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Description of content of ISSAI 1315

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

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1315 is comprised of International Standard on Auditing (ISA) 315 – Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of the ISA

ISA 315 deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control.

Objective of the auditor in terms of the ISA

The objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels, through understanding the entity and its environment, including the entity's internal control, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.

Among other matters, the requirements in this ISA deal with:

- a. The need to perform risk assessment procedures to provide a basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels.
- b. The required understanding of the entity and its environment, including the entity's internal control.
- c. Identifying and assessing the risks of material misstatement.
- d. Significant risks (risks that require special audit consideration).
- e. Documentation.

Description of the Practice Note

The Practice Note provides supplementary guidance for auditors applying ISA 315 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note provides additional guidance for public sector auditors related to:

- a. Overall considerations relating to additional objectives or public expectations when considering risks of material misstatement or the effectiveness of internal control.
- b. Risk assessment procedures and related activities.
- c. The required understanding of the entity and its environment, including the entity's internal control.
- d. Identifying and assessing the risks of material misstatement.