

Auditing Financial Statement Disclosures



Relevant auditing standards

- ISA 315 - Identifying and assessing the risks of material misstatement
- ISA 330 - The auditor's responses to assessed risks
- ISA 540 - Auditing accounting estimates and related disclosures
- ISA 550 - Related parties
- ISA 700 - Forming an opinion and reporting on financial statements

Financial statement disclosures is an inspection area of focus for IAASA

- Audit work around financial statements disclosures has been inspected by IAASA during several inspection cycles.
- In November 2023, IAASA published a thematic review on the quality of audit evidence and audit procedures performed on the financial statement disclosures. Read IAASA's [2023 publication](#).

Areas for improvement

- In the course of inspections, IAASA has raised queries with auditors to understand how audits have complied with the requirements of the auditing standards that deal with financial statement disclosures.

What's on the next page?

- The next page sets out some of the key auditing requirements for financial statement disclosures.
- The requirements discussed on the next page are requirements where IAASA has raised queries of audit teams.

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Other IAASA publications

- IAASA's [AQS publications](#)
- International Standards on Auditing (Ireland) on [IAASA.ie](#)

Auditing Financial Statement Disclosures

Risk assessment

Identify the risks of material misstatement and determine whether they exist at the assertion level for classes of transactions, account balances and disclosures.



Responding to risks relating to financial disclosures

- Audit procedures are based on and respond to the assessed risks of material misstatement at the assertion level.
- However, irrespective of the assessed risks, substantive audit procedures are performed for each material class of transaction, account balance, and disclosure.

Related party disclosures

- Evaluate whether:
 - The identified related party relationships and transactions have been appropriately accounted for and disclosed.
 - The effects of the related party relationships and transactions prevent the financial statements from achieving fair presentation.

Forming an opinion on the financial statements

Conclude if reasonable assurance was obtained as to whether the financial statements, as a whole, are free from material misstatement, evaluating, in particular, whether:

The qualitative aspects of the entity's accounting practices are reasonable, including indicators of possible bias in management's judgements.

The financial statements provide adequate disclosures to enable users to understand the effect of material transactions and events.

The accounting estimates and related disclosures made by management are reasonable.

The significant accounting policies selected and applied are appropriate and understandable.

The information in the financial statements is relevant, reliable, comparable and understandable.

The terminology used in the financial statements is appropriate.