

Standard on Auditing (SA) 315

Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment” *

Standard on Auditing (SA) 315 deals with the auditor’s responsibility to obtain an understanding of the entity and its environment and using that understanding identify and assess the risks of material misstatement at the financial statement level and assertion level.

SA 315 covers :

- Risk assessment procedures and related activities
- The required understanding of the entity and its environment, including the entity’s internal control
- Identifying and assessing the risks of material misstatements
- Material weakness in internal control
- Documentation

SA 315 contains two distinct sections – Requirements section and Application Guidance section – as per the new presentation format adopted in writing the Standards. This Standard on Auditing (SA) is effective for audits of financial statements for periods beginning on or after 1st April, 2008.

Issued in February, 2008.

Will be available shortly as a separate publication of the Institute.

* The date this Standard (along with SA 330) becomes effective, the existing Auditing and Assurance Standard (AAS) 6, “Risk Assessments and Internal Control”, AAS 20, “Knowledge of the Business”, and AAS 29, “Auditing in a Computer Information Systems Environment”, issued in June 2002, April 2000 and January 2003, respectively, would stand withdrawn.