Understand the entity’s information system relevant to financial reporting
This includes
(a) How information relating to significant COTABD flows through the IS
(b) Accounting records related to (a)
(c) Financial reporting process used to prepare entity FS from records in (b)

Understand the entity’s IT environment related to para’s 35(a)–35(c)

Based on understanding of para. 35(d), and the identification of controls relevant to the audit in accordance with para. 39, identify IT applications and other aspects of the entity’s IT environment relevant to the audit.

This includes IT applications that 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 IS that relates to significant COTABD
(c) System generated reports on which the auditor intends to rely without testing inputs & outputs
(d) Controls that address RSPA

The output contributes to the identification and assessment of ROMMs at the assertion level and the auditor’s design of further audit procedures.
The auditor may plan to test the operating effectiveness of controls, including GITCs, which affects the auditor’s control risk assessment in accordance with para. 50 of ISA 315 (Revised).

ACRONYMS
1. COTABD - Classes of transactions, account balances or disclosures
2. IS - Information system
3. D&I - Evaluate the design of controls and determine whether they have been implemented
4. GITCs - General IT controls
5. RSPA - Risks of material misstatement for which substantive procedures alone do not provide sufficient appropriate audit evidence
6. FS - Financial statements
7. GITCs - General IT controls