

## Assurance and accounting

# CAS 315R (revised) – Identifying and assessing risk of material misstatement for clients

CAS 315R is a new international audit standard, which is effective for audits of financial statements for periods beginning on or after December 15, 2021. This includes stub periods during 2022.

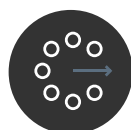
The change applies to all auditors in Canada and globally. And it applies to all audits, regardless of size and complexity.

## Key changes to the standard and what it means for the audit

- Requirement to obtain more detailed information on your system of internal control and its environment, including the use of IT.
- Identify and assess all risks with a reasonable possibility of being material resulting in more risks identified than in the past.
- Use a "spectrum" (which considers inherent risk factors combined with the likelihood of the risk of occurring and the magnitude of misstatement) to form a conclusion on each potential risk of material misstatement identified.
- The conclusion on the risk will drive our response (i.e. the scope of audit work we need to perform), which may be less or more work.

Impact on auditors	Impact on you
Engagement teams have extensive training	N/A
Careful consideration when scheduling staff (i.e., timing, level, and experience)	Audit team will need to spend more time in the field and/or have new members
Requests to our clients for additional information regarding systems, processes, and controls	More up-front questions for you at planning; face-to-face meetings to gather information; requirement to speak to personnel not previously accessed in the past
Use of Information Systems (IS) audit specialists (where required)	Requirement to access IT personnel not previously accessed in the past

## Quality and value added



### EFFECTIVE AND BETTER-QUALITY AUDITS

Requires auditors to complete a more robust risk identification and assessment process resulting in a more focused response that is appropriate for the nature, size, and complexity of our clients—making our audits more effective and higher quality.



### PROFESSIONAL JUDGEMENT

Changes came as a result of increased pressures for auditors to employ enhanced professional judgement.



### ENHANCED DISCUSSIONS

Increased risk identification and better professional judgement will result in more robust discussions with audit committees, boards and other stakeholders.



### COMPLEX ENVIRONMENTS

Responds to the increasingly complex nature of the environments in which we and our clients operate. For example, complex financial reporting frameworks, complex governance structures, greater use of technology/IT, and worldwide operations.

## Impact on Fees

Depending on the nature, size, and complexity of the organization, this new audit standard will have varying impact on audit fees. This should be discussed with your auditor.

The information in this publication is current as of June 30, 2022.

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