



ISA 315 (Revised)

Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Fiona Campbell, ISA 315 (Revised) Task Force Chair

IAASB Meeting, December 2017

Agenda Item 3

IAASB

International Auditing
and Assurance
Standards Board

Introduction

First Read of ISA 315 (Revised)

Papers submitted:

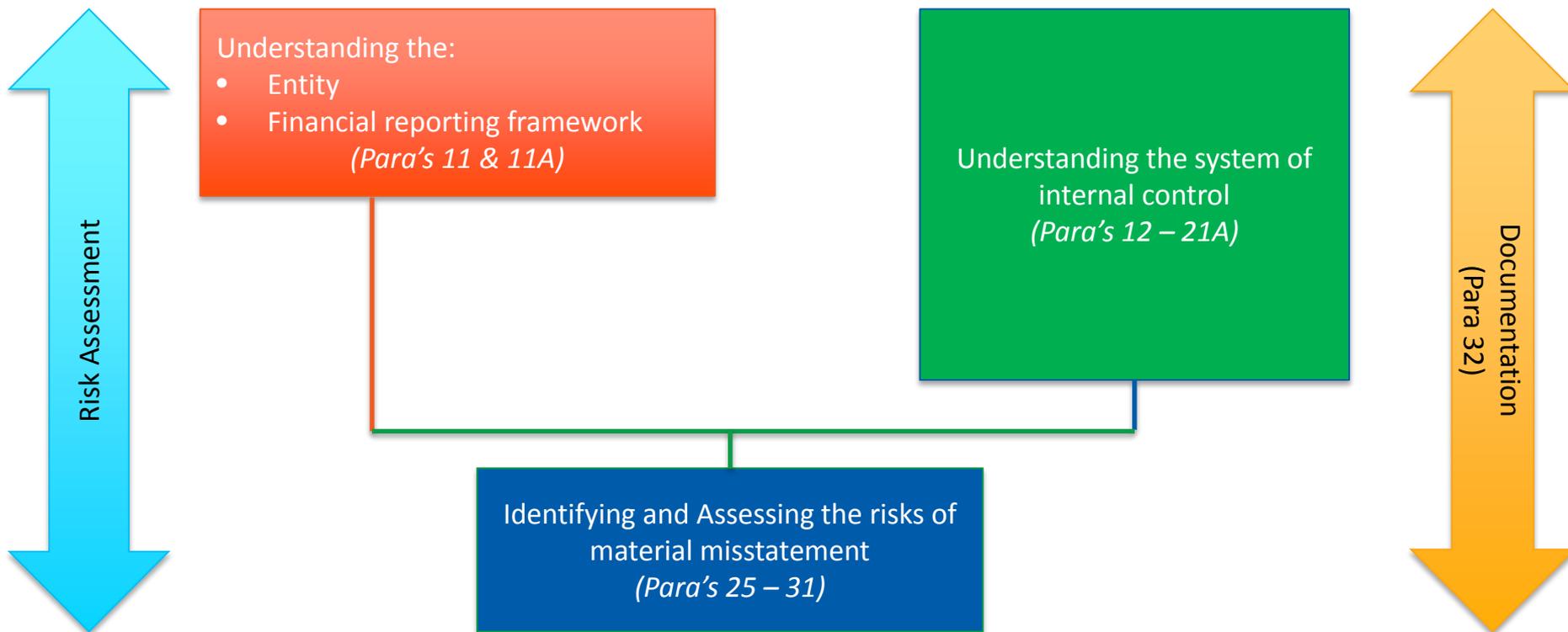
- **Agenda Item 3-A:** sets out the Task Force's views on all the proposed changes to the requirements (marked to extant ISA 315 (Revised)).
- **Agenda Item 3-B:** sets out proposed changes to the application material (marked to extant ISA 315 (Revised)).

Matters for IAASB Consideration

Definitions

1. The IAASB is asked for its views on:
 - (a) Changes to the definitions and other related changes as explained above; including:
 - i. Whether the changes further clarify the definitions;
 - ii. The changes to the QIRFs to better align with other standard-setters and ISA 540 (Revised); and
 - (b) The explanatory material that has been developed to further explain the definitions.
2. Are there any other changes to the definitions that the Board believes is necessary, including whether there are other terms that need to be defined?

ISA 315 (Revised) - Summary



Matters for IAASB Consideration

Risk Assessment Procedures

3. The IAASB is asked for its views on the requirements and application material relating to risk assessment procedures.
4. The IAASB is asked whether it agrees with the move to application material as explained in paragraph 26 above?

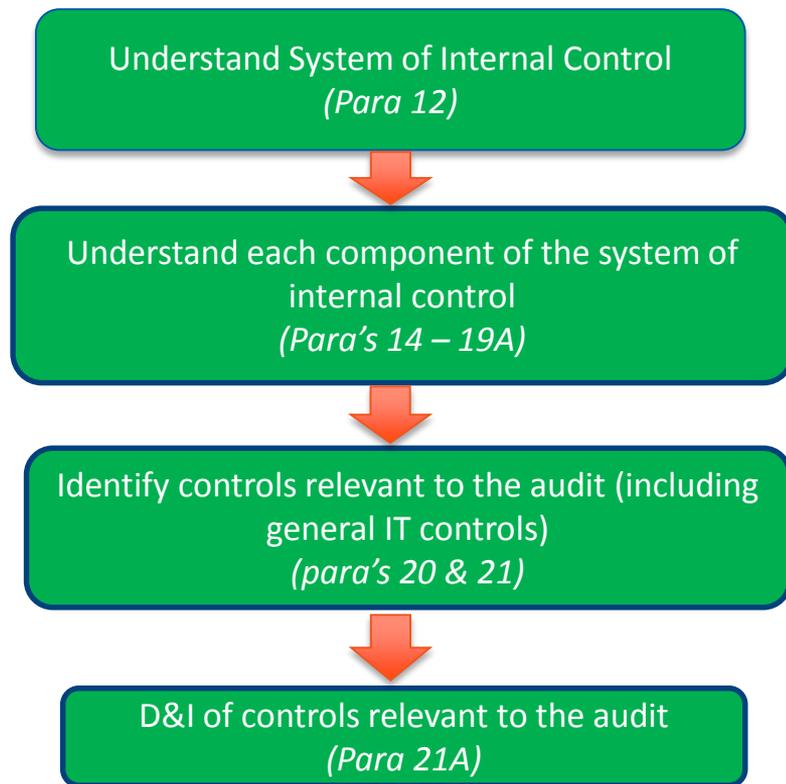
Matters for IAASB Consideration

The Required Understanding of the Entity and Its Environment, and the Applicable Financial Reporting Framework

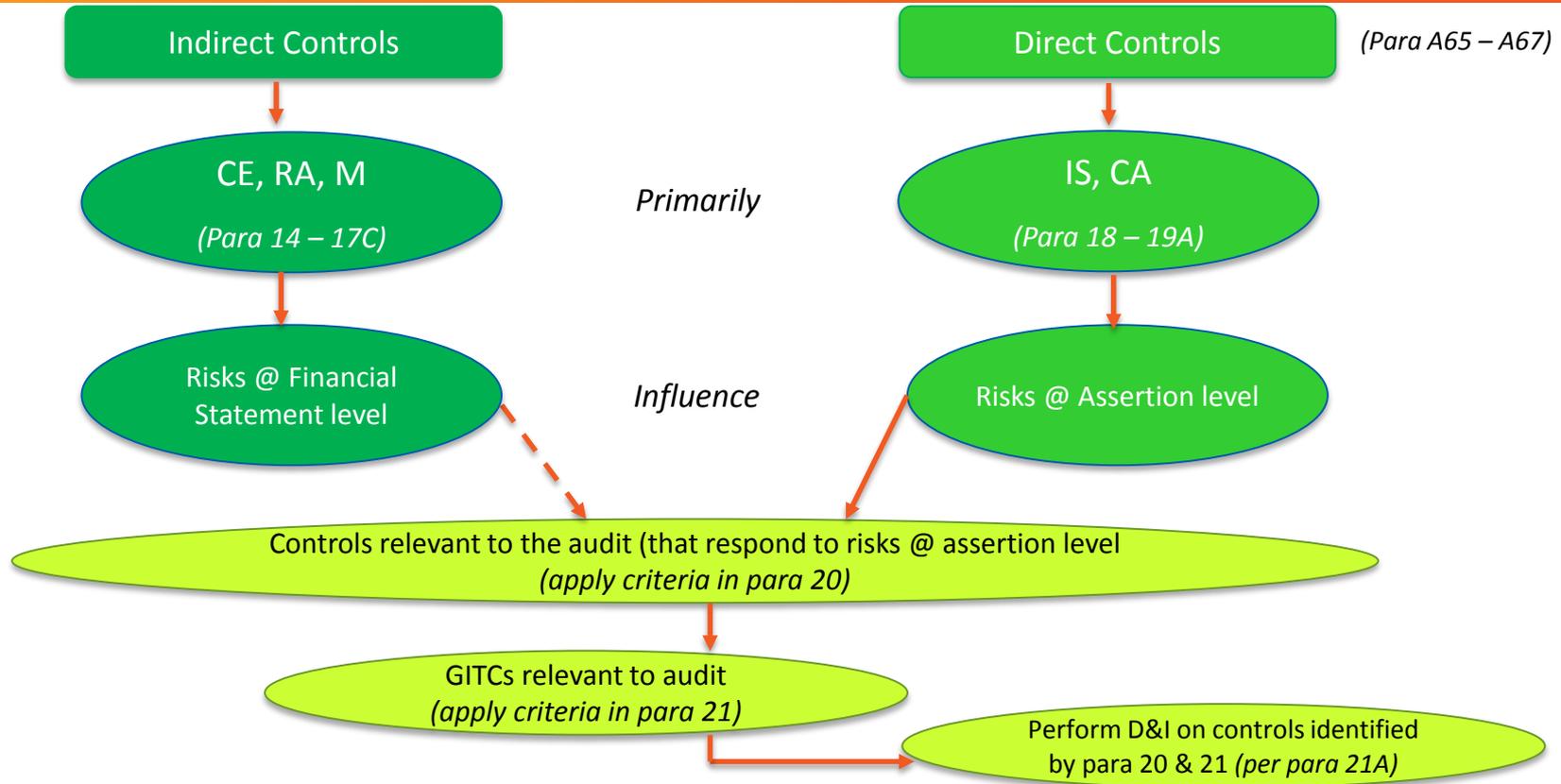
5. The IAASB is asked for its views on the proposed changes to paragraph 11 of ISA 315 (Revised) and related application material in paragraphs A25–A50 regarding the auditor’s understanding of the entity and its environment, and applicable financial reporting framework, including:
 - a) The drafting of the requirements set out in paragraphs 11 and 11A of ISA 315 (Revised).
 - b) The application material set out in paragraphs A25–A50 of ISA 315 (Revised), as well as whether there are other matters that should be included in the application material.



Understanding the System of Internal Control



Entity's System of Internal Control (Para 12)

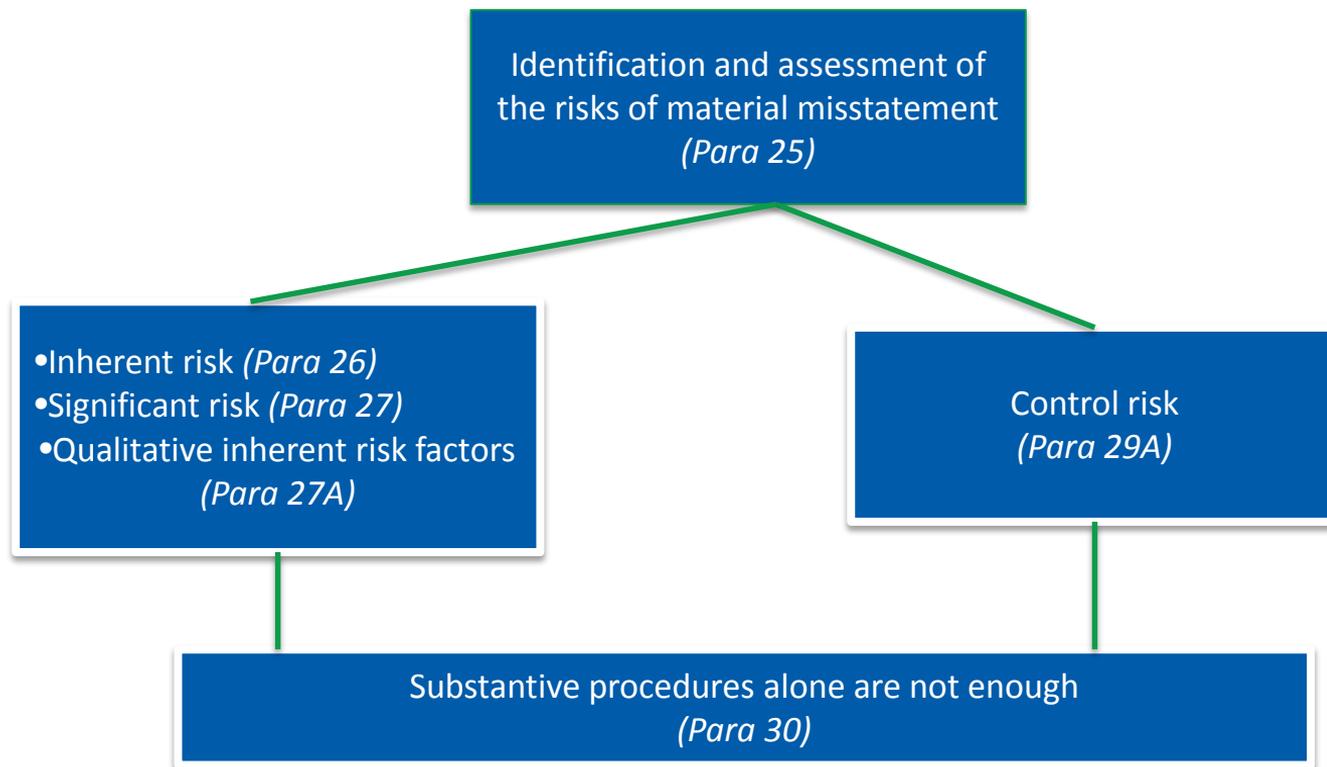


Matters for IAASB Consideration

The Required Understanding of the Entity's Internal Control

6. The IAASB is asked for its views on the following matters:
- (a) Is it clear, for each component of internal control, what and how the auditor obtains an understanding?
 - (b) Is it clear when 'controls relevant to the audit' are required to be identified and the procedures to be performed in relation to the controls relevant to the audit?
 - (c) The drafting of the requirements set out in paragraphs 12–21A of ISA 315 (Revised).
 - (d) The application material set out in paragraphs A50a–A134 of ISA 315 (Revised), as well as whether there are other matters that should be included in the application material?
 - (e) Whether there are any other matters or concerns related to the auditor's understanding of the entity's system of internal control?

Identification and Assessment of the Risks of Material Misstatement



Matters for IAASB Consideration

Identifying and Assessing the Risks of Material Misstatement

7. The IAASB is asked for its views regarding the requirements to identify and assess the risks of material misstatement, including inherent and control risks. In particular, the Board is asked for views about:
- (a) The introduction of the concept of ‘spectrum of inherent risk?’
 - (b) The drafting of the requirements set out in paragraphs 25–31 of ISA 315 (Revised).
 - (c) The application material set out in paragraphs A135–A165 of ISA 315 (Revised), as well as whether there are other matters that should be included in the application material.
 - (d) Whether there are any other matters or concerns related to the auditor’s identifying and assessing the risks of material misstatement?

Matters for IAASB Consideration

Application Material & General

8. The Board is asked for its views on either retaining the paragraphs relating to ‘considerations for smaller entities’ or rather building this material into the revised application material paragraphs as explained in paragraph 49 above.
9. In relation to the existing application material that has been highlighted as possible matters to be moved to the Appendix in **Agenda Item B** (see explanation in paragraph 1), the Board is asked:
 - (a) Whether the paragraphs highlighted are appropriate to move to the Appendix; and
 - (b) Whether there are any other paragraphs where consideration should be given to moving them to an Appendix.
10. Are there any other matters for Task Force consideration as it further progresses the exposure draft of ISA 315 (Revised)?



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