

Revising the ISAs

Staff Prepared Possible changes to ISA 300, *Planning an Audit of Financial Statements*

Note:

The table below has been prepared by IAASB Staff for illustration purposes only and provides an example of basic drafting changes to ISA 300, *Planning an Audit of Financial Statement*, based on basic changes such as elimination of repetition, superfluous words, and etc. It is only meant for illustrative purposes to show how drafting changes could be applied to streamline an ISA – the actual changes that would be applied would need to be determined through the “revising the ISAs” workstream.

Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 1	Introduction	Scope of this ISA	This International Standard on Auditing (ISA) deals with the auditor’s responsibility to plan an audit of financial statements. This ISA is written in the context of recurring audits. Additional considerations in an initial audit engagement are separately identified.	This International Standard on Auditing (ISA) deals with the auditor’s responsibility to plan an audit of financial statements. This ISA is written in the context of recurring audits. Additional considerations in an initial audit engagement are separately identified.	The last sentence has been removed in the revised paragraph as it is applicable (and therefore conditional) to an initial audit engagement. These additional considerations are already dealt in ISA 510, <i>Initial Audit Engagements – Opening Balances</i> .
ISA 300 Paragraph 2	Introduction	The Role and Timing of Planning	Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning benefits the audit of financial statements in several ways, including the following: (Ref: Para. A1–A3) <ul style="list-style-type: none"> Helping the auditor to devote appropriate attention to important 	Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate planning benefits the audit of financial statements in several ways, including the following: (Ref: Para. A1–A3) <ul style="list-style-type: none"> Helping the auditor to devote appropriate attention to important areas of the audit. 	This paragraph explains the benefits to the audit of adequate planning. In order to establish a consistency as to what the introductory paragraphs should contain, it may be appropriate to move this to application material or to non-authoritative guidance.

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			<p>areas of the audit.</p> <ul style="list-style-type: none"> • Helping the auditor identify and resolve potential problems on a timely basis. • Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner. • Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them. • Facilitating the direction and supervision of engagement team members and the review of their work. • Assisting, where applicable, in coordination of work done by auditors of components and experts. 	<ul style="list-style-type: none"> • Helping the auditor identify and resolve potential problems on a timely basis. • Helping the auditor properly organize and manage the audit engagement so that it is performed in an effective and efficient manner. • Assisting in the selection of engagement team members with appropriate levels of capabilities and competence to respond to anticipated risks, and the proper assignment of work to them. • Facilitating the direction and supervision of engagement team members and the review of their work. • Assisting, where applicable, in coordination of work done by auditors of components and experts. 	
ISA 300 Paragraph 3	Effective Date	Effective Date	This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.	This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.	No change proposed.

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Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 4	Objective	Objective	The objective of the auditor is to plan the audit so that it will be performed in an effective manner.	The objective of the auditor is to plan the audit so that it will be performed in an effective manner.	No change proposed.
ISA 300 Paragraph 5	Requirements	Involvement of Key Engagement Team Members	The engagement partner and other key members of the engagement team shall be involved in planning the audit, including planning and participating in the discussion among engagement team members. (Ref: Para. A4)	The engagement partner and other key members of the engagement team shall be involved in planning the audit, including planning and participating in the discussion among engagement team members. (Ref: Para. A4)	The requirement for a discussion among the members of the engagement team is already required by ISA 315 (Revised 2019) and also referenced by ISA 240. As such, repetition in ISA 300, Paragraph 5 would be unnecessary and can be addressed through the application and other explanatory material of the Standard. Further, the terminology used: “ <i>key members of the engagement team</i> ” needs further clarity, as the term is not defined elsewhere in the Handbook (i.e. Glossary, definitions to this or other ISAs or the application and other explanatory material).

Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 6	Requirements	Preliminary Engagement Activities	<p>The auditor shall undertake the following activities at the beginning of the current audit engagement:</p> <p>(a) Performing procedures required by ISA 220 regarding the continuance of the client relationship and the specific audit engagement;¹</p> <p>(b) Evaluating compliance with relevant ethical requirements, including independence, in accordance with ISA 220,² and</p> <p>(c) Establishing an understanding of the terms of the engagement, as required by ISA 210.³ (Ref: Para. A5–A7)</p>	<p>The auditor shall undertake the following activities at the beginning of the current audit engagement:</p> <p>(a) Performing procedures required by ISA 220 regarding the continuance of the client relationship and the specific audit engagement;⁴</p> <p>(b) Evaluating compliance with relevant ethical requirements, including independence, in accordance with ISA 220,² and</p> <p>(c) Establishing an understanding of the terms of the engagement, as required by ISA 210.³ (Ref: Para. A5–A7)</p>	<p>This requirement includes a number of activities that should be undertaken at the beginning of the current engagement and are already requirements of ISA 210 and ISA 220. It is proposed that this paragraph be removed from the requirements of ISA 300 to avoid repetition and can be addressed through the application and other explanatory material or the introduction of the Standard.</p>
ISA 300 Paragraph 7	Requirements	Planning Activities	<p>The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p>	<p>The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p>	<p>No change proposed.</p>

¹ ISA 220, *Quality Control for an Audit of Financial Statements*, paragraphs 12–13

² ISA 220, paragraphs 9–11

³ ISA 210, *Agreeing the Terms of Audit Engagements*, paragraphs 9–13

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Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 8	Requirements	Planning Activities	<p>In establishing the overall audit strategy, the auditor shall:</p> <ul style="list-style-type: none"> (a) Identify the characteristics of the engagement that define its scope; (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required; (c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts; (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement. (Ref: Para. A8–A11) 	<p>In establishing the overall audit strategy, the auditor shall:</p> <ul style="list-style-type: none"> (a) Identify the characteristics of the engagement that define its scope; (b) Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required; (c) Consider the factors that, in the auditor's professional judgment, are significant in directing the engagement team's efforts; (d) Consider the results of preliminary engagement activities and, where applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant; and (e) Ascertain the nature, timing and extent of resources necessary to perform the engagement. (Ref: Para. A8–A11) 	No change proposed.

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Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 9	Requirements	Planning Activities	<p>The auditor shall develop an audit plan that shall include a description of:</p> <p>(a) The nature, timing and extent of planned risk assessment procedures, as determined under ISA 315 (Revised).⁴</p> <p>(b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330.⁵</p> <p>(c) Other planned audit procedures that are required to be carried out so that the engagement complies with ISAs. (Ref: Para. A12-A14)</p>	<p>The auditor shall develop an audit plan that shall include a description of:</p> <p>(a) The nature, timing and extent of planned risk assessment procedures, as determined under ISA 315 (Revised).⁴</p> <p>(b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ISA 330.⁵</p> <p>(c) Other planned audit procedures that are required to be carried out so that the engagement complies with ISAs. (Ref: Para. A12-A14)</p>	<p>This requirement makes references to procedures required by ISA 315 (Revised) and ISA 330, and it may be possible to reword the requirement to avoid repetition. However IAASB Staff need to undertake further work in order to make such determination.</p>
ISA 300 Paragraph 10	Requirements	Planning Activities	<p>The auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit. (Ref: Para. A15)</p>	<p>The auditor shall update and change <u>modify</u> the overall audit strategy and the audit plan as necessary during the course of the audit. (Ref: Para. A15)</p>	<p>The wording has been modified in order to align with the drafting principles approach introduced by the ISA 315 Task Force, i.e. the principle of using simpler and straightforward language in the requirements aligned with the terminology used in the application and other explanatory material.</p>

⁴ ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

⁵ ISA 330, *The Auditor's Responses to Assessed Risks*

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Paragraph	Section	Title	Extant	Revised	Comments
ISA 300 Paragraph 11	Requirements	Planning Activities	The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. (Ref: Para. A16–A17)	The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. (Ref: Para. A16–A17)	No change proposed.
ISA 300 Paragraph 12	Requirements	Documentation	The auditor shall include in the audit documentation: ⁶ (a) The overall audit strategy; (b) The audit plan; and Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. (Ref: Para. A18–A21)	The auditor shall include in the audit documentation: ⁶ (a) The overall audit strategy; (b) The audit plan; and (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes. (Ref: Para. A18–A21)	No change proposed – documentation would be subject to separate consideration within the ISA workstream.
ISA 300 Paragraph 13	Requirements	Additional Considerations in Initial Audit Engagements	The auditor shall undertake the following activities prior to starting an initial audit: (a) Performing procedures required by ISA 220 regarding the acceptance of the client	The auditor shall undertake the following activities prior to starting an initial audit: (a) Performing procedures required by ISA 220 regarding the acceptance of the client relationship and the specific audit engagement;⁷ and	This requirement is applicable in circumstances when an initial audit engagement is undertaken. This is already contained within ISA 510, <i>Initial Audit Engagements – Opening Balances</i> .

⁶ ISA 230, *Audit Documentation*, paragraphs 8–11, and A6

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			<p>relationship and the specific audit engagement;⁷ and</p> <p>(b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements. (Ref: Para. A22)</p>	<p>(b) Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements. (Ref: Para. A22)</p>	

⁷ ISA 220, paragraphs 12–13