ISSAI 1320

Las Normas Internacionales de las Entidades Fiscalizadoras Superiores (ISSAI) son emitidas por la Organización Internacional de Entidades Fiscalizadoras Superiores (INTOSAI). Para más información, visite www.issai.org.

INTOSAI

Directriz de auditoría financiera

La materialidad al planificar y ejecutar una auditoría

COMITÉ DE NORMAS PROFESIONALES DE LA INTOSAI

SUBCOMITÉ PARA DIRECTRICES DE AUDITORÍA FINANCIERA-SECRETARÍA
Riksrevisionen • 114 90 Stockholm • Sweden
Tel.:+46 5171 4000 • Fax:+46 5171 4111 • E-mail: projectsecretariat@riksrevisionen.se

INTOSAI

Secretaría General de la INTOSAI - RECHNUNGSHOF
(Tribunal de Cuentas de Austria)
DAMPFSCHIFFSTRASSE 2
A-1033 VIENNA
AUSTRIA
Tel: ++43 (1) 711 71
Fax: ++43 (1) 718 09 69
intosai@rechnungshof.gv.at
http://www.intosai.org

La presente directriz de auditoría financiera se basa en la Norma Internacional de Auditoría (NIA) 320 "La materialidad al planificar y ejecutar una auditoría" formulada por el Consejo de Normas Internacionales de Auditoría y Aseguramiento (International Audit and Assurance Standards Board/IAASB) y publicada por la Federación Internacional de Contadores (International Federation of Accountants/IFAC). La NIA se ha incluido en la presente directriz con permiso de la IFAC.

Índice de la ISSAI 1320

Nota de Práctica[1] para la Norma Internacional de Auditoría (NIA) 320

La materialidad en la planificación y en la ejecución de una auditoría

Fundamentos

Esta Nota de Práctica proporciona orientaciones adicionales a los auditores del sector público sobre la NIA 320, "La materialidad al planificar y ejecutar una auditoría", y debe leerse conjuntamente con ella. La NIA 320 entra en vigor para las auditorías de estados financieros correspondientes a los períodos que comiencen a partir de 15 de diciembre de 2009. Esta Nota de Práctica será efectiva en la misma fecha que la NIA.

Introducción a la NIA

La NIA 320 establece la obligación para el auditor de aplicar el concepto de materialidad o importancia relativa en la planificación y en la ejecución de una auditoría de los estados financieros. La NIA 450[2] explica el modo en que se aplica este concepto al evaluar el efecto de las incorrecciones detectadas en la auditoría y de las no corregidas, en su caso, en los estados financieros.

Contenido de la Nota de Práctica

P1. La Nota de Práctica proporciona orientaciones adicionales para los auditores del sector público en relación con los aspectos siguientes:
a) Consideraciones generales.
b) La materialidad en el contexto de una auditoría.
c) Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría.
d) Revisión en el curso de la auditoría.

Aplicabilidad de la NIA en la auditoría del sector público

P2. La NIA 320 es aplicable a los auditores de las entidades del sector público en el desempeño de su función de auditores de los estados financieros.

1 Todas las Notas de Práctica habrán de leerse conjuntamente con la ISSAI 1000 "Introducción general a las directrices de auditoría financiera de la INTOSAI."
2 NIA 450, *"Valoración de las incorrecciones detectadas durante la auditoría."*

Orientaciones adicionales sobre cuestiones ligadas al sector público

P3. La NIA 320 contiene material de aplicación y explicativo con consideraciones específicas sobre las entidades del sector público en los párrafos A2 y A9.

Consideraciones generales

P4. En una auditoría financiera en el sector público los objetivos suelen ir más allá de la emisión de una opinión sobre si los estados financieros han sido elaborados, en todos sus aspectos significativos, de acuerdo con el marco de información financiera aplicable (es decir, el alcance de las NIA). El mandato de auditoría puede contener objetivos adicionales que se consideren relativos a la auditoría de los estados financieros, entre ellos obligaciones de auditoría o de información, cuando los auditores del sector público hayan detectado falta de conformidad con las normas en cuestiones presupuestarias o de rendición de cuentas, o informen sobre la eficacia del control interno. Sin embargo, aun no existiendo objetivos adicionales, los ciudadanos pueden esperar de los auditores del sector público que notifiquen cualquier caso de falta de conformidad con las normas que hayan detectado durante la auditoría o informen sobre la eficacia del control interno. Así pues, los auditores del sector público han de tomar en consideración estas expectativas al determinar la importancia relativa. En las Directrices para la auditoría de cumplimiento (ISSAI 4000[3] y 4200[4]) se tratan obligaciones adicionales relativas a la conformidad con las normas, y los auditores del sector público a quienes se hayan atribuido estas obligaciones adicionales pueden consultar las ISSAI 4000 y 4200.

La materialidad en el contexto de una auditoría

P5. Al determinar la materialidad a efectos de planificación en el sector público, revisten una particular importancia los aspectos tanto cuantitativos como cualitativos, así como la naturaleza de los elementos. Asimismo, puede ser significativo el contexto en que se sitúa el asunto. Por otra parte, la naturaleza o características inherentes de los elementos, o grupos de elementos, pueden conferirles una importancia relativa.

P6. El párrafo A2 de la NIA 320 señala que los legisladores y los órganos reguladores son a menudo los principales usuarios de los estados financieros de las entidades del sector público, y que dichos estados financieros pueden utilizarse para adoptar otras decisiones aparte de las económicas. Los legisladores representan a los ciudadanos y proporcionan financiación para distintos programas, actividades y funciones de carácter público. A menudo, los legisladores o los órganos reguladores evalúan o adoptan decisiones acerca de las actividades de una entidad. Otros usuarios son, por ejemplo, la dirección de la entidad, los accionistas o los medios de comunicación. Unos estados financieros que satisfacen las necesidades de los legisladores y órganos reguladores también satisfarán la mayor parte de las necesidades de los demás usuarios.

---

3 ISSAI 4000, ”Directrices para la auditoría de cumplimiento - Introducción general.”
4 ISSAI 4200, ”Directrices para las auditorías de cumplimiento asociadas a una auditoría de estados financieros.”

P7. Los estados financieros también pueden representar un elemento clave de la rendición de cuentas de una entidad del sector público a la ciudadanía. El marco de rendición de cuentas puede incorporar otros factores que influyan en la determinación de la materialidad a distintos niveles. En consecuencia, ésta puede ser el resultado de factores tanto cuantitativos como cualitativos, y por lo tanto, su umbral para tipos particulares de operaciones, saldos de cuentas o información revelada pueden establecerse a menudo en un nivel bajo.

Determinación de la materialidad en la ejecución del trabajo al planificar la auditoría.

P8. Como ya se ha señalado, la materialidad en el sector público incluye aspectos tanto cuantitativos como cualitativos (mencionados en las NIA como aspectos relativos a la ìmagnitudî y a la ìnaturalezaî de las incorrecciones). La determinación de su umbral se describe en los párrafos 10 y 11 de la NIA. En el sector público, los umbrales para tipos de operaciones, saldos de cuentas o información revelada pueden establecerse a un nivel más bajo del que se obtendría con arreglo a las exigencias de la NIA. Esto puede deberse a una serie de razones, como el contexto del asunto, o la naturaleza y características de los sistemas y entidades afectados, como se explica en los párrafos P5 a P7. Por otra parte, el mandato de auditoría o la legislación pueden exigir la aplicación de ciertos procedimientos, como por ejemplo, verificación de salarios ministeriales fijados por disposiciones legales, o de pagos que tengan un carácter sensible, como los efectuados en concepto de viajes y de representación del personal directivo. En las raras ocasiones en que los auditores del sector público desean detectar incorrecciones de este tipo, verifican todas las operaciones correspondientes.

P9. Cuando los auditores del sector público emiten, además, opiniones sobre la eficacia de los controles o sobre la conformidad con normas y reglamentos, estudian la necesidad de determinar la materialidad para estos objetivos además de la correspondiente a los estados financieros. Por ejemplo, al informar de la eficacia de los controles, el auditor puede utilizar un criterio de referencia basado en el porcentaje de operaciones o importes monetarios seleccionados para la muestra a fin de determinar el umbral de materialidad y evaluar las desviaciones del control.

P10. El párrafo A2 de la NIA describe consideraciones específicas para determinar los niveles de importancia relativa en el sector público. Al determinar si un tipo particular de operaciones, saldo de cuentas, información presentada u otra afirmación que forme parte del marco de información financiera resulta significativo en virtud de su naturaleza, los auditores del sector público tendrán en cuenta aspectos cualitativos como los siguientes:

- El contexto en el que aparece el asunto, por ejemplo si también está sujeto al cumplimiento de normas, leyes o reglamentos, o si alguna ley o reglamento prohíbe el gasto excesivo de fondos públicos con independencia de los importes en cuestión.
- Las necesidades de las distintas partes interesadas y su utilización de los estados financieros.
- La naturaleza de las operaciones que se consideren sensibles para los usuarios de los estados financieros.
- Las expectativas y el interés del público en general, incluida la especial atención prestada a una cuestión particular por las comisiones parlamentarias competentes, como la de cuentas públicas, incluso la necesidad de revelar determinada información.
- La necesidad de control y regulación legislativos y reglamentación en un ámbito particular;
- La necesidad de apertura y transparencia, por ejemplo si existen exigencias particulares de revelación de información en caso de fraudes u otras pérdidas.

P11. El párrafo A9 de la NIA plantea la identificación de puntos de referencia adecuados para determinar la materialidad de los estados financieros. En el caso de entidades del sector público de las que se espera que recuperen costes o el equilibrio financiero, los gastos o ingresos brutos pueden constituir una referencia más adecuada que los costes netos. Para las entidades del sector público depositarias de importantes activos, el activo o el pasivo total, el activo o el pasivo neto, o determinadas clases de activos pueden constituir una referencia idónea si están registrados en los estados financieros. En algunos casos, teniendo especialmente en cuenta la importancia relativa cualitativa, también pueden ser útiles otro tipo de referencias, como por ejemplo:

- El número de usuarios o entidades afectados expresado en porcentaje del total de usuarios o entidades que participan en el programa particular.
- Los importes previamente considerados significativos por una comisión parlamentaria competente, como la de cuentas públicas.
- Pagos de prestaciones comparados con indicadores del coste de la vida, por ejemplo, la importancia para el beneficiario de pagos mensuales de prestaciones, como pensión o discapacidad, efectuados conforme a los programas del sector público.

Revisión en el curso de la auditoría

P12. Los párrafos 12, 13 y A13 de la NIA abordan la necesidad de revisar los umbrales de materialidad en caso de tener conocimiento de nueva información en el curso de la auditoría. Debido a las estructuras de gobernanza y a la interrelación de las entidades dentro del sector público, no es inusual que los auditores del sector público reciban nueva información en el curso de la auditoría.

International Auditing and Assurance Standards Board

ISA 320
April 2009

International Standard on Auditing

Materiality in Planning and Performing an Audit

International Federation of Accountants

International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

This International Standard on Auditing (ISA) 320, "Materiality in Planning and Peforming an Audit" was prepared by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting body within the International Federation of Accountants (IFAC). The objective of the IAASB is to serve the public interest by setting high quality auditing and assurance standards and by facilitating the convergence of international and national standards, thereby enhancing the quality and uniformity of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

This publication may be downloaded free of charge from the IFAC website: http://www.ifac.org. The approved text is published in the English language.

The mission of IFAC is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession's expertise is most relevant.

ISBN: 978-1-60815-008-3

INTERNATIONAL STANDARD ON AUDITING 320

MATERIALITY IN PLANNING AND PERFORMING AN AUDIT

(Effective for audits of financial statements for periods beginning on or after December 15, 2009)

CONTENTS

International Standard on Auditing (ISA) 320, "Materiality in Planning and Performing an Audit" should be read in the context of ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing."

Introduction

Scope of this ISA

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to apply the concept of materiality in planning and performing an audit of financial statements. ISA 450[1] explains how materiality is applied in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements.

Materiality in the Context of an Audit

2. Financial reporting frameworks often discuss the concept of materiality in the context of the preparation and presentation of financial statements. Although financial reporting frameworks may discuss materiality in different terms, they generally explain that:

   - Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements;
   - Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and
   - Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group.[2] The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.

3. Such a discussion, if present in the applicable financial reporting framework, provides a frame of reference to the auditor in determining materiality for the audit. If the applicable financial reporting framework does not include a discussion of the concept of materiality, the characteristics referred to in paragraph 2 provide the auditor with such a frame of reference.

4. The auditor's determination of materiality is a matter of professional judgment, and is affected by the auditor's perception of the financial information needs of

---

[1] ISA 450, "Evaluation of Misstatements Identified during the Audit."

[2] For example, the "Framework for the Preparation and Presentation of Financial Statements," adopted by the International Accounting Standards Board in April 2001, indicates that, for a profit-oriented entity, as investors are providers of risk capital to the enterprise, the provision of financial statements that meet their needs will also meet most of the needs of other users that financial statements can satisfy.

users of the financial statements. In this context, it is reasonable for the auditor to assume that users:

(a) Have a reasonable knowledge of business and economic activities and accounting and a willingness to study the information in the financial statements with reasonable diligence;

(b) Understand that financial statements are prepared, presented and audited to levels of materiality;

(c) Recognize the uncertainties inherent in the measurement of amounts based on the use of estimates, judgment and the consideration of future events; and

(d) Make reasonable economic decisions on the basis of the information in the financial statements.

5. The concept of materiality is applied by the auditor both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report. (Ref: Para. A1)

6. In planning the audit, the auditor makes judgments about the size of misstatements that will be considered material. These judgments provide a basis for:

(a) Determining the nature, timing and extent of risk assessment procedures;

(b) Identifying and assessing the risks of material misstatement; and

(c) Determining the nature, timing and extent of further audit procedures.

The materiality determined when planning the audit does not necessarily establish an amount below which uncorrected misstatements, individually or in the aggregate, will always be evaluated as immaterial. The circumstances related to some misstatements may cause the auditor to evaluate them as material even if they are below materiality. Although it is not practicable to design audit procedures to detect misstatements that could be material solely because of their nature, the auditor considers not only the size but also the nature of uncorrected misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements.[3]

[3] ISA 450, paragraph A16.

Effective Date

7. This ISA is effective for audits of financial statements for periods beginning on or after December 15, 2009.

Objective

8. The objective of the auditor is to apply the concept of materiality appropriately in planning and performing the audit.

Definition

9. For purposes of the ISAs, performance materiality means the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.

Requirements

Determining Materiality and Performance Materiality When Planning the Audit

10. When establishing the overall audit strategy, the auditor shall determine materiality for the financial statements as a whole. If, in the specific circumstances of the entity, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements, the auditor shall also determine the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures. (Ref: Para. A2-A11)

11. The auditor shall determine performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures. (Ref: Para. A12)

Revision as the Audit Progresses

12. The auditor shall revise materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) in the event of becoming aware of information during the audit that would have caused the auditor to have determined a different amount (or amounts) initially. (Ref: Para. A13)

13. If the auditor concludes that a lower materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of

transactions, account balances or disclosures) than that initially determined is appropriate, the auditor shall determine whether it is necessary to revise performance materiality, and whether the nature, timing and extent of the further audit procedures remain appropriate.

Documentation

14. The auditor shall include in the audit documentation the following amounts and the factors considered in their determination:[4]

    (a) Materiality for the financial statements as a whole (see paragraph 10);

    (b) If applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures (see paragraph 10);

    (c) Performance materiality (see paragraph 11); and

    (d) Any revision of (a)-(c) as the audit progressed (see paragraphs 12-13).

***

Application and Other Explanatory Material

Materiality and Audit Risk (Ref: Para. 5)

A1. In conducting an audit of financial statements, the overall objectives of the auditor are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and to report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings.[5] The auditor obtains reasonable assurance by obtaining sufficient appropriate audit evidence to reduce audit risk to an acceptably low level.[6] Audit risk is the risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is a function of the risks of material misstatement and detection risk.[7] Materiality and audit risk are considered throughout the audit, in particular, when:

---

[4] ISA 230, "Audit Documentation," paragraphs 8-11, and paragraph A6.

[5] ISA 200, "Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing," paragraph 11.

[6] ISA 200, paragraph 17.

[7] ISA 200, paragraph 13(c).

(a) Identifying and assessing the risks of material misstatement;[8]

(b) Determining the nature, timing and extent of further audit procedures;[9] and

(c) Evaluating the effect of uncorrected misstatements, if any, on the financial statements[10] and in forming the opinion in the auditor's report.[11]

Determining Materiality and Performance Materiality When Planning the Audit

Considerations Specific to Public Sector Entities (Ref: Para. 10)

A2. In the case of a public sector entity, legislators and regulators are often the primary users of its financial statements. Furthermore, the financial statements may be used to make decisions other than economic decisions. The determination of materiality for the financial statements as a whole (and, if applicable, materiality level or levels for particular classes of transactions, account balances or disclosures) in an audit of the financial statements of a public sector entity is therefore influenced by law, regulation or other authority, and by the financial information needs of legislators and the public in relation to public sector programs.

Use of Benchmarks in Determining Materiality for the Financial Statements as a Whole (Ref: Para. 10)

A3. Determining materiality involves the exercise of professional judgment. A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole. Factors that may affect the identification of an appropriate benchmark include the following:

- The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
- Whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets);

---

8 ISA 315, "Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment."

9 ISA 330, "The Auditor's Responses to Assessed Risks."

10 ISA 450.

11 ISA 700, "Forming an Opinion and Reporting on Financial Statements."

- The nature of the entity, where the entity is in its life cycle, and the industry and economic environment in which the entity operates;
- The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings); and
- The relative volatility of the benchmark.

A4. Examples of benchmarks that may be appropriate, depending on the circumstances of the entity, include categories of reported income such as profit before tax, total revenue, gross profit and total expenses, total equity or net asset value. Profit before tax from continuing operations is often used for profit-oriented entities. When profit before tax from continuing operations is volatile, other benchmarks may be more appropriate, such as gross profit or total revenues.

A5. In relation to the chosen benchmark, relevant financial data ordinarily includes prior periods' financial results and financial positions, the period-to-date financial results and financial position, and budgets or forecasts for the current period, adjusted for significant changes in the circumstances of the entity (for example, a significant business acquisition) and relevant changes of conditions in the industry or economic environment in which the entity operates. For example, when, as a starting point, materiality for the financial statements as a whole is determined for a particular entity based on a percentage of profit before tax from continuing operations, circumstances that give rise to an exceptional decrease or increase in such profit may lead the auditor to conclude that materiality for the financial statements as a whole is more appropriately determined using a normalized profit before tax from continuing operations figure based on past results.

A6. Materiality relates to the financial statements on which the auditor is reporting. Where the financial statements are prepared for a financial reporting period of more or less than twelve months, such as may be the case for a new entity or a change in the financial reporting period, materiality relates to the financial statements prepared for that financial reporting period.

A7. Determining a percentage to be applied to a chosen benchmark involves the exercise of professional judgment. There is a relationship between the percentage and the chosen benchmark, such that a percentage applied to profit before tax from continuing operations will normally be higher than a percentage applied to total revenue. For example, the auditor may consider five percent of profit before tax from continuing operations to be appropriate for a profit-oriented entity in a manufacturing industry, while the auditor may consider one percent of total revenue or total expenses to be appropriate for a not-for-profit entity. Higher or lower percentages, however, may be deemed appropriate in the circumstances.

Considerations Specific to Small Entities

A8. When an entity's profit before tax from continuing operations is consistently nominal, as might be the case for an owner-managed business where the owner takes much of the profit before tax in the form of remuneration, a benchmark such as profit before remuneration and tax may be more relevant.

Considerations Specific to Public Sector Entities

A9. In an audit of a public sector entity, total cost or net cost (expenses less revenues or expenditure less receipts) may be appropriate benchmarks for program activities. Where a public sector entity has custody of public assets, assets may be an appropriate benchmark.

Materiality Level or Levels for Particular Classes of Transactions, Account Balances or Disclosures (Ref: Para. 10)

A10. Factors that may indicate the existence of one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements include the following:

- Whether law, regulation or the applicable financial reporting framework affect users' expectations regarding the measurement or disclosure of certain items (for example, related party transactions, and the remuneration of management and those charged with governance).
- The key disclosures in relation to the industry in which the entity operates (for example, research and development costs for a pharmaceutical company).
- Whether attention is focused on a particular aspect of the entity's business that is separately disclosed in the financial statements (for example, a newly acquired business).

A11. In considering whether, in the specific circumstances of the entity, such classes of transactions, account balances or disclosures exist, the auditor may find it useful to obtain an understanding of the views and expectations of those charged with governance and management.

Performance Materiality (Ref: Para. 11)

A12. Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial statements to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality (which, as defined, is one or more amounts) is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgment. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period.

Revision as the Audit Progresses (Ref: Para. 12)

A13. Materiality for the financial statements as a whole (and, if applicable, the materiality level or levels for particular classes of transactions, account balances or disclosures) may need to be revised as a result of a change in circumstances that occurred during the audit (for example, a decision to dispose of a major part of the entity's business), new information, or a change in the auditor's understanding of the entity and its operations as a result of performing further audit procedures. For example, if during the audit it appears as though actual financial results are likely to be substantially different from the anticipated period end financial results that were used initially to determine materiality for the financial statements as a whole, the auditor revises that materiality.