Agenda Item 2
ISA 315 (Revised) Identifying and Assessing the Risks of Material Misstatement

Risk assessment procedures

Obtain an understanding of the relevant aspects of:
- Entity’s system of internal control (Para. 23(c))
- Control environment
- Risk assessment process
- Process to monitor the system of internal control

Entity’s system of internal control
- Control environment (Para. 28)
- Risk assessment process (Para.’s 30 & 21)
- Process to monitor the system of internal control (Para.’s 30 & 21)

Inherent risk factors

Obtain an understanding of the relevant aspects of:
- Other relevant sources of audit evidence
- Information from auditor’s previous experience and previous audits

Documentation
- ISA 230 and Para. 54 of ISA 315 (Revised)

Yes
No

Engagement team discussion (Para.’s 22 and 22A)

The risk assessment process is a dynamic and iterative process of gathering, updating and analyzing information and continues throughout the audit.

Para. 47(a)

Audit responses
ISA 330

Other relevant sources of audit evidence
- Information from auditor’s previous experience and previous audits

Assess inherent risks of material misstatement
- Financial statement level (Para. 45(a))
- Assertion level (Para. 45(b))

Assess inherent risk at assertion level
- Inherent risk factors (Para. 48)

Determine risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence
- Para. 50

Assess control risk
- Para. 51

Determine assessed risk of material misstatement based on inherent risk
- Para. 51

Assessed risks of material misstatement at the assertion level

Revised risk assessment
- Para. 53

Responses to assessed risks of material misstatement at the assertion level. For example:
1. Para. 6: Design and perform further audit procedures.
2. Para. 7: In designing further audit procedures, consider reasons for risk assessments.
3. Para. 8: Design and perform tests of controls
4. Para. 15 and 21: Responses related to significant risks
5. Para. 18: Substantive procedures for material classes of transactions, account balances and disclosures

Entity and its environment
- Applicable financial reporting framework (Para.’s 23(b) & 24)

Financial statement level
- Para. 47

Determine relevant assertions and significant classes of transactions, account balances and disclosures
- Para. 46

For material classes of transactions, account balances or disclosures, are there any further that have not been identified as significant and should have?
- Para. 53

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Engagement team discussion (Para.’s 22 and 22A)

Identification of risks of material misstatement
- Financial statement level (Para. 47)
- Assertion level (Para. 45(b))

Assessed risks of material misstatement at the financial statement level

Assessed risks of material misstatement at the assertion level

Revision of risk assessment
- Para. 53

Audit responses
ISA 330

Other relevant sources of audit evidence
- Information from auditor’s previous experience and previous audits

Assess inherent risks of material misstatement
- Financial statement level (Para. 45(a))
- Assertion level (Para. 45(b))

Assess inherent risk at assertion level
- Inherent risk factors (Para. 48)

Determine risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence
- Para. 50

Assess control risk
- Para. 51

Determine assessed risk of material misstatement based on inherent risk
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Assessed risks of material misstatement at the assertion level

Revised risk assessment
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Responses to assessed risks of material misstatement at the assertion level. For example:
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Entity and its environment
- Applicable financial reporting framework (Para.’s 23(b) & 24)

Financial statement level
- Para. 47

Determine relevant assertions and significant classes of transactions, account balances and disclosures
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For material classes of transactions, account balances or disclosures, are there any further that have not been identified as significant and should have?
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Engagement team discussion (Para.’s 22 and 22A)