



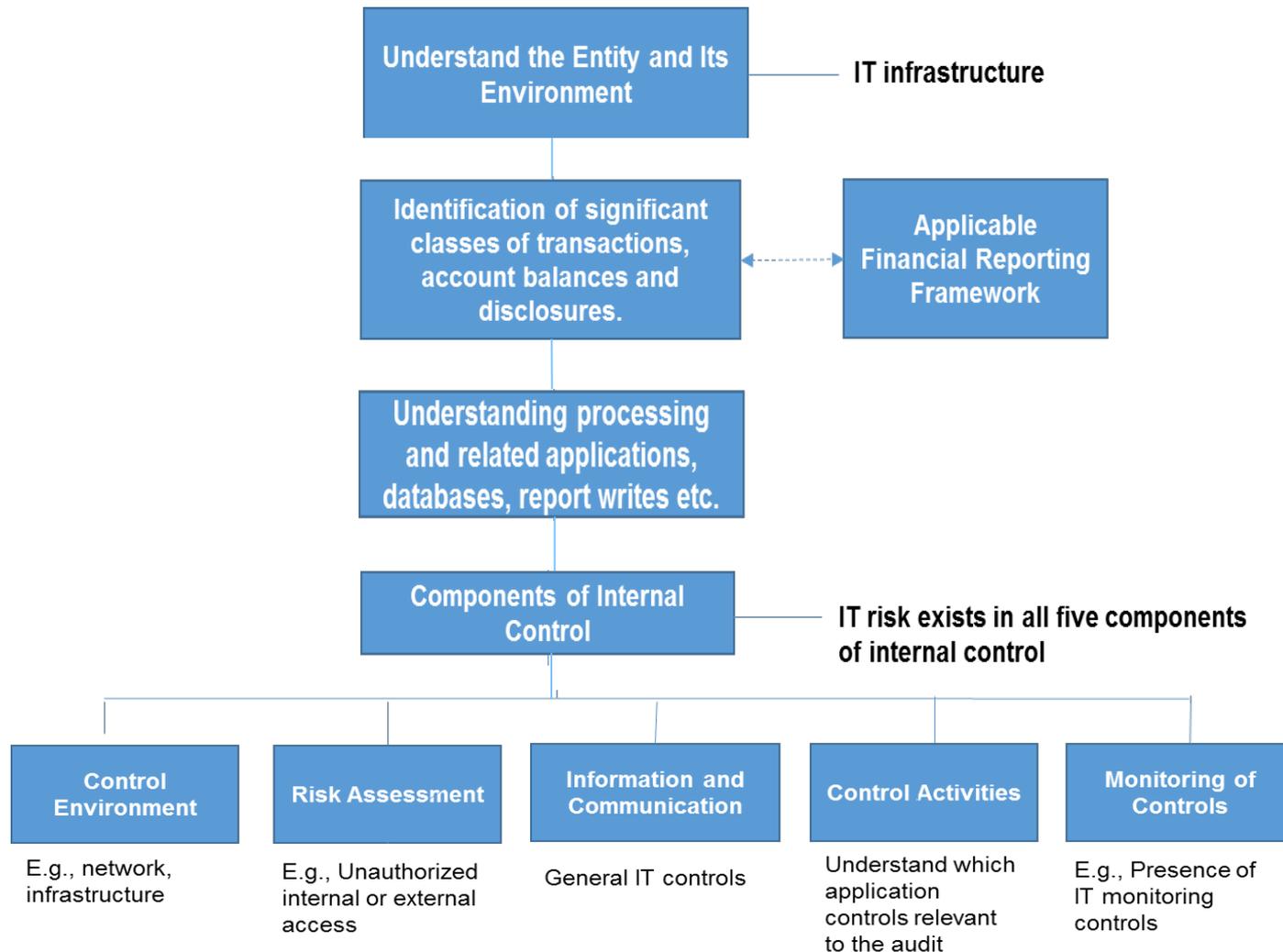
# ISA 315 (Revised) Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment

Fiona Campbell,  
ISA 315 (Revised) Task Force Chair  
IAASB Meeting, March 2017

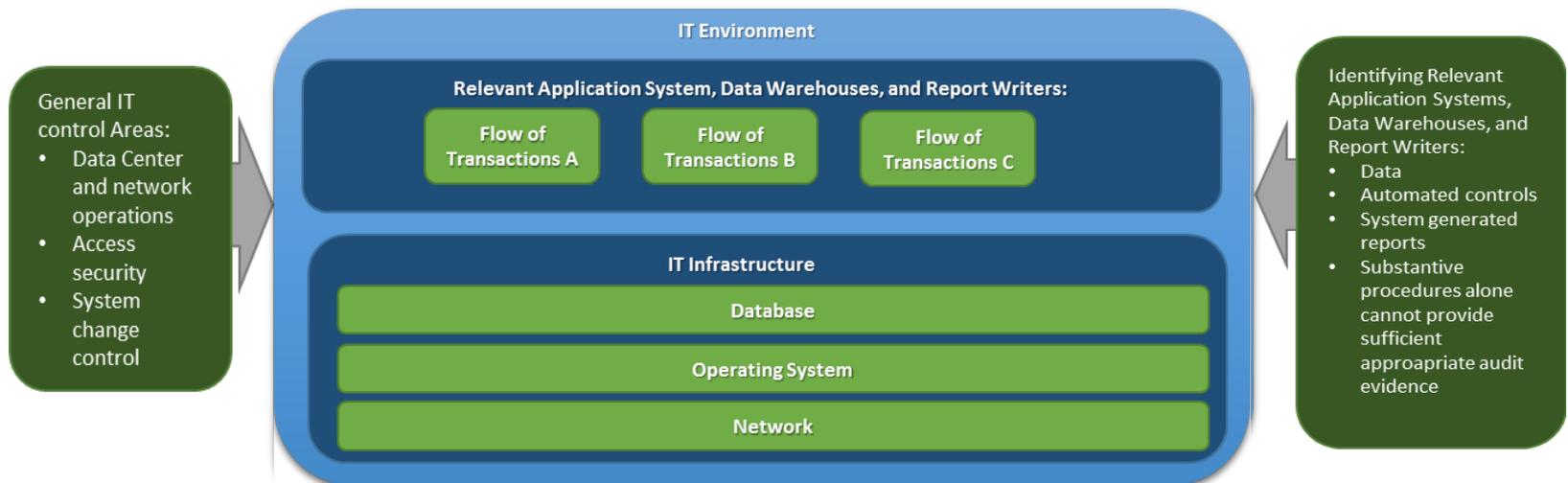
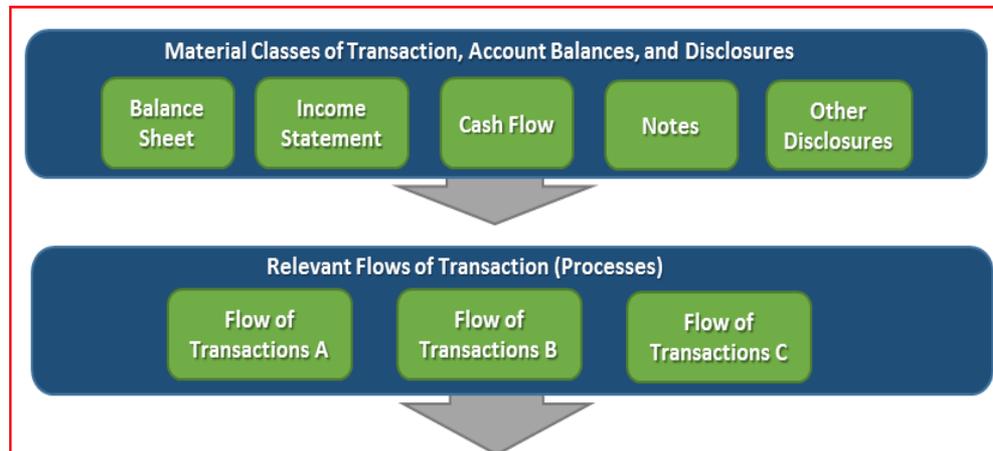
IAASB

International Auditing  
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Standards Board

# Information Technology



# Information Technology



# Matters for IAASB Consideration

## Information Technology

1. The IAASB is asked for its views on the Task Force's deliberations about the impact of IT on the auditor's risk assessment procedures, and whether there are other specific considerations that the Task Force should explore as it progresses its thinking on possible changes to ISA 315 (Revised).

## Matters for IAASB Consideration

### Internal Control – Control Activities Relevant to the Audit

2. The IAASB is asked for its views on the matters relating to control activities that are relevant to the audit, specifically:
  - a) When control activities are judged by the auditor to be relevant to the audit (as set out in paragraphs 39–50).
  - b) Where the auditor judges that it is not possible or practicable to obtain sufficient appropriate audit evidence by performing substantive procedures alone (as set out in paragraphs 52–53 of **Agenda Item 4–A**).

# Matters for IAASB Consideration

## Risk Assessment

3. Do IAASB members agree with Task Force's recommendations for possible changes to ISA 315 (Revised) in paragraph 60? IAASB members are asked:
  - a) To share their views as to why they do or do not agree.
  - b) Whether there are any further implications of these changes not yet considered by the Task Force?

As the Task Force continues to explore the implications of a 'combined' risk assessment, Board members are asked to share examples of where a combined risk assessment is performed.

## Matters for IAASB Consideration

### Significant Risk

4. Does the IAASB agree that the proposed 'working definition' of significant risks captures the discussions with and input from the IAASB to date?
  - *Significant risks are those inherent risks that the auditor determines to be the highest inherent risks. The highest inherent risks are those with both higher likelihood for material misstatement to occur and higher magnitude of potential misstatement due to their increased susceptibility to material misstatement resulting from one or more of the qualitative inherent risk factors.*

# Matters for IAASB Consideration

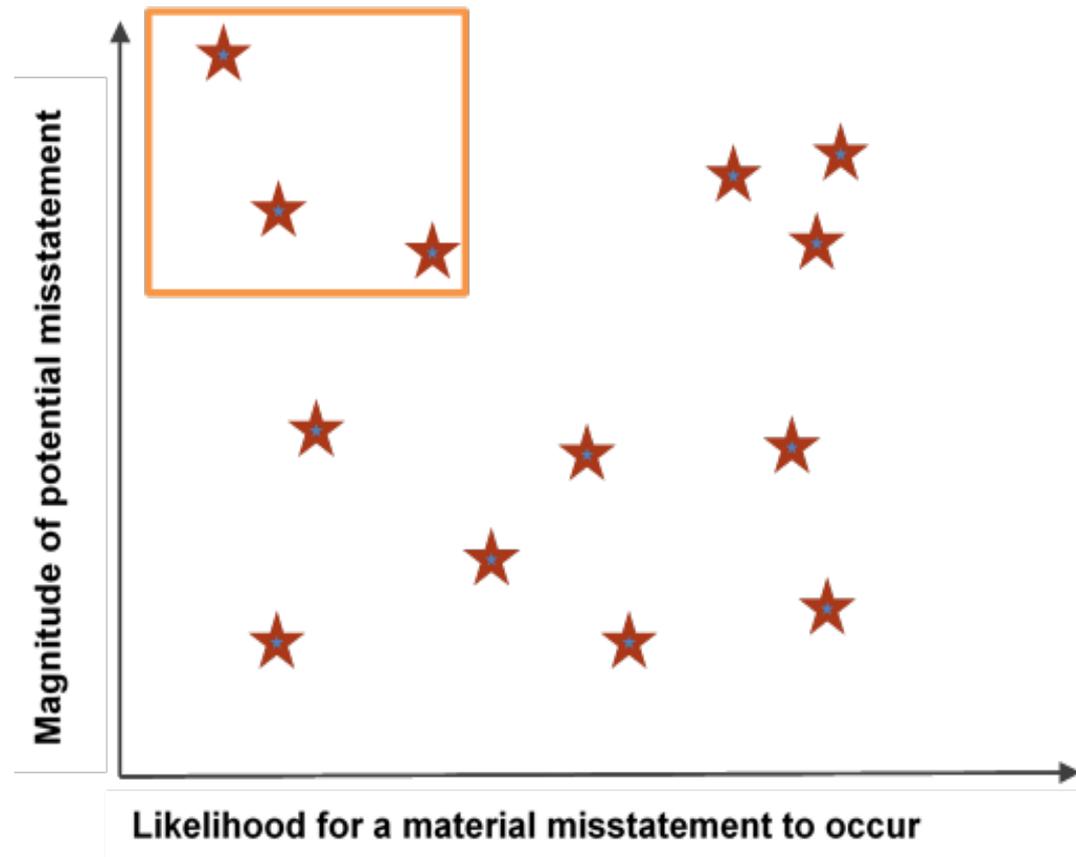
## Significant Risk

5. With input from discussions on significant risk at three IAASB meetings, the Task Force is seeking IAASB input on the appropriate way forward with respect to significant risks:
  - a) In the context of the consequences and impediments identified by the Task Force in paragraphs 73–74 of **Agenda Item 4–A**, are there other consequences, impediments or benefits not considered by the Task Force if the concept of significant risks is to be retained?
  - b) Should the Task Force continue in the current direction, progressing with revising the requirements and the definition of significant risks taking into account the input to date from the IAASB, or does the Board recommend consideration for a change in direction on significant risks (e.g., abandon the concept of significant risks, revise requirements etc.)?

## Matters for IAASB Consideration

### Inherent Risks—Low Likelihood for a Material Misstatement to Occur with High Magnitude of Potential Misstatement

6. Does the IAASB agree that those inherent risks with a low likelihood for potential misstatement to occur but a high magnitude of potential misstatement should not be considered a significant risk should the concept be retained?



# Matters for IAASB Consideration

## Data Analytics

7. The IAASB is asked for its views on:

- a) The proposed approach to considering possible changes to ISA 315 (Revised) relating to data analytics, specifically the Task Force’s initial view that no changes are necessary to the requirements; and
- b) Whether there are specific areas where changes need to be considered with regard to the auditor’s risk assessment procedures in addition to those noted in paragraphs 86–88 of **Agenda Item 4–A**.

## Matters for IAASB Consideration

### Professional Skepticism

8. The IAASB is asked for its views on the matters set out in paragraphs 96–107 of **Agenda Item 4–A**.

IAASB

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