

ISA 315 - Audit approach briefing for management and those charged with governance

Introduction

The way in which we plan and conduct our audits is changing for our 2022-23 audit cycle. There are significant changes to International Standards on Auditing (UK) (ISAs) with the introduction of ISA 315 (Revised July 2020) *Identifying and Assessing the Risks of Material Misstatement*.

The revised standard requires us to undertake more detailed and extensive risk assessment procedures to identify risks of material misstatement. The subsequent design and performance of our audit approaches will be responsive to each assessed risk.

The purpose of this briefing is to outline the key changes and the potential impact on your organisation in terms of information requests from our engagement teams.

When is the revised standard effective and to whom does it apply?

The revised standard is effective for audits of financial statements for periods beginning on or after 15 December 2021. Our audit approach will be changing for our 2022-23 audit cycle. The revised standard applies to the audit of all entities regardless of their nature, size or complexity.

Why did the standard change?

The standard has been revised and enhanced to reflect the increasingly complex environments in which entities and auditors operate. The standard requires more detailed and extensive risk assessment procedures to identify risks of material misstatement. The subsequent design and performance of audit approaches will be responsive to each assessed risk.

The key changes to the standard and the potential impact on your organisation

Key change	Potential impact on your organisation
More detailed and extensive risk identification and assessment procedures	<p>Your finance team and others in your organisation may receive a greater number of inquiries from our engagement teams at the planning stage of the audit. Requests for information may include:</p> <ul style="list-style-type: none"> - Information on your organisation's business model and how it integrates the use of information technology (IT); - Information about your organisation's risk assessment process and how your organisation monitors the system of internal control; - More detailed information on how transactions are initiated, recorded, processed and reported. This may include access to supporting documentation such as policy and procedure manuals; and - More detailed discussions with your organisation to support the engagement team's assessment of inherent risk.
Obtaining an enhanced understanding of your organisation's environment, particularly in relation to IT	<p>Your organisation may receive more inquiries to assist the engagement team in understanding the IT environment. This may include information on:</p> <ul style="list-style-type: none"> - IT applications relevant to financial reporting; - The supporting IT infrastructure (e.g. the network, databases); - IT processes (e.g. managing program changes, IT operations); and - The IT personnel involved in the IT processes. <p>Engagement teams may need to test the general IT controls and this may require obtaining more detailed audit evidence on the operation of IT controls within your organisation.</p> <p>On some audits, our engagement teams may involve IT audit specialists to assist with their work. Our IT auditors may need to engage with members of your IT team who have not previously been involved in the audit process.</p>
Enhanced requirements relating to exercising professional scepticism	<p>Our engagement teams may make additional inquiries if they identify information which appears to contradict what they have already learned in the audit.</p>

Risk assessment is scalable depending on the nature and complexity of the audited entity	The engagement team's expectations regarding the formality of your organisation's policies, procedures, processes and systems will depend on the complexity of your organisation.
Engagement teams may make greater use of technology in the performance of their audit	Our engagement teams may make use of automated tools and techniques such as data analytics when performing their audit. Our teams may request different information or information in a different format from previous audits so that they can perform their audit procedures.