

2 November 2018

*Submitted electronically*

<http://www.ifac.org/publications-resources/exposure-draft-isa-315-revised-identifying-and-assessing-risks-material>

Mr Schilder  
Chairman  
International Auditing and Assurance Standards Board  
545 Fifth Avenue  
New York  
10017 USA

Dear Mr Schilder

**Comments on the IAASB's Proposed International Standard on Auditing 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* and conforming and consequential amendments**

The Independent Regulatory Board for Auditors (IRBA) is both the audit regulator and national audit and ethics standard setter in South Africa. Its statutory objectives include the protection of the public by regulating audits performed by registered auditors, and the promotion of investment and employment in the Republic.

We appreciate this opportunity to comment on the proposed International Standard on Auditing 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* and conforming and consequential amendments (ED-315), developed by the International Auditing and Assurance Standards Board (IAASB).

Our response has been prepared by a Committee for Auditing Standards' (CFAS) Task Group, which comprised technical staff representatives from auditing firms, the Auditor-General South Africa, a consulting firm and the South African Institute of Chartered Accountants.

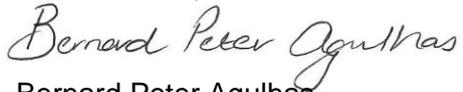
Our comments are presented under the following sections:

1. General comments;
2. Request for specific comments and responses; and
3. Editorial comments.

If further clarity is required on any of our comments, kindly e-mail us at [imtegha@irba.co.za](mailto:imtegha@irba.co.za).

Alternatively, phone us directly on +27 87 940 8860.

Yours faithfully

A handwritten signature in cursive script that reads "Bernard Peter Agulhas".

Bernard Peter Agulhas

**Chief Executive Officer**

## General comments

1. The IRBA welcomes and supports the IAASB's revision of International Standard on Auditing 315, *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* (ISA 315), to ensure robust requirements and improved guidance to:
  - a. Drive consistent and effective identification and assessment of risks of material misstatement;
  - b. Modernise ISA 315 to meet evolving business needs, including information technology, and how auditors use automated tools and techniques that include data analytics to perform procedures;
  - c. Improve the standard's applicability to entities across a wide spectrum of circumstances and complexities; and
  - d. Focus auditors on exercising professional scepticism throughout the risk identification and assessment process.
2. There are several matters discussed in the "request for specific comments and responses" section that the IRBA would like to bring to the IAASB's attention where ED-315 could be further strengthened. This strengthening is necessary to close the gap between the proposals and the need to address shortcomings in audit quality in the risk identification and assessment process.
3. The consistent application of the requirements and the consistency of work performed by auditors should be a consideration by the IAASB throughout the ISA, which will also assist regulators with inspections and the consistency of inspections outcomes
4. We support the iterative nature of ED-315 but maintain that it is important that auditors ensure that they obtain an understanding of the entity and its environment before commencing with identifying and assessing the risks of material misstatement. In other words the latter is informed by the former. We suggest that the need to understand the entity and its environment be highlighted in the introductory paragraphs to the standard and referenced to paragraph 23 of ED-315 (under "*Key Concepts in this ISA*").
5. In addition to our comments below, we believe that the overall risk assessment (as required in ISA 315) and fraud risk assessment (required in ISA 240<sup>1</sup>) in relation to fraud risk factors in the understanding of the entity and its environment and the applicable financial reporting framework are most effective when performed in an integrated manner. We, therefore, recommend that the IAASB carefully considers how the assessments required by ISA 315 and ISA 240 can be best performed in an integrated manner to avoid the overall risk assessment and the fraud risk assessment becoming separate assessments. Auditors must be encouraged to do more with regards to fraud risk identification in an audit through conducting the assessments in an integrated manner as recommended.

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<sup>1</sup> ISA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

## Request for specific comments and responses

### Overall questions

#### Question 1

Has ED-315 been appropriately restructured, clarified and modernized in order to promote a more consistent and robust process for the identification and assessment of the risks of material misstatement. In particular?

6. ED-315 has been appropriately restructured, clarified and modernized to promote a more consistent and robust process for the identification and assessment of the risks of material misstatement.

#### Question 1(a)

Do the proposed changes help with the understandability of the risk identification and assessment process? Are the flowcharts helpful in understanding the flow of the standard (i.e. how the requirements interact and how they are iterative in nature)?

7. ED-315's proposed changes help with the understandability of the risk identification and assessment process. The flowcharts are helpful in understanding the flow of the standard and the decision trees are useful. However, the IAASB should consider emphasising that the flowcharts do not encompass all the requirements in the standard but rather give a high-level overview of the standard. To that end, it should be highlighted that the flowcharts are not a substitute for reading the standard.

#### Question 1(b)

Will the revisions promote a more robust process for the identification and assessment of the risks of material misstatement and do they appropriately address the public interest issues outlined in paragraphs 6–28?

8. The revisions should promote a more robust process for the identification and assessment of the risks of material misstatement. However, there are areas in ED-315 that may require additional application material to ensure clarity of understanding as well as consistent application by auditors to ensure focused risk assessments. The areas, discussed in detail in our comments to the questions that follow, that may require additional application material are:
  - a. Scalability;
  - b. Professional scepticism;
  - c. Definition of significant risk;
  - d. Controls relevant to the audit;
  - e. Risks of material misstatement at the financial statement level; and
  - f. Consequential amendments to the application material to paragraph 18 of ISA 330.
9. We support the granular requirements that have been incorporated into ED-315. The revisions appropriately address the public interest issues outlined in paragraphs 6-28 of the explanatory memorandum to ED-315. Improvements in audit quality through enhancing the

risk identification and assessment process will ultimately address the public interest issues in ISA 315.

### **Question 1(c)**

Are the new introductory paragraphs helpful?

10. The new introductory paragraphs are helpful in providing an overview of the concepts, especially the new ones that are used in ED-315, and they also link the concepts back to ISA 200<sup>2</sup>.

### **Question 2**

Are the requirements and application material of ED-315 sufficiently scalable, including the ability to apply ED-315 to the audits of entities with a wide range of sizes, complexities and circumstances?

11. Paragraph 13 of ED-315 specifically mentions “*small and less complex entities*” and “*larger and less complex entities*”, but the application material on scalability is focused on “*smaller and less complex entities*” which may lead to auditors not applying themselves to other scenarios where scalability may be applicable. We acknowledge that scalability is dependent on professional judgment but urge the IAASB to consider adding application material that demonstrates all forms of scalability, and examples such as whether listed entities that are holding companies that do not have operations or dormant companies could be considered to be “*smaller and less complex entities*” or “*larger and less complex entities*”.
12. We recommend that the IAASB considers criteria regarding the minimum factors to be considered for entities to be categorised as “*smaller and less complex entities*” or “*larger and less complex entities*”, as that will be helpful to auditors in deciding whether scalability is applicable. That will also ensure consistent application of the standard. The criteria could possibly include professional judgment.
13. The IAASB should consider additional documentation requirements in paragraph 54 of ED-315 for the auditor to document what factors the auditor considered to conclude that an entity is “*smaller and less complex*” or “*larger and less complex*”, etc.
14. The IAASB could also consider whether ISA 315 should contain requirements on scalability, such as the auditor being required to assess whether scalability is applicable on an engagement specific basis.

### **Question 3**

Do respondents agree with the approach taken to enhancing ED-315 in relation to automated tools and techniques, including data analytics, using examples to illustrate how these are used in an audit (see Appendix 1 for references to the relevant paragraphs in ED-315)? Are there other areas within ED-315 where further guidance is needed in relation to automated tools and techniques, and what is the nature of the necessary guidance?

15. We agree with the approach taken to enhance ED-315 in relation to automated tools and techniques, including data analytics, using examples to illustrate how these are used in an

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<sup>2</sup> ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing.

audit. We further support the use of the term “*automated tools and techniques*” instead of “*data analytics*” as the former encompasses data analytics and more, which will ensure that the ISA is fit-for-purpose.

16. We, however, recommend that the IAASB defines what is meant by automated tools and techniques to ensure consistent application of the term by auditors. The definition should be broad to accommodate changes in technology (i.e. the definition must be fit-for purpose). Further, the definition should include material to remind the auditors that the use of automated tools and techniques should not eliminate the application of professional judgment and professional scepticism, but rather support the process of risk assessment and identification.

#### **Question 4**

Do the proposals sufficiently support the appropriate exercise of professional skepticism throughout the risk identification and assessment process? Do you support the proposed change for the auditor to obtain ‘sufficient appropriate audit evidence’ through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement, and do you believe this clarification will further encourage professional skepticism?

17. The proposals do support the appropriate exercise of professional scepticism throughout the risk identification and assessment process as ED-315 contains granular requirements. Paragraph A19 of ED-315 appropriately reinforces the application of professional scepticism by giving examples of various sources that may provide potentially contradictory information in identifying and assessing the risks of material misstatement.
18. This support also extends to Paragraph A42 of ED-315, where through engagement team discussions, inconsistent information could come to the fore based on each engagement team member’s own understanding of the nature and circumstances of the entity.
19. We recommend that the IAASB consider additional application material to explain how an auditor obtaining “*sufficient appropriate audit evidence through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement*” per paragraph 17 of ED-315 demonstrates or encourages professional scepticism. It is also not clear whether this requires the auditor to document on the audit file that the auditor obtained “*sufficient appropriate audit evidence through the performance of risk assessment procedures to provide the basis for the identification and assessment of the risks of material misstatement*”, similar to an audit conclusion. The lack of preparation of sufficient audit documentation remains a key inspection finding in South Africa<sup>3</sup>.

#### **Specific Questions**

##### **Question 5**

Do the proposals made relating to the auditor’s understanding of the entity’s system of internal control assist with understanding the nature and extent of the work effort required and the relationship of the work effort to the identification and assessment of the risks or

<sup>3</sup>IRBA [Public Inspections Report 2017](#)

material misstatement? Specifically:

20. The proposals made relating to the auditor's understanding of the entity's system of internal control do assist with understanding the nature and extent of the work effort required and the relationship of the work effort to the identification and assessment of the risks or material misstatement.

**Question 5(a)**

Have the requirements related to the auditor's understanding of each component of the entity's system of internal control been appropriately enhanced and clarified? Is it clear why the understanding is obtained and how this informs the risk identification and assessment process?

21. Yes, the requirements related to the auditor's understanding of each component of the entity's system of internal control have been appropriately enhanced and clarified.
22. ED-315 is clear as to why the understanding is obtained and how this informs the risk identification and assessment process. The flowcharts are also helpful in this regard.
23. We suggest that the IAASB expand on the requirements for the control activities component to be in line with the other components of the entity's system of internal control in ED-315 with respect to presentation and structure.
24. We further suggest that the IAASB define, in paragraph 16 of ED-315, what is meant by "*controls relevant to financial reporting*" and "*controls relevant to the audit*".

**Question 5(b)**

Have the requirements related to the auditor's identification of controls relevant to the audit been appropriately enhanced and clarified? Is it clear how controls relevant to the audit are identified, particularly for audits of smaller and less complex entities?

25. The requirements related to the auditor's identification of controls relevant to the audit have been appropriately enhanced and clarified.
26. We agree that it is clear how controls relevant to the audit are identified, but encourage the IAASB to enhance the application material with respect to scalability.
27. Paragraphs A104 and A166 of ED-315, which deal with controls relevant to the audit being primarily from the control activities component, should be linked back to paragraph 36 of ED-315 that requires the auditor to evaluate the design and implementation of the information system controls relevant to financial reporting. This is because our understanding is that paragraph 36 of ED-315 (information system and communication) and paragraph 42 of ED-315 (control activities) are the requirements for direct controls and should thus be cross-referenced.
28. We also recommend that the application material should explain that controls relevant to the audit, as per paragraph 39 of ED-315, are at the assertion level as controls relevant to the audit are primarily from the control activities component of the system of internal control. Control activities are direct controls that are designed to prevent, or to detect and correct, misstatements at the assertion level for the classes of transactions, account balances and disclosures in the entity's financial statements.
29. Further, the IAASB should consider including application material to illustrate when indirect

controls can be identified to be controls relevant to the audit, even if this is a rare circumstance.

30. The distinction between direct and indirect controls is important for purposes of identifying controls relevant to the audit, as a result, we propose that the IAASB define these two terms as part of paragraph 16 of ED-315 as follows:
- a. Direct controls: Controls that are designed to prevent, or to detect and correct, misstatements at the assertion level for the classes of transactions, account balances and disclosures in the entity's financial statements.
  - b. Indirect controls: Controls that are typically not precise enough to prevent, or detect and correct, misstatements at the assertion level and instead may have an indirect effect on the likelihood that a misstatement will be detected or prevented on a timely basis.

**Question 5(c)**

Do you support the introduction of the new IT-related concepts and definitions? Are the enhanced requirements and application material related to the auditor's understanding of the IT environment, the identification of the risks arising from IT and the identification of general IT controls enough to support the auditor's consideration of the effects of the entity's use of IT on the identification and assessment of the risks of material misstatement?

31. We support the introduction of the new IT-related concepts and definitions.
32. The enhanced requirements and application material related to the auditor's understanding of the IT environment, the identification of the risks arising from IT and the identification of general IT controls are sufficient to support the auditor's consideration of the effects of the entity's use of IT on the identification and assessment of the risks of material misstatement.
33. We suggest that the IAASB consider issuing non-authoritative guidance on the new IT-related concepts and definitions, for example staff audit practice alerts.

**Question 6**

Will the proposed enhanced framework for the identification and assessment of the risks of material misstatement result in a more robust risk assessment? Specifically:

34. We believe that the proposed enhanced framework for the identification and assessment of the risks of material misstatement will result in a more robust risk assessment.

**Question 6(a)**

Do you support separate assessments of inherent and control risk at the assertion level, and are the revised requirements and guidance appropriate to support the separate assessments?

35. We support separate assessments of inherent and control risk at the assertion level; and the revised requirements and guidance are appropriate to support the separate assessments. This approach is also aligned to the approach encapsulated in ISA 200<sup>4</sup>.
36. We further support paragraph 50(b) of ED-315 which requires an auditor to assess control risk at the maximum where the auditor does not plan to test the operating effectiveness of

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<sup>4</sup>ISA 200, paragraph A42.

controls in designing further audit procedures to be performed in response to a risk of material misstatement at the assertion level. This is because control risk can only be reduced by testing the operating effectiveness of the controls.

**Question 6(b)**

Do you support the introduction of the concepts and definitions of ‘inherent risk factors’ to help identify risks of material misstatement and assess inherent risk? Is there sufficient guidance to explain how these risk factors are used in the auditor’s risk assessment process?

37. We do support the introduction of the concepts and definitions of inherent risk factors to help identify risks of material misstatement and assess inherent risk. We recommend that the IAASB also enhances and clarifies that there are other inherent risk factors by including the words “..., and other relevant factors” at the end of the inherent risk factors definition in paragraph 16(f) of ED-315. Paragraph A6 of ED-315 lists the other inherent risk factors.
38. The guidance in ED-315 explaining how these risk factors are used in the auditor’s risk assessment process suffices, but we suggest that the IAASB considers issuing non-authoritative guidance to assist with the implementation of the ISA once it is finalised.

**Question 6(c)**

In your view, will the introduction of the ‘spectrum of inherent risk’ (and the related concepts of assessing the likelihood of occurrence, and magnitude, of a possible misstatement) assist in achieving greater consistency in the identification and assessment of the risks of material misstatement, including significant risks?

39. We support the IAASB’s introduction of the concept of a spectrum of inherent risks. To ensure that this concept is applied consistently by auditors, we recommend that further application material be included to assist auditors with understanding and applying this term.
40. We recommend that the IAASB provides application material to assist auditors in understanding what is meant by “upper end of the spectrum”, and to also clarify that “upper end of the spectrum” would not mean that risks are considered significant risks only in rare circumstances as some auditors may perceive “upper end” as being a rare occurrence.
41. Further, the IAASB should consider including application material to demonstrate, through examples, what is meant by “likelihood of a misstatement occurring” and “magnitude of potential misstatement should the misstatement occur” and how these can result in the “upper end of the spectrum of inherent risk”. This will also be supported by the stand-back requirement in paragraph 52 of ED-315.

**Question 6(d)**

Do you support the introduction of the new concepts and related definitions of significant classes of transactions, account balances and disclosures, and their relevant assertions? Is there sufficient guidance to explain how they are determined (i.e. an assertion is relevant when there is a reasonable possibility of occurrence of a misstatement that is material with respect to that assertion), and how they assist the auditor in identifying where risks of material misstatement exist?

42. We support the introduction of the new concepts and related definitions of significant

classes of transactions, account balances and disclosures, and their relevant assertions.

43. We believe that there is sufficient guidance to explain how they are determined (i.e. an assertion is relevant when there is a reasonable possibility of occurrence of a misstatement that is material with respect to that assertion), and how they assist the auditor in identifying where risks of material misstatement exist.
44. We suggest that the definition of relevant assertions, as per paragraph 16(h), be revisited by the IAASB as it states that the determination of whether an assertion is a relevant assertion be made before the consideration of controls. This implies that one considers inherent risk factors in determining relevant assertions without it being stated in the definition – as a result, the definition lacks clarity. We understand that this is one area where the IAASB aligned its definition to the Public Company Accounting Oversight Board, but submit that this should not be done at the expense of simple and clear language. To that end, we propose that the definition of relevant assertion be updated as follows: “*An assertion is relevant to a class of transactions, account balance or disclosure when the ~~nature or circumstances~~ inherent risk factors of that item are such...*”

#### **Question 6(e)**

Do you support the revised definition, and related material, on the determination of ‘significant risks’? What are your views on the matters presented in paragraph 57 of the Explanatory Memorandum relating to how significant risks are determined on the spectrum of inherent risk?

45. We support the revised definition for significant risks.
46. The reference in paragraph A10 to work effort (“*including the nature, timing and extent of the auditor’s further audit procedures and the persuasiveness of the audit evidence that will be required to reduce audit risk to an acceptable level*”) in explaining significant risk for ISA 315 purposes should be deleted as work effort is after the fact and is a consideration under ISA 330<sup>5</sup>.
47. We support the definition in ED-315 where significant risk could result from the degree of likelihood of misstatement OR magnitude of potential misstatement as these can individually or in combination result in inherent risk being close to the upper end of the spectrum.

#### **Question 7**

Do you support the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level, including the determination about how, and the degree to which, such risks may affect the assessment of risks at the assertion level?

48. We support the additional guidance in relation to the auditor’s assessment of risks of material misstatement at the financial statement level, including the determination about how, and the degree to which, such risks may affect the assessment of risks at the assertion level.

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<sup>5</sup> ISA 330, The Auditor’s Responses to Assessed Risks.

### Question 8

What are your views about the proposed stand-back requirement in paragraph 52 of ED-315 and the revisions made to paragraph 18 of ISA 330 and its supporting application material? Should either or both requirements be retained? Why or why not?

49. We support the proposed stand-back requirement in paragraph 52 of ED-315 and its supporting application material as it is important for the auditor to ensure that conclusions that material classes of transactions, account balances and disclosures are “*Not Significant*” are correct.
50. We suggest that the IAASB clarify in the application material whether the assessment required by paragraph 52(b) of ED-315 is performed at an assertion level or at the classes of transactions, account balances and disclosures level, or at both levels. This is to ensure consistent application of the requirement by auditors.
51. We recommend that the documentation requirements in paragraph 54 of ED-315 also include the requirement for the auditor to document the auditor’s considerations with respect to paragraph 52 of ED-315, especially paragraph 52(b) of ED-315.
52. The revisions made to paragraph 18 of ISA 330 are supported subject to the issues below, with their supporting application material, being resolved.
53. Paragraph A42a of the proposed consequential amendments to ISA 330 states that in designing the substantive procedures to be performed, the auditor’s consideration of the assertion(s) in which a possible misstatement could occur – and if it were to occur, the effect of that misstatement would be most material – may assist in identifying the appropriate nature, timing and extent of the procedures to be performed. This statement is confusing as it seems to imply the identification and consideration of relevant assertions for material classes of transactions, account balances and disclosures, which makes the distinction between significant classes of transactions, account balances and disclosures and material classes of transactions, account balances and disclosures redundant. To that end, we recommend that the IAASB considers application material to differentiate between significant classes of transactions, account balances and disclosures and material classes of transactions, account balances and disclosures.
54. It is not clear whether paragraph 18 in ISA 330 requires the auditor to perform substantive procedures on ALL assertions for material classes of transactions, account balances and disclosures. If it’s not ALL assertions, then it is recommended that the IAASB provides criteria on how the auditor selects which assertions to perform substantive procedures on. This can possibly be a requirement that the auditor considers the risks of material misstatement at the assertion level and applies professional judgement on selecting assertions to substantively test, including documenting his/her decision on the audit file.
55. Further, the application material should provide guidance as to whether substantive procedures as envisioned in paragraph 18 of ISA 330 also includes substantive analytical procedures.
56. We also suggest that the application material to paragraph 6 of ISA 330 state that the auditor focuses on relevant assertions in responding to the assessed risks for significant

classes of transactions, account balances and disclosures.

57. We support retaining both paragraph 52 of ED-315 and paragraph 18 of ISA 330 as they serve different purposes, being the identification of relevant assertions and the performance of substantive procedures for material classes of transactions, account balances, and disclosures that are not significant, respectively.

### **Conforming and consequential amendments**

#### **Question 9**

With respect to the proposed conforming and consequential amendments to:

#### **Question 9(a)**

ISA 200 and ISA 240 are these appropriate to reflect the corresponding changes made in ISA 315 (Revised)?

58. The conforming amendments to ISA 200<sup>6</sup> and ISA 240<sup>7</sup> are appropriate.

#### **Question 9(b)**

ISA 330, are the changes appropriate in light of the enhancements that have been made in ISA 315 (Revised), in particular as a consequence of the introduction of the concept of general IT controls relevant to the audit?

59. Except for the issues raised in Question 8 above, the conforming amendments to ISA 330<sup>8</sup> are appropriate.

#### **Question 9(c)**

The other ISAs as presented in Appendix 2, are these appropriate and complete?

60. The conforming amendments to the other ISAs, as presented in Appendix 2, are appropriate and complete.

#### **Question 9(d)**

ISA 540 (Revised) and related conforming amendments (as presented in the Supplement to this exposure draft, are these appropriate and complete?

61. The conforming amendments to ISA 540 (Revised)<sup>9</sup> are appropriate.

#### **Question 10**

Do you support the proposed revisions to paragraph 18 of ISA 330 to apply to classes of transactions, account balances or disclosures that are 'quantitatively or qualitatively material' to align with the scope of the proposed stand-back in ED-315?

62. We support the IAASB clarifying that material as used in paragraph 18 of ISA 330 refers to "quantitatively and qualitatively material". We further acknowledge that this aligns with the scope of the proposed stand-back in ED-315.

<sup>6</sup> ISA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in accordance with International Standards on Auditing.

<sup>7</sup> ISA 580, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements.

<sup>8</sup> ISA 330, The Auditor's Responses to Assesses Risks.

<sup>9</sup> ISA 540 (Revised), Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures.

## **Request for General Comments**

### **Question 11**

In addition to the request for specific comments above, the IAASB is also seeking comments on the matters set out below:

#### **Question 11(a)**

Translations—Recognising that many respondents may intend to translate the final ISA for adoption in their own environments, the IAASB welcomes comment on potential translation issues respondents note in reviewing the ED-315.

63. No comment.

#### **Question 11(b)**

Effective Date—Recognizing that ED-315 is a substantive revision, and given the need for national due process and translation, as applicable, the IAASB believes that an appropriate effective date for the standard would be for financial reporting periods beginning at least 18 months after the approval of a final ISA. Earlier application would be permitted and encouraged. The IAASB welcomes comments on whether this would provide a sufficient period to support effective implementation of the ISA.

64. It is important that the IAASB provides a sufficient period to support the effective implementation of the final ISA 315 (Revised). This is particularly important since one of the focus areas of ED-315 is the enhanced risk assessment requirements that will be performed by auditors early on in their clients' financial reporting periods, immediately before the effective date. As such, we agree with the IAASB's proposed effective date for financial reporting periods ending 18 months after the approval of the final ISA 315 (Revised).

**Editorial comments**

1. Editorial changes recommended below are denoted as ~~strike through~~ for words that should be deleted and underlined for words that should be inserted.

<b>ED-315 paragraph number</b>	<b>Recommended editorial changes to ED-315</b>	<b>Comment</b>
Contents Page	Obtaining an Understanding of the Entity and <del>ets</del> <u>its</u> Environment and the Applicable Financial Reporting Framework.	Not applicable

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