



Board Meeting Summary Paper

Subject: Exposure Draft - ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

Date: 31 August 2010

AUASB AGENDA ITEM NO. 10(a)(v)
Meeting Date: 13 September 2010

Action Required

For Information Purposes Only

Agenda Item Objectives

To inform the AUASB of the issuance of the Exposure Draft on ISA 315. Submissions are due to the IAASB by 15 November 2010.

Background

ISA 315 has been revised and re-issued for exposure as a result of revisions in ISA 610 *Using the Work of Internal Auditors*. The two standards were issued within the same document. The proposed application date for ISA 315 is for audits of financial statements for periods ending on or after 15 December 2013.

ISA 315 amendments clarify the linkages between ISA 610 and ISA 315 where entities have an internal audit function.

All changes proposed are in the Guidance section - there are no new requirements in ISA 315. The substance of the changes is in expanding guidance for auditors in:

- (a) having their risk assessment process take into account their knowledge of, and relevant findings of the entity's internal audit function; and
- (b) strengthening their framework for their audit evaluation process, and where appropriate, use the work of internal auditors in obtaining audit evidence.

This means that the auditor's identification of, and assessment of, risks of material misstatement at the financial statement and assertion levels may be assisted by their understanding of, and information obtained from the internal audit function. This internal audit assistance is in terms of internal audit's monitoring of internal control over financial reporting and management's responses.

This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Implications for the AUASB

Based on the revisions proposed, the AUASB Technical Group believes the enhanced guidance relating to considering an internal audit function as part of the risk assessment process is helpful to Australian auditors; and its principles and procedures consistent with the Clarity Auditing Standard suite. The AUASB Technical Group therefore has no issues with the proposed revisions and believes there are no adverse implications to adopting the changes to Australian equivalent Auditing Standard, ASA 315, once ISA 315 is re-issued.

AUASB Technical Group recommendations

The AUASB Technical Group recommends that the AUASB's submission to the IAASB is supportive of the proposed Exposure Draft changes.

Material Presented

Agenda Item 10(a)(v)	Board Meeting Summary Paper
Agenda Item 10(a)(v).1	Exposure Draft – ISA 315 and ISA 610

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