ISA 315 (Revised)[1]

Title

Identifying and Assessing the Risks of Material Misstatement ~~through Understanding the Entity and Its Environment~~

Scope

1. This International Standard on Auditing (ISA) deals with the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements ~~.through understanding the entity and its environment, including the entity's internal control~~.

Effective Date

2. This ISA is effective for audits of financial statements for periods ending on or after December 15, ~~2013~~20xx.

Objective

3. The objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels~~, through understanding the entity and its environment, including the entity's internal control,~~ thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement.

Definitions

4. For purposes of the ISA, the following terms have the meanings attributed below:

~~(a)~~ Assertions – Representations by management, explicit or otherwise, ~~that are embodied~~ with respect to the recognition, measurement, presentation and disclosure of information in the financial statements, which are inherent in representing that the financial statements are in accordance with the applicable financial reporting framework. Assertions are ~~as~~ used by the auditor to consider the different types of potential misstatements that may occur when identifying and assessing the risks of material misstatement. (Ref. Para: A0a)

~~(b)~~ Business risk – A risk resulting from significant conditions, events, circumstances, actions or inactions that could adversely affect an entity's ability to achieve its objectives and execute its strategies, or from the setting of inappropriate objectives and strategies.

~~(c)~~ *Internal control: See 4(f) below – now "System of Internal Control"*

(ca) Controls – Policies or procedures that are embedded within the components of the system of internal control to achieve the control objectives of management or those charged with governance:

- Policies are formal statements that are documented or otherwise communicated by management or those charged with governance, or informal expectations implied

[1] International Standard on Auditing (ISA) 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

through their actions, as to what should, or should not, be done within the entity to effect control.

- Procedures are actions to implement policies. (Ref: Para. A0b–A0c)

(cb) Qualitative Inherent Risk Factors – Characteristics of events or conditions relating to classes of transactions, account balances or disclosures that impact their susceptibility to misstatement at the assertion level. Such characteristics include complexity, ambiguity, subjectivity, change, uncertainty and susceptibility to fraud. (Ref: Para A0d)

(cc) Relevant assertions – An assertion is relevant to a class of transactions, account balance or disclosure when the nature or circumstances of that item are such that there is a reasonable possibility that a misstatement of the item may occur and be material, individually or in combination with other misstatements, with respect to that assertion. (Ref. Para. A0e)

(d) Risk assessment procedures – The audit procedures designed and performed ~~to obtain an understanding of the entity and its environment, including the entity's internal control,~~ to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.

(da) Significant class of transactions, account balance or disclosure – A class of transactions, account balance or disclosure for which there is at least one relevant assertion.

(e) Significant risk – ~~An identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration.~~ An identified risk of material misstatement:

- For which the assessment of inherent risk is at the highest end of the spectrum of inherent risk due to the impact of one or a combination of the qualitative inherent risk factors; or

- That is to be treated as a significant risk in accordance with the requirements of other ISAs.[2] (Ref: Para. A0f)

~~(f)~~ System of Internal Control *(Previously (c) Internal Control)*– The ~~process~~ system designed, implemented and maintained by those charged with governance, management and other personnel, to provide reasonable assurance about the achievement of an entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. ~~The term "controls" refers to any aspects of one or more of the components of internal control.~~ For the purposes of the ISAs, internal control consists of five inter-related components: (Ref: Para. A0g)

- Control environment.
- The entity's risk assessment process.
- The entity's process to monitor the system of internal control.
- The information system and communication.
- Control activities.

[2] ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 27 and ISA 550, *Related Parties*, paragraph 18

Requirements

Risk Assessment Procedures and Related Activities

5. The auditor shall design and perform risk assessment procedures to obtain an understanding of:

    ~~(a)~~ The entity and its environment (see paragraph 11(a));

    ~~(b)~~ The applicable financial reporting framework (see paragraph 11(b)); and

    ~~(c)~~ The entity's system of internal control (see paragraphs 12–21A)

    in order to provide a sufficient and appropriate basis for the identification and assessment of risks of material misstatement at the financial statement and assertion levels. ~~Risk assessment procedures by themselves, however, do not provide sufficient appropriate audit evidence on which to base the audit opinion~~ (Ref: Para. A1–A5)

6. The risk assessment procedures shall include the following:

    ~~(a)~~ Inquiries of management, of appropriate individuals within the internal audit function (if the function exists), and of others within the entity who in the auditor's judgment may have information that is likely to assist in identifying risks of material misstatement due to fraud or error. (Ref: Para. A6–A13)

    ~~(b)~~ Analytical procedures. (Ref: Para. A14–A17)

    ~~(c)~~ Observation and inspection. (Ref: Para A18)

7. The auditor, in identifying risks of material misstatement, shall take into account ~~consider whether~~ information obtained from the auditor's client acceptance or continuance process ~~is relevant to identifying risks of material misstatement~~.

8. If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying risks of material misstatement.

9. Where the auditor intends to use information obtained from the auditor's previous experience with the entity and from audit procedures performed in previous audits, the auditor shall determine whether changes have occurred since the previous audit that may affect its relevance to the current audit. (Ref: Para. A19–A20)

10. The engagement partner and other key engagement team members shall discuss the susceptibility of the entity's financial statements to material misstatement, and the application of the applicable financial reporting framework to the entity's facts and circumstances. The engagement partner shall determine which matters are to be communicated to engagement team members not involved in the discussion. (Ref: Para. A21–A24)

The Required Understanding of the Entity and Its Environment~~, Including the Entity's Internal Control~~ and the Applicable Financial Reporting Framework (Ref: Para. A24–A24b)

~~*The Entity and Its Environment*~~

11. The auditor shall obtain an understanding of: ~~the following~~

    (a) ~~Relevant industry, regulatory, and other external factors including the applicable financial reporting framework. (Ref: Para. A25–A30).~~ The entity and its environment, including:

(i) The entity's organizational structure, ownership and governance, and its business model, including the extent to which the business model integrates the use of information technology; (Ref: Para A25–A34)

(ii) Relevant industry, regulatory and other external factors; and (Ref: Para. A38–A43)

(iii) The relevant measures used, internally and externally, to assess the entity's financial performance. (Ref: Para. A44–A49)

~~(b) The nature of the entity, including:~~

~~(i) its operations;~~

~~(ii) its ownership and governance structures;~~

~~(iii) the types of investments that the entity is making and plans to make, including investments in special-purpose entities; and~~

~~(iv) the way that the entity is structured and how it is financed,~~

~~to enable the auditor to understand the classes of transactions, account balances, and disclosures to be expected in the financial statements (Ref: Para. A31–A35).~~

(b) The applicable financial reporting framework, including:

(i) How it applies to the entity's facts and circumstances; and

(ii) The entity's accounting policies and any changes thereto, including the reasons for any changes to the entity's accounting policies

to provide a sufficient and appropriate basis for the auditor to understand the classes of transactions, account balances and disclosures to be expected in the entity's financial statements. In obtaining this understanding, the auditor shall also consider whether and, if so, how the events or conditions are affected by, or subject to, the qualitative inherent risk factors. (Ref: Para. A50)

~~(c) The entity's selection and application of accounting policies, including the reasons for changes thereto.~~ *(moved to paragraph 11(b)(ii above))* ~~The auditor shall evaluate whether the entity's accounting policies are appropriate for its business and consistent with the applicable financial reporting framework and accounting policies used in the relevant industry (Ref: Para.A36)~~. *(moved to paragraph 11A below)*

~~(d) The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement (Ref: Para A37–A43).~~

~~(e) The measurement and review of the entity's financial performance (Ref: Para. A44–A49).~~

11A. *(Previously part of 11(c))* The auditor shall evaluate whether the entity's accounting policies, and any changes thereto, are appropriate ~~for its business~~ to its facts and circumstances, including the nature of its business, and consistent with the applicable financial reporting framework~~ and accounting policies used in the relevant industry.~~

The Required Understanding of ~~T~~the Entity's System of Internal Control

12. The auditor shall obtain an understanding of the entity's system of internal control relevant to financial reporting, including the entity's use of information technology, by understanding each of the

components of internal control ~~relevant to the audit~~. For this purpose, the auditor shall perform the procedures set out in paragraphs 14, 15, and 17A through 19A of this ISA. (Ref: Para. A50a–A76)

[*Moved to paragraph 20*] ~~Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. (Ref Para. A50–A73)~~

~~Nature and Extent of the Understanding of Relevant Controls~~

~~13~~ [*Moved to paragraph 21A*] ~~When obtaining an understanding of controls that are relevant to the audit, the auditor shall evaluate the design of those controls and determine whether they have been implemented, by performing procedures in addition to inquiry of the entity's personnel. (Ref. Para. A74–A76)~~

Components of Internal Control

Control environment

14. The auditor shall obtain an understanding of the control environment relevant to financial reporting, including understanding the extent to which the entity: ~~As part of obtaining this understanding, the auditor shall evaluate whether:~~ (Ref: Para. A77–A80)

    (a) Demonstrates a commitment to integrity and ethical values;

    (b) Demonstrates that those charged with governance are independent of management and exercise oversight of the entity's system of internal control;

    (c) Establishes, with the oversight of those charged with governance, structures, reporting lines, and appropriate authorities and responsibilities, in pursuit of its objectives;

    (d) Demonstrates a commitment to attract, develop, and retain competent individuals in alignment with its objectives; and

    (e) Holds individuals accountable for their internal control responsibilities in the pursuit of its objectives.

14A. [*Previously paragraphs 14(a)-(b)*] Based on the auditor's understanding of the control environment, the auditor shall evaluate whether: (Ref: Para. A81–A87)

    (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; and

    (b) The strengths in those areas of the control environment ~~elements~~ addressed in paragraphs 14(a) to (e) collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in internal control with regard to the control environment component.

14B. In performing the evaluation as required by paragraph 14A, the auditor shall determine whether any deficiencies identified represent a significant deficiency in internal control. If the auditor identifies a significant deficiency in internal control with regard to the control environment, the auditor shall consider the implications for the audit, including in designing and implementing overall responses to address the assessed risks of material misstatement at the financial statement level as required by ISA 330.[3]

The entity's risk assessment process

15. ~~The auditor shall obtain an understanding of whether the entity has a process for:~~ The auditor shall make inquiries about whether the entity has established a risk assessment process. If such a process exists, the auditor shall obtain an understanding of: (Ref: Para. A89–A91)

    (a) The nature of the process, including whether, and if so, how, the entity's process:

        (i) ~~Identifying~~ Identifies business risks relevant to financial reporting objectives;

        (ii) ~~Estimating~~ Assesses the significance of the risks, including ~~assessing~~ the likelihood of their occurrence; and

        (iii) ~~Deciding about actions to a~~Addresses those risks.

    (b) The results thereof.

16. ~~If the entity has established such a process (referred to hereafter as the "entity's risk assessment process"), the auditor shall obtain an understanding of it, and the results thereof~~ If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall evaluate whether ~~there was an underlying~~ any such risks are ~~is~~ of a kind that the auditor expects would have been identified by the entity's risk assessment process. If there is such a risk, the auditor shall obtain an understanding of why the entity's risk assessment process failed to identify it, and ~~evaluate whether the process is appropriate to its circumstances or determine if there is a significant deficiency in internal control with regard to the entity's risk assessment process~~ consider the implications for the auditor's evaluation required by paragraph 16A.

16A Based on the auditor's understanding of whether, and if so the extent to which, the entity has a risk assessment process in accordance with paragraph 15, the auditor shall:

    (a) Evaluate whether the entity's risk assessment process, or the absence thereof, is appropriate to the entity's circumstances considering the nature and size of the entity; and (Ref: Para. A92)

    (b) If not, determine whether the lack of an appropriate risk assessment process represents a significant deficiency in internal control. (Ref: Para. A93)

~~17. If the entity has not established such a process or has an ad hoc process, the auditor shall discuss with management whether business risks relevant to financial reporting objectives have been identified and how they have been addressed. The auditor shall evaluate whether the absence of a documented risk assessment process is appropriate in the circumstances, or determine whether it represents a significant deficiency in internal control. (Ref: Para. A89)~~

~~Monitoring of~~ The entity's process to monitor the system of internal controls~~s~~ (Ref: Para. A95–A96))

17A. *(Previously paragraph 22)*~~The auditor shall obtain an understanding of the major activities that the entity uses to monitor internal control relevant to financial reporting, including those related to those control activities relevant to the audit, and how the entity initiates remedial actions to deficiencies in its controls~~. ~~(Ref: Para. A110–A112)~~ The auditor shall obtain an understanding of the entity's process

[3] ISA 330, *The Auditor's Reponses to Assessed Risks*

to monitor the system of internal control relevant to financial reporting. In obtaining that understanding, the auditor shall understand how the entity's process: (Ref: Para. A97–A101)

(a) Monitors the operating effectiveness of controls; and

(b) Addresses the identification and remediation of deficiencies in internal control.

17B. *(Previously paragraph 23)* If the entity has an internal audit function,[4] the auditor shall obtain an understanding of the nature of the internal audit function's responsibilities, its organizational status, and the activities performed, or to be performed. (Ref: Para. A102–A109)

17C. *(Previously paragraph 24)* The auditor shall obtain an understanding of the sources of the information used in the entity's process to monitor the system of internal control ~~monitoring activities~~, and the basis upon which management considers the information to be sufficiently reliable for the purpose. (Ref: Para. A110)

The information system~~, including the related business processes, relevant to financial reporting,~~ and communication

18. The auditor shall obtain an understanding of the information system relevant to financial reporting, including the related business processes,~~, relevant to financial reporting, including the following areas (Ref: Para. A90–A 92 and A95–A96)~~ through understanding: (Ref: Para. A111–A115)

    (a) ~~The classes of transactions in the entity's operations that are significant to the financial statements;~~ How information relating to significant classes of transactions, account balances and disclosures flows through the entity's information system, whether manually or using information technology. This understanding shall include how: (Ref: Para. A116–A117)

        (i) ~~(b) The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements;~~ Transactions are initiated, and how information about them is recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements; and

        (ii) Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements.

    (b) ~~(c)~~ The related accounting records, ~~supporting information and~~ specific accounts in the financial statements and other information that are used to initiate, record, process and report significant classes of transactions~~; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be either manual or electronic form~~, account balances and disclosures. This understanding shall include how:

        (i) Incorrect information is corrected;

        (ii) Information is transferred to the general ledger, where applicable; and

        (iii) Other information used to develop significant disclosures is obtained from within or outside of the general and subsidiary ledgers.

[4] ISA 610 (Revised 2013), *Using the Work of Internal Auditors*, paragraph 14(a), defines the term "internal audit function" for purposes of the ISA.

~~(d) How the information system captures events and conditions, other than transactions, that are significant to the financial statements.~~

(c) ~~(e)~~ The financial reporting process used to prepare the entity's financial statements from the ~~entity's accounting records, supporting information and specific accounts in the general and subsidiary ledgers~~ information described in paragraph 18(b), including as it relates to ~~significant accounting estimates and~~ disclosures and accounting estimates that are included in significant classes of transactions, account balances and disclosures; ~~and~~

(d) The entity's IT infrastructure, including IT applications, relevant to (a) through (c) above. (Ref: Para. A118–A123)

~~(f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments. (Ref: Para. A93–A94)~~ [*MOVED TO Paragraph 20*]

~~This understanding of the information system relevant to financial reporting shall include relevant aspects of that system relating to information disclosed in the financial statements that is obtained from within or outside of the general and subsidiary ledgers.~~

19. The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters ~~relating~~ relevant to financial reporting, including: (Ref: Para. A125–A125a)

(a) Communications between management and those charged with governance; and

(b) External communications, such as those with regulatory authorities.

Control activities ~~relevant to the audit~~

19A. The auditor shall obtain an understanding of how the entity addresses: (Ref: Para. A126)

(a) Authorizations and approvals;

(b) Physical controls, including those addressing security of assets; and physical counts or reconciliations of assets with accounting records;

(c) Segregation of duties; and

(d) General IT controls.

20. The auditor shall ~~obtain an understanding of control activities relevant to the audit, being those the auditor judges it necessary to understand in order to assess the risks of material misstatement at the assertion level and design further audit procedures responsive to assessed risks. An audit does not require an understanding of all control activities related to each significant class of transactions, account balance, and disclosure in the financial statements or to every assertion relevant to them. (Ref: Para. A99–A106)~~ identify controls relevant to the audit, being those: (Ref: Para. A127–A129)

(a) That are relevant to risks for which substantive procedures alone do not provide sufficient appropriate audit evidence;

(b) That are relevant to a significant risk;

(c) Over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments;

(d) That, in the auditor's professional judgment, are otherwise appropriate to evaluate their design and determine whether they have been implemented to enable the auditor to:

(i) Identify and assess the risks of material misstatement at the assertion level; or

(ii) Design further audit procedures responsive to assessed risks; or

(e) That the auditor plans to test the operating effectiveness of.

(*Previously in paragraph 12*) ~~Although most controls relevant to the audit are likely to relate to financial reporting, n~~Not all controls that ~~relate~~ are relevant to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with other~~s~~ controls, is relevant to the audit.

21. ~~In understanding the entity's control activities, the auditor shall obtain an understanding of how the entity has responded to risks arising from IT. (Ref: Para. A107–A109).~~ Based on the auditor's understanding of the risks related to IT, the auditor shall identify general IT controls relevant to the audit. In doing so, the auditor shall take into account whether and, if so, the extent to which the general IT controls are related to the following types of automated controls:

(a) That management is relying on and that the auditor has determined to be relevant to the audit;

(b) That management is relying on that ensure the integrity of information stored and processed in the information system that relates to significant classes of transactions, account balances or disclosures;

(c) Related to system-generated reports on which the auditor intends to rely on without directly testing the inputs and outputs of such reports; or

(d) Related to risks for which substantive procedures alone are not sufficient to obtain sufficient appropriate audit evidence.

21A. (*Previously paragraph 13*). ~~When obtaining an understanding of controls that are relevant to the audit~~ For each control identified as relevant to the audit in accordance with paragraphs 20 and 21, the auditor shall: (Ref: Para. A130–A134)

(a) Relate each identified control relevant to the audit to what could go wrong at the assertion level; and

(b) E~~e~~valuate the design of ~~those~~ the control~~s~~, and determine whether ~~they have~~ the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.

[*Previous paragraphs 22, 23 and 24 are MOVED TO paragraphs 17A, 17B and 17C*]

Identifying and Assessing the Risks of Material Misstatement

25. Based on the auditor's understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control, t~~T~~he auditor shall identify the risks of material misstatement, and shall assess the risks of material misstatement at: (Ref: Para. A135–A137)

(a) The financial statement level, by evaluating whether the identified risks relate more pervasively to the financial statements as a whole and potentially affect many assertions; and (Ref: Para. A138–A138d) [*Previously paragraph 26(b)]*

(b) The assertion level for significant classes of transactions, account balances, and disclosures, by separately assessing inherent risk and control risk (Ref: Para. A139–A145)

to provide a sufficient and appropriate basis for designing and performing further audit procedures.

Inherent Risk

26. ~~For this purpose, the auditor shall:~~ In order to identify and assess the risks of material misstatement at the assertion level and assess inherent risk as required by paragraph 25(b), the auditor shall: (Ref. Para A145a)

(a) ~~Identify risks throughout the process of obtaining an understanding of the entity and its environment, including relevant controls that relate to the risks, and by considering the classes of transactions, account balances, and disclosures (including the quantitative or qualitative aspects of such disclosures) in the financial statements; (Ref: Para. A132 – A136)~~ Identify significant classes of transactions, account balances and disclosures, and their relevant assertions. (Ref: Para. A146–A153)

(b) ~~Assess the identified risks, and evaluate whether they relate more pervasively to the financial statements as a whole and potentially affect many assertions;~~ [*MOVED to paragraph 25 (a)]*

(c) Relate the identified risks to what could go wrong at the assertion level. ~~taking account of relevant controls that the auditor intends to test, and (Ref: Para. A137–A139)~~ [*MOVED to paragraph 21A*]

(d) Consider the nature of, and reasons for, the likelihood and magnitude of potential misstatements, including the possibility of multiple misstatements, and whether the potential misstatement(s) could result in a material misstatement. (Ref: Para. A154–A155)

~~*Risks that Require Special Audit Consideration*~~

27. ~~As part of the risk assessment as described in paragraph 25, T~~the auditor shall determine, taking into account the assessment of inherent risk at the assertion level, whether any of the risks identified are, in the auditor's judgment, a significant risk. ~~In exercising this judgment, the auditor shall exclude the effects of identified controls related to the risk~~ (Ref: Para. A156–A161)

27A. In addressing the requirements in paragraphs 26 and 27, the auditor shall take into account how the susceptibility to misstatement is subject to, or affected by, the qualitative inherent risk factors.

28. ~~In exercising judgment as to which risks are significant risks, the auditor shall consider at least the following~~:

~~(a) Whether the risk is a risk of fraud;~~

~~(b) Whether the risk is related to recent significant economic, accounting or other developments and, therefore, requires specific attention;~~

~~(c) The complexity of transactions;~~

~~(d) Whether the risk involves significant transactions with related parties;~~

~~(e) The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and~~

~~(f) Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual. (Ref: Para. A141–A145)~~

29. [*MOVED to paragraph 20*] ~~If the auditor has determined that a significant risk exists, the auditor shall obtain an understanding identify the entity's controls, including control activities, relevant to that risk, evaluate the design of those controls and determine that they have been implemented.~~

Control Risk

29A. In order to identify and assess the risks of material misstatement at the assertion level, and in assessing control risk at the assertion level as required by paragraph 25(b) above, the auditor shall considering the extent to which the controls that the auditor intends to test the operating effectiveness of address the auditor's assessment of inherent risk. (Ref: Para. A162–A165)

Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence

30. The auditor shall consider whether there are any risks of material misstatement for which ~~In respect of some risks, the auditor may judge that~~ it is not possible or practicable to obtain sufficient appropriate audit evidence only from substantive procedures. ~~Such risks may relate to the inaccurate or incomplete recording of routine and significant classes of transactions or account balances, the characteristics of which often permit highly automated processing with little or no manual intervention. In such cases, the entity's controls over such risks are relevant to the audit and the auditor shall obtain an understanding of them.~~ (Ref: Para. A166–A168)

Revision of Risk Assessment

31. ~~The auditor's assessment of the risks of material misstatement at the assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where~~ When the auditor obtains audit evidence from performing further audit procedures, or if new information is obtained, either of which is inconsistent with the audit evidence on which the auditor originally based the assessment, the auditor shall revise the assessment and modify the further planned audit procedures accordingly. (Ref: Para. A169)

Documentation

32 The auditor shall include in the audit documentation:[5]

(a) The discussion among the engagement team, where required ~~by~~ in accordance with paragraph 10, and the significant decisions reached;

(b) Key ~~elements~~ aspects of the auditor's understanding obtained regarding ~~each of the aspects of~~ the entity and its environment specified in paragraph 11 and of each of the internal control components specified in paragraphs ~~14 – 24~~14, 15, 17A through 19A; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed;

(c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph ~~25~~24, and the significant judgments in making the assessments; and

[5] ISA 230, *Audit Documentation*, paragraphs 8–11, and A6

(d) The risks identified, and related controls ~~about which the auditor has obtained an understanding~~, as a result of the requirements in paragraphs ~~27–30~~ 24A–24B. (Ref: Para. A170–A173).