Agenda Item 2-G

Table of ISA 315 (Revised)[1] Requirements: Extant/ED-315-/Current

*The below table compares Extant requirements (column 1) the corresponding ED-315 (column 2) and Final proposed ISA 315 (Revised) requirements (column 3) (corresponding to **Agenda Item 2-A**). Where additional requirement paragraphs have been added in column 2 or 3, the corresponding column 1 or 2, respectively, will be empty. Given the purpose of the table as explained in Agenda Item 2 and 2-H, the requirements are not necessarily in numerical order.*

Extant Requirements ISA 315 (Revised) **Column 1**	**ED–315 Requirements** **Column 2**	**Proposed Final ISA 315 (Revised) Requirements** **Column 3**
Risk Assessment Procedures and Related Activities 5. The auditor shall perform risk assessment procedures to provide a 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.	**Risk Assessment Procedures and Related Activities** 17. The auditor shall design and perform risk assessment procedures to obtain an understanding of: (a) The entity and its environment in accordance with paragraph 23(a); (b) The applicable financial reporting framework in accordance with paragraph 23(b); and (c) The entity's system of internal control in accordance with paragraphs 25–44 to obtain sufficient appropriate audit evidence as the 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	**Risk Assessment Procedures and Related Activities** 17. The auditor shall design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for: (a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and (b) The design of further audit procedures in accordance with ISA 330. The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may corroborate assertions made by management or towards excluding audit evidence that may be contradictory to such assertions.

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

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	appropriate audit evidence on which to base the audit opinion. (Ref: Para. A12–A16)	
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)	18. The risk assessment procedures shall include the following: (Ref: Para A17–A20) (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. A21–A29) (b) Analytical procedures. (Ref: Para. A30–A34) (c) Observation and inspection. (Ref: Para A35–A36)	18. The risk assessment procedures shall include the following: (a) Inquiries of management and of other appropriate individuals within the entity, including individuals within the internal audit function (if the function exists). (b) Analytical procedures. (c) Observation and inspection.
7. The auditor shall 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	19. The auditor, in identifying and assessing the risks of material misstatement, shall take into account information obtained from the auditor's acceptance or continuance of the client relationship or the audit engagement. (Ref: Para. A37) 20. If the engagement partner has performed other engagements for the entity, the engagement partner shall consider whether information obtained is relevant to identifying and assessing risks of material misstatement. (Ref: Para. A38)	19. In obtaining audit evidence in accordance with paragraph 17, the auditor shall consider information from: (a) The auditor's acceptance or continuance of the client relationship or the audit engagement; and (b) When applicable, other engagements performed by the engagement partner for the entity.

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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)	21. 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 evaluate whether such information remains relevant and reliable as audit evidence for the current audit. (Ref: Para. A39–A40)	21. 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 evaluate whether such information remains relevant and reliable as audit evidence for the current audit.
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)	22. The engagement partner and other key engagement team members shall discuss the application of the applicable financial reporting framework in the context of the nature and circumstances of the entity and its environment, and the susceptibility of the entity's financial statements to material misstatement. The engagement partner shall determine which matters are to be communicated to engagement team members not involved in the discussion. (Ref: Para. A41–A46)	*Engagement Team Discussion* 22. The engagement partner and other key engagement team members shall discuss the application of the applicable financial reporting framework and the susceptibility of the entity's financial statements to material misstatement. 22A. When there are engagement team members not involved in the engagement team discussion, the engagement partner shall determine which matters are to be communicated to those members.
The Required Understanding of the Entity and Its Environment, Including the Entity's Internal Control	23. The auditor shall perform risk assessment procedures to obtain an understanding of the entity and its environment and the applicable financial reporting framework. In doing so, the auditor shall obtain an	23. [in a table format] The auditor shall perform risk assessment procedures to obtain an understanding of:

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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) (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) (c) The entity's selection and application of accounting policies, including the reasons for changes	understanding of the following matters to provide an appropriate basis for understanding the classes of transactions, account balances and disclosures to be expected in the entity's financial statements: (a) 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 IT; (Ref: Para A49–A63) (ii) Relevant industry, regulatory and other external factors; and (Ref: Para. A64–A69) (iii) The relevant measures used, internally and externally, to assess the entity's financial performance. (Ref: Para. A70–A78) (b) The applicable financial reporting framework, including: (Ref: Para.A79–A82) (i) How it applies in the context of the nature and circumstances of the entity and its environment, including how events or conditions are subject to, or affected by, the inherent risk factors; and (Ref: Para.A83–A88) (ii) The entity's accounting policies and any changes thereto, including the reasons for any such changes. 24. The auditor shall evaluate whether the entity's accounting policies, and any changes thereto, are appropriate in the context of the nature and circumstances of the entity and its environment, and consistent with the applicable financial reporting framework.	(a) The following aspects of the entity and its environment: (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 IT; (ii) Industry, regulatory and other external factors; and (iii) The measures used, internally and externally, to assess the entity's financial performance; (b) The applicable financial reporting framework, and the entity's accounting policies and the reasons for any changes thereto; and (c) Based on (a) and (b), the inherent risk factors that affect susceptibility to misstatement of assertions, and how they do so, in the preparation of the financial statements in accordance with the applicable financial reporting framework. 24. The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework.

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thereto. 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) (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)		
The Entity's Internal Control 12. The auditor shall obtain an understanding of internal control relevant to the audit. 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	Obtaining an Understanding of the Entity's System of Internal Control 25. The auditor shall perform risk assessment procedures to obtain an understanding of the entity's system of internal control relevant to financial reporting, including the entity's use of IT, by understanding each of the components of internal control. For this purpose, the auditor shall address the requirements set out in paragraphs 27 to 38 of this ISA.	Understanding of the Entity's System of Internal Control 25. [*Deleted*]

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combination with others, is relevant to the audit. (Ref: Para. A50–A73) ***[First sentence of extant, maps to para 25; remainder of extant para 12 maps to ED 315, para 39,*** *see below**]***		
Nature and Extent of the Understanding of Relevant Controls 13. 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)	26. The auditor shall identify controls relevant to the audit, and shall evaluate the design of such controls and determine whether the controls have been implemented in accordance with the requirements set out in paragraphs 39 to 42.	26. [deleted]
	[Extant para. 13 maps to ED–315 para 42, extracted below]: *42. For each control identified as relevant to the audit … the auditor shall: …(a) Evaluate whether the control is designed effectively…; and (b) Determine whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.*	See mapping in para 42 in ED column (column 2 and 3) below
Components of Internal Control Control environment 14. The auditor shall obtain an understanding of the control environment. As part of obtaining this understanding, the auditor shall evaluate whether: (a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; and	Components of the Entity's System of Internal Control Control Environment 27. The auditor shall obtain an understanding of the control environment relevant to financial reporting, including understanding how the entity: (a) Demonstrates a commitment to integrity and ethical values; (b) When those charged with governance are separate from management, demonstrates that those charged with governance are independent of management and exercise oversight of the entity's system of internal control;	Components of the Entity's System of Internal Control Control Environment 27. [moved into 28] 28. *[in a table format]* The auditor shall obtain an understanding of the control environment relevant to the preparation of the financial statements by performing risk assessment procedures to: (a) Understand the set of controls, processes and structures that address: (i) How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values;

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	(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 responsibilities in the pursuit of the objectives of the system of internal control.	(ii) When those charged with governance are separate from management, the independence of, and oversight over the entity's system of internal control by, those charged with governance; (iii) The entity's assignment of authority and responsibility; (iv) How the entity attracts, develops, and retains competent individuals; and (v) How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the system of internal control; and
(b) The strengths in the control environment elements collectively provide an appropriate foundation for the other components of internal control, and whether those other components are not undermined by deficiencies in the control environment.	28. Based on the auditor's understanding of the control environment in accordance with paragraph 27, the auditor shall evaluate whether: (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 entity's control environment addressed in paragraphs 27(a) to (e) collectively provide an appropriate foundation for the other components of the system of internal control, or whether those other components are undermined by control deficiencies in the control environment component.	(b) Evaluate whether: (i) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; (ii) The control environment provides an appropriate foundation for the other components of the system of internal control considering the nature and size of the entity; and (iii) Control deficiencies identified in the control environment undermine the other components of the system of internal control.

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The Entity's Risk Assessment Process 15. The auditor shall obtain an understanding of whether the entity has a process for: (a) Identifying business risks relevant to financial reporting objectives; (b) Estimating the significance of the risks; (c) Assessing the likelihood of their occurrence; and (d) Deciding about actions to address those risks. 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 risk 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 that process failed to identify it, and evaluate whether the process is	The Entity's Risk Assessment Process 29. The auditor shall obtain an understanding of the entity's risk assessment process, including the extent to which it is formalized, by understanding: (a) Whether, and if so, how, the entity's process: (i) Identifies business risks relevant to financial reporting objectives; (ii) Assesses the significance of those risks, including the likelihood of their occurrence; and (iii) Addresses those risks. (b) The results of the entity's process. 30. If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall evaluate whether any such risks are of a kind that the auditor expects would have been identified by the entity's risk assessment process. If so, the auditor shall obtain an understanding of why the entity's risk assessment process failed to identify such risks of material misstatement, and consider the implications for the auditor's evaluation required by paragraph 31.	The Entity's Risk Assessment Process 29. [deleted] incorporated into 30 [in a table format] 30. The auditor shall obtain an understanding of the entity's risk assessment process relevant to the preparation of the financial statements by performing risk assessment procedures to: (a) Understand the entity's process for: (i) Identifying business risks relevant to financial reporting objectives; (ii) Assessing the significance of those risks, including the likelihood of their occurrence; and (iii) Addressing those risks; and (b) Evaluate whether the entity's risk assessment process is appropriate to the entity's circumstances considering the nature and size of the entity. 31. If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall: (a) Determine whether any such risks are of a kind that the auditor expects would have been identified by the entity's risk assessment process and, if so, obtain an understanding of why the entity's risk assessment process failed to identify such risks of material misstatement; and (b) Consider the implications for the auditor's evaluation in paragraph 30(b).

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appropriate to its circumstances or determine if there is a significant deficiency in internal control with regard to the entity's risk assessment process. 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.	31. Based on the auditor's understanding of the entity's risk assessment process in accordance with paragraph 29, and if applicable, paragraph 30, the auditor shall: (a) Evaluate whether the nature of the entity's risk assessment process, including its formality, is appropriate to the entity's circumstances considering the nature and size of the entity; and (b) If not, determine whether the lack of an appropriate risk assessment process represents one or more control deficiencies.	[ED paragraph 31(a) is incorporated into paragraph 30, above] [ED paragraph 31(b) is addressed in paragraph 43, below]
18. to 21. [Extant paragraphs 18 to 21 are moved further below in this table to accommodate review of the changes between extant, ED and final]		

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(*Note the order of extant paragraphs 22 to 24 are out of order this column to accommodate review of the changes between extant, ED and final*) Monitoring of controls 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. 24. The auditor shall obtain an understanding of the sources of the information used in the entity's monitoring activities, and the basis upon which management considers the information to be sufficiently reliable for the purpose.	The Entity's Process to Monitor the System of Internal Control 32. The auditor shall obtain an understanding of the entity's process to monitor the system of internal control, including the extent to which it is formalized, by understanding how the entity's process: (a) Monitors the effectiveness of controls; and (b) Addresses the identification and remediation of control deficiencies, including those related to the entity's risk assessment process. 33. 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, and the basis upon which management considers the information to be sufficiently reliable for the purpose.	The Entity's Process to Monitor the System of Internal Control [in a table format] 31A. The auditor shall obtain an understanding of the entity's process for monitoring the system of internal control relevant to the preparation of the financial statements by performing risk assessment procedures to (a) Understand those aspects of the entity's process that address: (i) Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified; and (ii) The entity's internal audit function, if any, including its nature, responsibilities and activities; (b) Understand the sources of the information used in the entity's process to monitor the system of internal control, and the basis upon which management considers the information to be sufficiently reliable for the purpose; and (c) Evaluate whether the entity's process for monitoring the system of internal control is appropriate to the entity's circumstances considering the nature and size of the entity. 32. [deleted] 33. [moved into paragraph 31A above]

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23. If the entity has an internal audit function, 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.	34. If the entity has an internal audit function, 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.	34. [deleted]
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, including the related business processes, relevant to financial reporting, including the following areas: (a) The classes of transactions in the entity's operations that are significant to the financial statements; (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;	The Information System and Communication 35. The auditor shall obtain an understanding of the information system relevant to financial reporting, including the related business processes, through understanding: (a) How information relating to significant classes of transactions, account balances and disclosures flows through the entity's information system, whether manually or using IT, and whether obtained from within or outside of the general ledger and subsidiary ledgers. This understanding shall include how: (i) Transactions are initiated, and how information about them is recorded, processed, corrected as necessary, and incorporated in the general ledger and reported in the financial statements; and	The Information System and Communication 35. [moved into 36 below] [in a table format] 36. The auditor shall obtain an understanding of the entity's information system and communication relevant to the preparation of the financial statements by performing risk assessment procedures to: (a) Understand the entity's information processing activities, including its data and information, the resources to be used in such activities and the policies that define, for significant classes of transactions, account balances and disclosures: (i) How information flows through the entity's information system, including how: a. Transactions are initiated, and how information about them is recorded, processed, corrected as necessary,

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(c) The related accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions; this includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form; (d) How the information system captures events and conditions, other than transactions, that are significant to the financial statements; (e) The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures; and (f) Journal entries ***[mapped to para. 39 of ED–315, see below]*** 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	(ii) Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements. (b) The accounting records, specific accounts in the financial statements and other supporting records relating to the flows of information in paragraph 35(a); (c) The financial reporting process used to prepare the entity's financial statements from the records described in paragraph 35(b), including as it relates to disclosures and to accounting estimates relating to significant classes of transactions, account balances and disclosures; (d) The entity's IT environment relevant to (a) through (c) above. 36. The auditor shall evaluate the design of the information system controls relevant to financial reporting, by understanding how the	incorporated in the general ledger and reported in the financial statements; and b. Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements; (ii) The accounting records, specific accounts in the financial statements and other supporting records relating to the flows of information in the information system; (iii) The financial reporting process used to prepare the entity's financial statements, including disclosures; and (iv) The entity's resources, including the IT environment, relevant to (a)(i) to (a)(iii) above; (b) Understand how the entity communicates significant matters that support the preparation of the financial statements and related reporting responsibilities in the information system and other components of the system of internal control: (i) Between people within the entity, including how financial reporting roles and responsibilities are communicated; (ii) Between management and those charged with governance; and (iii) With external parties, such as those with regulatory authorities; and (c) Evaluate whether the entity's information system and communication appropriately support the preparation of the entity's financial statements in accordance with the applicable financial reporting framework.

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obtained from within or outside of the general and subsidiary ledgers.	matters in paragraph 35(a)–(d) are addressed by the entity, and implemented.	
19. The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relating to financial reporting, including: (a) Communications between management and those charged with governance; and (b) External communications, such as those with regulatory authorities.	37. The auditor shall obtain an understanding of how the entity communicates financial reporting roles and responsibilities and significant matters relevant to financial reporting, including: (a) Communications between management and those charged with governance; and (b) External communications, such as those with regulatory authorities.	37. [deleted] *incorporated to paragraph 36(b) above*
Control activities relevant to the audit 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 the control activities related to each significant class of transactions, account balance, and	Control Activities 38. The auditor shall obtain an understanding of the control activities component by identifying the controls relevant to the audit in the control activities component in accordance with the requirements of paragraphs 39 through 41, and by evaluating their design and determining whether they have been implemented in accordance with paragraph 42. Controls relevant to the audit 39. The auditor shall identify controls relevant to the audit, being those: (a) That address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence; (b) That address risks that are identified as a significant risk;	Control Activities 38. [Deleted] incorporated into 39 below 39. The auditor shall obtain an understanding of the control activities component by performing risk assessment procedures to: (a) Identify controls that address risks of material misstatement at the assertion level in the control activities component, as follows: (i) Controls that address risks that are determined to be a significant risk; (ii) Controls that address assessed risks for which the effect of the inherent risk factors on the assessment of inherent risk

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disclosure in the financial statements or to every assertion relevant to them. ***[Extant para. 29 maps to ED 315, para 39(b)]*** *29. If the auditor has determined that a significant risk exists, the auditor shall obtain an understanding of the entity's controls, including control activities, relevant to that risk.* ***[Extract of Extant para18(f) maps to ED 315 para 39(c)]*** *18. The auditor shall obtain an understanding of the information system…, including…:* *(f) Controls surrounding journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments. (Ref: Para. A93–A94)* ***[Extract of extant para. 12 maps to ED 315, para 39]:*** *… 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*	(c) Over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments; (d) Controls for which the auditor plans to test the operating effectiveness in determining the nature, timing and extent of substantive testing; or (e) That, in the auditor's professional judgment, are 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. Not all controls that are relevant to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment as to whether a control, individually or in combination with other controls, is identified as being relevant to the audit.	indicates that there is a reasonable possibility that the assessed risks could be significant risks but that the auditor determines are not significant risks, based on the auditor's professional judgment; (iii) Controls over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments; and (iv) Controls for which the auditor plans to test operating effectiveness in determining the nature, timing and extent of substantive testing, which shall include controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence; (b) Based on controls identified in (a), identify the IT applications and the other aspects of the entity's IT environment that are subject to risks arising from the use of IT; (*previously part para. 40*) (c) For such IT applications and other aspects of the IT environment identified in (b), identify: (i) The applicable risks arising from the use of IT; and (ii) The entity's general IT controls that address such risks; (*previously part para. 40*) and (d) For each control identified in (a) or (c)(ii): (i) Evaluate whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls; and

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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.		(ii) Determine whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel. (*previously para. 41*)
	40. Based on the understanding obtained in accordance with paragraph 35(d), and the identification of the controls relevant to the audit in accordance with paragraph 39, the auditor shall identify the IT applications and the other aspects of the entity's IT environment that are relevant to the audit. In doing so, the auditor shall take into account whether the IT applications include or address: (a) Automated controls that management is relying on and that the auditor has determined to be relevant to the audit; (b) Maintenance of the integrity of information stored and processed in the information system that relates to significant classes of transactions, account balances or disclosures; (c) System-generated reports on which the auditor intends to rely on without directly testing the inputs and outputs of such reports; or (d) Controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence.	40. [*Moved into paragraph 39(b)*]
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.	41. For the IT applications and other aspects of the IT environment that are relevant to the audit, the auditor shall identify: (a) The risks arising from the use of IT; and (b) The general IT controls relevant to the audit.	41. [*Moved into paragraph 39(c) above*]

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[Extant para. 13 maps to ED–315 para 42, see above para 13]	42. For each control identified as relevant to the audit in accordance with paragraphs 39 and 41, the auditor shall: (a) Evaluate whether the control is designed effectively to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls; and (b) Determine whether the control has been implemented by performing procedures in addition to inquiry of the entity's personnel.	42. [*Moved into paragraph 39(d) above*]
	Control Deficiencies Within the System of Internal Control 43. The auditor shall, in accordance with ISA 265, determine on the basis of the work performed in accordance with this ISA: (a) Whether one or more control deficiencies within the system of internal control have been identified; and (b) If so, whether the control deficiencies, individually or in combination, constitute significant control deficiencies. 44. The auditor shall consider the implications for the audit of one or more control deficiencies in the system of internal control, including for: (a) The assessment of control risk for risks of material misstatement at the assertion level in accordance with paragraph 50; and (b) Designing and implementing overall responses to address the assessed risks of material misstatement as required by ISA 330.	*Control Deficiencies Within the Entity's System of Internal Control* 43. Based on the auditor's evaluation of each of the components of the entity's system of internal control, the auditor shall determine whether one or more control deficiencies have been identified. 44. *[Deleted]*

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Identifying and Assessing the Risks of Material Misstatement 25. The auditor shall identify and assess the risks of material misstatement at: (a) the financial statement level; and (Ref: Para. A122–A125) (b) the assertion level for classes of transactions, account balances, and disclosures, (Ref: Para. A126–A131) to provide a basis for designing and performing further audit procedures. 26. For this purpose, the auditor shall: (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) (b) Assess the identified risks, and evaluate whether they relate more pervasively to	**Identifying and Assessing the Risks of Material Misstatement** 45. The auditor shall identify the risks of material misstatement and determine whether they exist at: (Ref: Para. A201–A210) (a) The financial statement level, by evaluating whether the identified risks relate more pervasively to the financial statements as a whole, including potentially affecting many assertions; or (Ref: Para. A207) (b) The assertion level for classes of transactions, account balances, and disclosures, taking into account the inherent risk factors. (Ref. Para. A208) 46. The auditor shall determine significant classes of transactions, account balances and disclosures, and their relevant assertions, based on the identified risks of material misstatement. (Ref. Para. A211 – A214)	**Identifying and Assessing the Risks of Material Misstatement** *Identifying Risks of Material Misstatement* 45. The auditor shall identify the risks of material misstatement and determine whether they exist at: (a) The financial statement level; or (b) The assertion level for classes of transactions, account balances, and disclosures. 46. The auditor shall determine the relevant assertions and the related significant classes of transactions, account balances and disclosures.

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the financial statements as a whole and potentially affect many assertions; (c) Relate the identified risks to what can go wrong at the assertion level, taking account of relevant controls that the auditor intends to test; and (Ref: Para. A137–A139) (d) Consider the likelihood of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement could result in a material misstatement. (Ref: Para. A140)		
	Assessing Risks of Material Misstatement at the Financial Statement Level 47. The auditor shall assess the identified risks of material misstatement at the financial statement level by: (Ref: Para. A215–A220) (a) Determining how, and the degree to which, such risks affect the assessment of risks of material misstatement at the assertion level (Ref: Para. A227), and (b) Evaluating the nature and extent of their pervasive effect on the financial statements to provide the basis for designing and implementing overall responses to the identified risk of material misstatement at the financial statement level in accordance with ISA 330. (Ref: Para A216)	*Assessing Risks of Material Misstatement at the Financial Statement Level* 47. The auditor shall assess the identified risks of material misstatement at the financial statement level. For each risk identified at the financial statement level, the auditor shall: (a) Determine whether such risks affect the assessment of risks at the assertion level; and (b) Evaluate the nature and extent of their pervasive effect on the financial statements.

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Risks that Require Special Audit Consideration 27. As part of the risk assessment as described in paragraph 25, the auditor shall determine 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. 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	*Assessing Risks of Material Misstatement at the Assertion Level* Assessing Inherent Risk 48. For identified risks of material misstatement at the assertion level, the auditor shall assess inherent risk by assessing the likelihood and magnitude of material misstatement. In doing so, the auditor shall take into account how, and the degree to which: (a) Identified events and conditions relating to significant classes of transactions, account balances and disclosures are subject to, or affected by, the inherent risk factors. (Ref: Para. A221–A228) (b) The risks of material misstatement at the financial statement level affect the assessment of inherent risk for risks of material misstatement at the assertion level. (Ref. Para. A216 and A227) 49. The auditor shall determine, based on the auditor's assessment of inherent risk, whether any of the assessed risks of material misstatement are significant risks. (Ref: Para. A229–A231)	*Assessing Risks of Material Misstatement at the Assertion Level* Assessing Inherent Risk 48. For identified risks of material misstatement at the assertion level, the auditor shall assess inherent risk by assessing the likelihood and magnitude of misstatement. In doing so, the auditor shall take into account how, and the degree to which: (a) Inherent risk factors affect the susceptibility to misstatement of relevant assertions. (b) The risks of material misstatement at the financial statement level affect the assessment of inherent risk for risks of material misstatement at the assertion level. 49. The auditor shall determine whether any of the assessed risks of material misstatement are significant risks.

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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. If the auditor has determined that a significant risk exists, the auditor shall obtain an understanding of the entity's controls, including control activities, relevant to that risk. (Ref: Para. A146–A148)	***[Extant paragraph 29 maps to ED paragraph 39(b), see above for ED para 39]***	
	Assessing Control Risk 50. For identified risks of material misstatement at the assertion level, the auditor shall assess control risk as follows: (Ref: Para. A232–A235) (a) When the auditor plans to test the operating effectiveness of controls in designing further audit procedures to be performed to respond to a risk of material misstatement at the assertion level, the auditor shall assess control risk at less than maximum. In doing so, the auditor shall take into account whether the design, implementation and expected operating effectiveness of such controls support the auditor's intended reliance thereon.	Assessing Control Risk 51. If the auditor plans to test the operating effectiveness of controls, the auditor shall assess control risk. If the auditor does not plan to test the operating effectiveness of controls the auditor's assessment of control risk shall be such that the assessment of the risk of material misstatement is the same as the assessment of inherent risk.

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	(b) When the auditor does not plan to test the operating effectiveness of controls in designing further audit procedures to be performed to respond to a risk of material misstatement at the assertion level, the auditor shall assess control risk at the maximum.	
Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence 30. 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. A149–A151)	*Risks for Which Substantive Procedures Alone Cannot Provide Sufficient Appropriate Audit Evidence* 51. The auditor shall determine, for any of the risks of material misstatement at the assertion level, whether substantive procedures alone cannot provide sufficient appropriate audit evidence (Ref: Para. A236–A239).	50. The auditor shall determine whether substantive procedures alone cannot provide sufficient appropriate audit evidence for any of the risks of material misstatement at the assertion level.
		Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures 51A The auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures provides an appropriate basis for

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		the identification and assessment of the risks of material misstatement. If not, the auditor shall perform additional risk assessment procedures. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence obtained from the risk assessment procedures, whether corroborative or contradictory to assertions made by management.
	Classes of Transactions, Account Balances and Disclosures that are Not Significant, but which are Material 52. The auditor shall: (Ref: Para. A240–A242) (a) Identify the classes of transactions, account balances and disclosures that are quantitatively or qualitatively material, and that have not been identified as significant classes of transactions, account balances or disclosures in accordance with paragraph 46; and (b) Evaluate whether the auditor's conclusion that there are no relevant assertions (that is, no related risks of material misstatement) for these classes of transactions, account balances and disclosures remains appropriate.	*Classes of Transactions, Account Balances and Disclosures that are Not Significant, but Which Are Material* 52. For material classes of transactions, account balances or disclosures that have not been determined to be significant classes of transactions, account balances or disclosures, the auditor shall evaluate whether the auditor's determination remains appropriate.
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 the auditor obtains audit evidence from performing further audit procedures, or if	*Revision of Risk Assessment* 53. The auditor's assessments of the risks of material misstatement at the financial statement level and assertion level may change during the course of the audit as additional audit evidence is obtained. In circumstances where 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 identification and assessments	*Revision of Risk Assessment* 53. If the auditor obtains new information which is inconsistent with the audit evidence on which the auditor originally based the identification and assessments of the risks of material misstatement, the auditor shall revise the identification and assessment.

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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. A152)	of the risks of material misstatement, the auditor shall revise the assessment and modify the planned overall responses or further audit procedures accordingly. (Ref: Para. A243)	
Documentation 32. The auditor shall include in the audit documentation: (a) The discussion among the engagement team where required by paragraph 10, and the significant decisions reached; (b) Key elements of the 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; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;	**Documentation** 54. The auditor shall include in the audit documentation: (Ref: Para. A244–A247) (a) The discussion among the engagement team, where required in accordance with paragraph 22, and the significant decisions reached; (b) Key aspects of the auditor's understanding obtained regarding the entity and its environment specified in paragraph 23 and of each of the components of the system of internal control specified in paragraphs 27, 29, 32 through 38; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed; (c) The controls identified to be relevant to the audit in accordance with the requirements in paragraphs 39 and 41. (d) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 45 through 51, including significant risks, and the rationale for the significant judgments made in	**Documentation** 54. The auditor shall include in the audit documentation: (a) The discussion among the engagement team and the significant decisions reached; (b) Key elements of the auditor's understanding in accordance with paragraphs 23, 28, 30, 31A and 36; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed; (c) The evaluation of the design of identified controls, and determination whether such controls have been implemented, in accordance with the requirements in paragraph 39. (d) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level, including significant risks and risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence, and the rationale for the significant judgments made.

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(c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25; and (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. (Ref: Para. A153–A156)	identifying and assessing the risks of material misstatement. (Ref: Para A245)	