether the explanation in paragraph A39 of ISA 540 about which controls are required to be identified should continue to include reference to a higher inherent risk assessment, as this was helpful but has been deleted.
- The completeness of the conforming amendments presented in **Agenda 1-A** in relation to references to “relevant controls.” The Task Force was encouraged to review the entire standard for references to relevant controls to ensure consistency with ISA 315 (Revised).

While the Board agreed that there are no other conforming or consequential amendments that the Task Force should consider, with the exception of those presented in **Agenda 1-A** for discussion, it was caveated that the view may change upon receiving the final text of the ISA 315 (Revised) standard, and the final proposed conforming and consequential amendments.

⁵ ISA 200, *Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁶ Appendix 1 sets out examples of ‘Fraud Risk Factors’

⁷ ISA 330, *Auditors Responses to Assessed Risks*

PIOB OBSERVER REMARKS

Mr. Grund cautioned against changes that may weaken requirements. Ms. Campbell confirmed that no requirements from extant ISA 315 (Revised) were weakened, and that changes are either clarifications to requirements, or additional requirements.

IAASB CAG CHAIR REMARKS

Mr. Dalkin questioned whether the changes made to ISA 200 relating to Scalability Considerations,' and 'Considerations Specific to Automated Tools and Techniques' raised more concerns than it purported to resolve. Mr. Dalkin recommended that the Task Force consider simplifying the articulation of those paragraphs.

WAY FORWARD

The Task Force will continue to progress the changes to ISA 315 (Revised), and the full set of conforming and consequential amendments, for expected approval at the September 2019 IAASB meeting. The conforming amendments will form part of the final papers for approval by the IAASB in September 2019.

3. Next Meeting

The next IAASB meeting is scheduled for August 27, 2019 via Teleconference.

4. Closing Remarks

Mr. Seidenstein thanked the IAASB members, technical advisors and Staff.