

ISA 315 (Revised)¹ – Revised Requirements

This Agenda Item sets out a Table illustrating the allocation or mapping of each requirement from ED–315 into categories as explained in paragraphs 2(a) and 12 of **Agenda Item 2**. The Columns are set out as follows:

Column 1:	What the auditor is required to do (the “what”)? This column forms the basis of the “clean” standard in Agenda Item 2-F .
Column 2:	Definitions – relevant definitions describing the meanings attributed to certain words (the “definitions”). Agenda Item 2-B sets out the full list of definitions for ISA 315 (Revised) and should be referred to for a full understanding of all the definitions.
Column 3:	Why is the auditor required to do the ‘what’ (i.e., the reason) ((the “why”). In addition, where a “why” has been added I the application material relating to a requirement, the reference to the relevant application material in Agenda Item 2-C has also been provided.
Column 4:	How should the requirement be applied (the “how”)? References to relevant application material paragraphs in Agenda Item 2-C for a fuller understanding about how to apply the requirement has been provided

The requirements and definitions in Columns 1 and 2 are presented in mark-up as follows:

- (i) The requirements for ‘understanding the entity’s system of internal control’ have been marked to what was presented in the March 2019 IAASB Agenda papers;
- (ii) Specific requirements discussed in March 2019 have been marked to the requirements as presented to the IAASB in March 2019;² and
- (iii) All other requirements (not included in (i) or (ii)) have been marked to ED–315.

¹ Proposed ISA 315 (Revised), *Identifying and Assessing the Risks of Material Misstatement* (ED-315)

² Wording agreed to by IAASB in March 2019: Para. 17 of ED–315: Risk assessment procedures (para. 137 of **Agenda Item 4** – IAASB March 2019); Para 45 of ED–315: Identifying and Assessing the Risks of Material Misstatement (para. 90 of **Agenda Item 4** – IAASB March 2019); Para. 52 of ED–315: Stand-back requirement (para. 125 of **Agenda Item 4** – IAASB March 2019).

Table setting out the allocation or mapping of each requirement

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>Risk Assessment Procedures and Related Activities</p> <p>17. The auditor shall <u>design and perform risk assessment procedures</u> to obtain audit evidence that provides an appropriate basis⁴ for:</p> <p>(a) The identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels; and</p> <p>(b) The design of further audit procedures in accordance with ISA 330.</p> <p><i>[New]</i> <u>The auditor shall design and perform risk assessment procedures in a manner that is not biased towards obtaining audit evidence that may be corroborative or towards excluding audit evidence that may be contradictory.</u></p>	<p><i>Risk assessment procedures</i> – The audit procedures designed and performed to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.</p>	<p>Why added in application material</p> <ul style="list-style-type: none"> Why the auditor performs risk assessment procedures - paragraphs A11a – A11b of Agenda Item 2-C Why the auditor obtains information from varying sources - paragraph A16c 	<p><u>Hanging paragraph:</u></p> <p>Inquiry alone is not sufficient for this purpose. Risk assessment procedures by themselves do not provide sufficient appropriate audit evidence on which to base the audit opinion.</p> <p><i>This has been moved to application material – see paragraph A141c</i></p> <p>Application material about “how: Paragraphs A13 to A16d of Agenda Item 2-C</p>
<p>18. The risk assessment procedures shall include the following: (Ref: Para AXX–AXX)</p> <p>(a) Inquiries of management; and of other appropriate individuals within the <u>entity internal audit function</u> (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</p>		<p>Why added to application material:</p> <ul style="list-style-type: none"> Why inquiries made of management and others within the entity - paragraphs A21 – A22 of Agenda Item 2-C Why inquiries are made of the internal audit function - see 	<p>Application material about “how: Paragraphs A17 to A20b and:</p> <ul style="list-style-type: none"> Relating to inquiries of management and others paragraphs A21 to A29; Analytical procedures paragraphs A30 to A34a Observation and inspection paragraphs A35 to 36

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>identifying risks of material misstatement due to fraud or error. (Ref: Para. AX–AX)</p> <p>(b) Analytical procedures. (Ref: Para. AX–AX)</p> <p>(c) Observation and inspection. (Ref: Para AX–AX)</p>		<p>paragraph A25 of Agenda Item 2-C</p> <ul style="list-style-type: none"> • Why inquiries are made of management - paragraphs A21 and A22 of Agenda Item 2-C • Why inquiries are made of Internal Audit – paragraph A25 of Agenda Item 2-C • Why analytical procedures are performed – paragraphs A30 to A31 of Agenda item 2-C • Why observation and inspection is performed – paragraph A35 of Agenda Item 2-C 	<p>of Agenda Item 2-C</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p><u>Other Relevant Sources of Audit Evidence</u></p> <p>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. , In obtaining audit evidence in accordance with paragraph 17, the auditor shall consider other relevant sources of audit evidence.</p>	<p>[New]</p> <p><u>Other relevant sources of audit evidence—information that is relevant to identifying and assessing risks of material misstatement from:</u></p> <p>(i) <u>The auditor's acceptance or continuance of the client relationship or the audit engagement;</u></p> <p>(ii) <u>Other engagements performed by the engagement partner for the entity, where applicable.</u></p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the auditor considers other relevant sources of audit evidence – paragraph A37 of Agenda Item 2-C 	<p>Application material about “how: Paragraphs A37 to A38 of Agenda Item 2-C</p>
<p>[Para. 20 incorporated into definition of 'Other Relevant Sources of Audit Evidence']</p> <p>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.</p>			
<p><u>Information from the Auditor's Previous Experience with the Entity and Previous Audits</u></p> <p>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</p>		<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why information from the previous audit is important to the current audit – paragraph A39 of Agenda Item 2-C 	<p>Application material about “how: Paragraphs A39 to A40 of Agenda Item 2-C</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>relevant and reliable as audit evidence for the current audit.</p>			
<p><u>Engagement Team Discussion</u></p> <p>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.</p> <p><u>22A. When there are engagement team members not involved in the engagement team discussion,</u> the engagement partner shall determine which matters are to be communicated to engagement team members not involved in the discussion those members.</p>		<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the engagement team discussion is required – paragraphs A40a and A40b of Agenda Item 2-C 	<p>Application material about “how: Paragraphs A41 to A46 of Agenda Item 2-C</p>
<p>Obtaining an Understanding of the Entity and its Environment, and the Applicable Financial Reporting Framework and the Entity's System of Internal Control</p> <p>23. The auditor shall perform risk assessment procedures to obtain an understanding of relevant aspects of the entity and its environment and the applicable financial reporting framework. In doing so, the auditor</p>	<p><u>Relevant aspects of the entity and its environment</u> – These comprise:</p> <p>(i) <u>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;</u></p> <p>(ii) <u>Industry, regulatory and other external factors; and</u></p>	<p><u>Following the lead in sentence:</u></p> <p>...to provide an appropriate basis for understanding the classes of transactions, account balances and disclosures to be expected in the entity's financial statements (now incorporated into the why in the application material).</p>	<p><u>Lead in:</u></p> <p><i>The auditor shall perform risk assessment procedures to ...</i></p> <p><i>Deleted – duplicative of what is in paragraph 17</i></p> <p>Application material about “how: Paragraphs A47 to A104 of Agenda Item</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>shall obtain an understanding of the following matters:</p> <p>(a) The entity and its environment, including: <u>how events and conditions are subject to, or affected by, the inherent risk factors;</u></p> <p>(b) The applicable financial reporting framework, including <u>the entity's accounting policies and the reasons for any changes thereto; and:</u></p> <p>(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</p> <p>[Consideration of IRFs moved to para. 23(a)]</p> <p>(ii) The entity's accounting policies and any changes thereto, including the reasons for any such changes.</p> <p>[Moved to the lead in of para. 23(b)]</p> <p>(c) <u>The components of the entity's system of internal control.</u></p>	<p>(iii) <u>The measures used, internally and externally, to assess the entity's financial performance.</u></p> <p><i>Inherent risk factors</i> – Characteristics of events or conditions that affect susceptibility to misstatement of an assertion about a class of transactions, account balance or disclosure, before consideration of controls. Such factors may be qualitative or quantitative, and include complexity, subjectivity, change, uncertainty or susceptibility to misstatement due to management bias <u>or misappropriation of assets</u> or fraud.</p> <p><i>System of Internal Control</i> – The 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. For the purposes of the ISAs, the system of internal control consists of five inter-related components:</p> <p>(i) Control environment.</p> <p>(ii) The entity's risk assessment process.</p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> • Why an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control is required – paragraphs A47 to A47b of Agenda Item 2-C • Why the auditor considers the inherent risk factors – paragraph A48a of Agenda Item 2-C • Why the auditor obtains an understanding of governance – paragraph A51 of Agenda Item 2-C • Why the auditor obtains an understanding of the entity's business model and its related risks – paragraph A52 of Agenda Item 2-C • Why the auditor understand the relevant measures used by management – paragraphs A70a and A70b of Agenda Item 2-C 	<p>2-C (excluding “why” paragraphs as noted in Column 3)</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
	(iii) The entity's process to monitor the system of internal control. (iv) The information system and communication. (v) Control activities.		
24. The auditor shall evaluate whether the entity's accounting policies are appropriate and consistent with the applicable financial reporting framework.			Included in para. 24: <i>...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...</i> Nature and circumstances presented with broader requirement in paragraph A47c in Agenda Item 2-C ; changes now included in application material in paragraph A79 of Agenda Item 2-C
Understanding of the <u>Relevant Aspects of the Components of the</u> Entity's System of Internal Control [Para. 25: Understanding of Entity's System of Internal Control incorporated in paragraph 23] 25. The auditor shall perform risk assessment procedures, in accordance with paragraphs 27 to 38, to understand how the entity's system of internal control, including the entity's use of IT, supports the preparation of the financial			

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(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
statements given the nature and circumstances of the entity.			
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. [Deleted – IAASB March 2019]			

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>Components of the Entity's System of Internal Control Control Environment, the Entity's Risk Assessment Process and the Entity's Process to Monitor the System of Internal Control.</p> <p>27. Control environment [Understanding incorporated broadly in paragraph 23(c) and individual aspects of understanding moved to definition]</p> <p>28. The auditor shall obtain an understanding of the entity's control environment and evaluate the relevant aspects of the control environment by determining whether:</p> <p>(a) Management, with the oversight of those charged with governance, has created and maintained a culture of honesty and ethical behavior; and</p> <p>(b) The control environment provides an appropriate foundation for the other components of the system of internal control; and</p> <p>(c) , or whether those other components are undermined by control deficiencies in the control environment component</p>	<p><u>Relevant aspects of the control environment – The set of controls, processes and structures that address:</u></p> <p>(i) <u>How management's oversight responsibilities are carried out, such as the entity's culture and management's commitment to integrity and ethical values;</u></p> <p>(ii) <u>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;</u></p> <p>(iii) <u>The entity's assignment of authority and responsibility;</u></p> <p>(iv) <u>How the entity attracts, develops, and retains competent individuals; and</u></p> <p>(v) <u>How the entity holds individuals accountable for their responsibilities in the pursuit of the objectives of the system of internal control.</u></p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the auditor is required to evaluate the relevant aspects of the control environment, the entity's risk assessment process and the entity's process to monitor the system of internal control – paragraphs A104a to A104c of Agenda Item 2-C Why the auditor evaluates the relevant aspects of the control environment – paragraph A112 of Agenda Item 2-C 	<p>Application material about "how: Paragraphs A105 to A114a of Agenda Item 2-C</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p><u>undermine the other components of the system of internal control.</u></p>			
<p>The Entity's Risk Assessment Process</p> <p>29. <i>[Understanding incorporated in paragraph 23(c) and individual aspects of understanding moved to definition]</i></p> <p>30. The auditor shall <u>evaluate whether the relevant aspects of the entity's risk assessment process and the relevant aspects of the entity's process to monitor the system of internal control are appropriate, understand the entity's risk assessment process, including the extent to which it is formalized and the results of that process, and evaluate whether it is appropriate to the entity's circumstances considering the nature and size of the entity. If the risk assessment process is not appropriate, the auditor shall determine whether the lack of an appropriate risk assessment process represents one or more control deficiencies and consider the implications for the auditor's evaluation required by paragraph 29.</u></p>	<p><u>Relevant aspects of the entity's risk assessment process – The entity's process for:</u></p> <p>(i) <u>Identifying business risks relevant to financial reporting objectives;</u></p> <p>(ii) <u>Assessing the significance of those risks, including the likelihood of their occurrence; and</u></p> <p>(iii) <u>Addressing those risks.</u></p> <p><u>Relevant aspects of the entity's process to monitor the system of internal control – Those aspects of the entity's process that address:</u></p> <p>(i) <u>Ongoing and separate evaluations for monitoring the effectiveness of controls, and the identification and remediation of control deficiencies identified; and</u></p> <p>(ii) <u>The entity's internal audit function, if any, including its nature, responsibilities and activities.</u></p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the auditor is required to obtain an understanding of the role of internal audit in the entity's process to monitor the system of internal control – paragraph A131 of Agenda Item 2-C 	<p>Application material about "how: Paragraphs A117 to A120 and paragraphs A123 to A128a, and paragraph A135a of Agenda Item 2-C</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
31. If the auditor identifies risks of material misstatement that management failed to identify, the auditor shall obtain an understanding of why the entity's risk assessment process failed to identify such risks of material misstatement.			

<p>The Entity's Process to Monitor the System of Internal Control</p> <p>32. The auditor shall understand the entity's process to monitor the system of internal control, including, when applicable, the nature, responsibilities and activities of the entity's internal audit function, and evaluate whether the entity's process is appropriate to the entity's circumstances considering the nature and size of the entity. If not, the auditor shall determine whether the lack of an appropriate process to monitor the system of internal control represents one or more control deficiencies.</p> <p><i>[Understanding incorporated broadly in paragraph 23(c) and individual aspects of understanding moved to definition]</i></p> <p>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.</p>			<p>Application material about "how: Paragraphs A129 to A131 of Agenda Item 2-C</p>
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(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>34. <i>[Moved to definition – Entity's process to monitor the system of internal control]</i></p>			
<p>The Information System and Communication</p> <p>35. <i>[Understanding incorporated in paragraph 23(c) and individual aspects of understanding moved to definitions]</i></p> <p>The auditor shall obtain an understanding of the entity's information system for the significant classes of transactions, account balances and disclosures.</p> <p>35A The auditor shall evaluate whether the relevant aspects of the entity's information system <u>and communication</u> appropriately supports the preparation of the entity's financial statements in accordance with the applicable financial reporting framework.</p>	<p><u>Relevant Aspects of the Entity's Information System – 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:</u></p> <p>(i) <u>How information flows through the entity's information system, including how:</u></p> <p style="padding-left: 20px;">(a) <u>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</u></p> <p style="padding-left: 20px;">(b) <u>Information about events and conditions, other than transactions, is captured, processed and disclosed in the financial statements.</u></p> <p>(ii) <u>The accounting records, specific accounts in the financial statements and other supporting records relating to the</u></p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the auditor is required to evaluate the relevant aspects of the information system and communication and controls in the control activities components – paragraphs A135b to A135e of Agenda Item 2-C 	<p>Application material about "how: Paragraphs A135b to A159 of Agenda Item 2-C</p> <p><u>Lead in of para. 35 A:</u></p> <p><i>Shall evaluate based on the understanding obtained in paragraph 35.</i></p> <p><i>(requirement for evaluation still required)</i></p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
	<p><u>flows of information in the information system;</u></p> <p>(iii) <u>The financial reporting process used to prepare the entity's financial statements, including disclosures; and</u></p> <p>(iv) <u>The entity's resources, including the IT environment, relevant to (a) to (c) above.</u></p> <p><i>[NEW] Relevant aspects of communication –</i> <u>Communication in relation to significant matters that support the preparation of the financial statements and other reporting responsibilities in the information system and other components of the system of internal control:</u></p> <p>(i) <u>Between people within the entity, including how financial reporting roles and responsibilities are communicated;</u></p> <p>(ii) <u>Between management and those charged with governance; and</u></p> <p>(iii) <u>With external parties, such as those with regulatory authorities.</u></p>		

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
36. <i>[Moved to para. 35A]</i>			
<p>37. <i>[Understanding included in para. 23(c)]</i></p> <p>The auditor shall understand how the entity communicates financial reporting roles and responsibilities and significant matters that support the preparation of the financial statements given the nature and circumstances of the entity.</p>			
38. <i>[Deleted – IAASB March 2019]</i>			
<p>Control Activities</p> <p>39. The auditor shall identify controls that address risks of material misstatement at the assertion level <u>in the control activities component</u>, as follows:</p> <p>(a) Controls that address risks that are identified as a significant risk;</p>	<p><i>Controls</i> – 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. In this context:</p> <p>(i) Policies are statements of what should, or should not, be done within the entity to</p>	See above	<p><u>Hanging paragraph to Paragraph 39:</u></p> <p>It is not necessary for the auditor to identify all controls that address, or support other controls that address, identified risks of material misstatement for each relevant</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>(b) Controls over journal entries, including non-standard journal entries used to record non-recurring, unusual transactions or adjustments;</p> <p>(c) Controls that are necessary for the auditor to identify to achieve the objectives in paragraph 17(a) and (b) <u>because of where the assessments of the related risks of material misstatement at the assertion level fall on the spectrum of inherent risk</u>; and</p> <p>(d) 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.</p>	<p>effect control. Such statements may be documented, explicitly stated in communications, or implied through actions and decisions.</p> <p>(ii) Procedures are actions to implement policies.</p> <p><u>[NEW] Control activities – The entity’s procedures to implement its policies that relate to the other components of the entity’s system of internal control.</u></p>		<p>assertion for each significant class of transaction, account balance or disclosure. <i>This has been added to the application material, see paragraph A234 of Agenda Item 2-C</i></p> <p>It is a matter of the auditor’s professional judgment as to whether it is necessary to identify such a control to achieve the objectives in paragraph 17(a) and (b). <i>This has been added to the application material, see paragraph A175b of Agenda Item 2-C</i></p> <p><i>Application material about “how”:</i> see paragraph A160 to A179 of Agenda Item 2-c</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>40. Based on controls identified, the auditor shall identify the IT applications and the other aspects of the entity's IT environment that are <u>subject to risks arising from the use of IT relevant to the audit.</u> [Para 41] For the such IT applications and other aspects of the IT environment that are relevant to the audit, the auditor shall identify:</p> <p>(a) The <u>related</u> risks arising from the use of IT; and</p> <p>(b) The <u>entity's</u> general IT controls that address such risks relevant to the audit.</p>	<p><i>IT environment</i> – The IT applications and supporting IT infrastructure, as well as the IT processes and personnel involved in those processes, that an entity uses to support business operations and achieve business strategies. For the purposes of this ISA:</p> <p>(i) An IT application is a program or a set of programs that is used in the initiation, processing, recording and reporting of transactions or information. <u>IT applications include data warehouses or report writers.</u></p> <p>(ii) The IT infrastructure is comprised of <u>comprises</u> the network, operating systems, and databases and their related hardware and software.</p> <p>(iii) The IT processes are the entity's processes to manage access to the IT environment, manage program changes or changes to the IT environment and manage IT operations, which includes monitoring the IT environment.</p> <p><u>[NEW] Risks arising from IT – Susceptibility of information processing controls to ineffective design or operation, or risks to the integrity of</u></p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why does the auditor understand the IT environment relevant to the information system – paragraphs A144 to A146 of Agenda Item 2-C Why the auditor identifies risks arising from the use of IT and general IT controls related to identified IT applications and other aspects of the IT environment – paragraph A179a of Agenda Item 2-C 	<p><u>Lead in:</u></p> <p>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...</p> <p><u>Following para. 40:</u></p> <p>In doing so, the auditor shall take into account whether the IT applications include or address:</p> <p>(a) Automated controls that management is relying on and that the auditor has determined to be relevant to the audit;</p> <p>(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;</p> <p>(c) System-generated reports on which the auditor intends to rely on without directly testing</p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
	<p><u>the entity's information in the entity's information system, due to the ineffective design or operation of the entity's IT processes (see IT environment).</u></p> <p><i>General information technology (IT) controls – Controls activities related to that support the continued proper operation of the IT environment, including that support the <u>continued</u> effective functioning of application <u>information processing</u> controls or <u>and</u> the integrity of information (<u>i.e. the completeness, accuracy and validity of information</u>) in by helping to maintain the continued operation, as designed, of the entity's information system. General IT controls <u>are</u> include controls over the entity's IT processes. Also see the definition of <i>IT environment</i>.</i></p>		<p>the inputs and outputs of such reports; or</p> <p>(d) Controls that address risks for which substantive procedures alone do not provide sufficient appropriate audit evidence.</p> <p><i>This has been moved to application material – see paragraphs A180a and A180b of Agenda Item 2-C</i></p> <p>Application material about “how”, see paragraph A179 to A193 of Agenda Item 2-C</p>
41. <i>[Incorporated into para. 40]</i>			
42. For each control identified in the <u>control activities component</u> the auditor shall:			<p><i>Application material about “how”: see paragraphs A194 to A200a of Agenda Item 2-C</i></p>
(a) Evaluate whether the control is designed effectively <u>to address the risk of material misstatement at the assertion level, or effectively designed to support the operation of other controls</u> ; and			

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>(b) Determine whether the control has been implemented <u>by performing procedures in addition to inquiry of the entity's personnel.</u></p>			
<p><i>Control Deficiencies Within the System of Internal Control</i></p> <p>43. <u>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.:</u></p> <p>(a) Whether one or more control deficiencies within the system of internal control have been identified; and</p> <p>(b) If so, whether the control deficiencies, individually or in combination, constitute significant control deficiencies.</p>			<p><u>Para. 43 (lead in):</u></p> <p>On the basis of the work performed,.... in accordance with ISA 265,....</p> <p><i>See explanation in issues paper – Agenda Item 2, paragraph 27(j)</i></p> <p>Application material about “how”, see paragraph A194 to A200a of Agenda Item 2-C</p>
<p>44. <i>[Implications of control deficiencies - deleted]</i></p> <p>The auditor shall consider the implications for the audit of one or more control deficiencies in the system of internal control, including for:</p>			

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>(a) The assessment of control risk for risks of material misstatement at the assertion level in accordance with paragraph 50; and</p> <p>(b) Designing and implementing overall responses to address the assessed risks of material misstatement at the financial statement level as required by ISA 330.</p>			

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>Identifying and Assessing the Risks of Material Misstatement</p> <p>45. The auditor shall identify the risks of material misstatement and determine whether they exist at:</p> <p>(a) The financial statement level, or</p> <p>(b) The assertion level for classes of transactions, account balances, and disclosures.</p>		<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the auditor identifies and assesses the risks of material misstatement – paragraphs A201 to A202a of Agenda Item 2-C Why the auditor uses assertions – paragraph A202b of Agenda Item 2-C Why the auditor identifies and assesses risks of material misstatement at the financial statement and assertion levels – paragraphs A206a and A206b of Agenda Item 2-C 	<p><u>Following para. 45(a):</u></p> <p>...by evaluating whether the identified risks relate more pervasively to the financial statements as a whole, including potentially affecting many assertions</p> <p><u>Following para. 45(b):</u></p> <p>...based on inherent risk.</p> <p><i>(Identified risks of material misstatement clarified in ISA 200 (proposed))</i></p> <p>Application material about “how”, see paragraph A201 to A202c of Agenda Item 2-C</p>
<p>46. The auditor shall determine <u>the relevant assertions and the significant classes of transactions, account balances and disclosures, and their relevant assertions.</u></p>	<p><i>Relevant assertions</i> – An assertion about a class of transactions, account balance or disclosure is relevant when it has an identified risk of material misstatement. The determination of whether an assertion is a relevant assertion is made before consideration of controls.</p> <p><i>Significant class of transactions, account balance or disclosure</i> – A class of</p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why relevant assertions and significant classes of transactions, account balances and disclosures are required to be determined – paragraph A211 of Agenda Item 2-C 	<p><u>Following para. 46:</u></p> <p>...based on the identified risks of material misstatement.</p> <p><i>(this has been included in the definition)</i></p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
	transactions, account balance or disclosure for which there is one or more relevant assertions.		Application material about “how”, see paragraph A135d of Agenda Item 2-C
<p><i>Assessing Risks of Material Misstatement at the Financial Statement Level</i></p> <p>47. The auditor shall assess the identified risks of material misstatement at the financial statement level. by <u>For each risk identified at the financial statement level, the auditor shall:</u></p> <p>(a) Determining whether, and the degree to which, such risks affect the assessment of risks at the assertion level; and</p> <p>(b) Evaluating the nature and extent of their pervasive effect on the financial statements.</p>		<p><u>Following para. 47 (b):</u></p> <p>...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 330.³</p> <p><i>(now built into the “why” in the application material)</i></p>	Application material about “how”, see paragraph A215 to A220 of Agenda Item 2-C
<p><i>Assessing Risks of Material Misstatement at the Assertion Level</i></p> <p>Assessing Inherent Risk</p> <p>48. For identified risks of material misstatement at the assertion level, the</p>		<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why the likelihood and magnitude of the risks of material misstatement are assessed at the 	Application material about “how”, see paragraph A220a to A228 of Agenda Item 2-C

³ ISA 330, paragraph 5

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>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:</p> <p>(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.</p> <p>(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.</p>		<p>assertion level – paragraph A220a of Agenda Item 2-C</p>	
<p>49. The auditor shall determine whether any of the assessed risks of material misstatement are significant risks.</p>	<p><i>Significant risk</i> – An identified risk of material misstatement:</p> <p>(i) For which the assessment of inherent risk is close to the upper end of the spectrum of inherent risk due to the degree to which one or a combination of the inherent risk factors affect the likelihood of a misstatement occurring and the magnitude of potential misstatement should that misstatement occur; or</p>	<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why significant risks are identified – paragraph A228a of Agenda Item 2-C 	<p><i>The auditor shall determine, based on the auditor’s assessment of inherent risk ...</i> <i>(this is now in the definition)</i></p> <p>Application material about “how”, see paragraph A228a to A231 of Agenda Item 2-C</p>

ISA 315 (Revised)—Revised Requirements
 IAASB Main Agenda (June 2019)

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
	(ii) That is to be treated as a significant risk in accordance with the requirements of other ISAs. ⁴		

⁴ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraph 27 and ISA 550, *Related Parties*, paragraph 18

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p><i>[Moved from para. 51]</i></p> <p><i>Risks for Which Substantive Procedures Alone Cannot Provide Sufficient Appropriate Audit Evidence</i></p> <p>504. 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.</p>		<p>Why added to the application material:</p> <ul style="list-style-type: none"> Why risks for which substantive procedures alone cannot provide sufficient appropriate audit evidence are required to be identified – paragraphs A231a to A231b of Agenda Item 2-C 	<p>Application material about “how”, see paragraph A231a to A231f of Agenda Item 2-C</p>

<p>Assessing Control risk</p> <p>510. For identified risks of material misstatement at the assertion level, the auditor shall assess control risk. If the auditor plans to test the operating effectiveness of controls, the auditor shall assess control risk. If the auditor does not intend to test the operating effectiveness of controls, the assessment of the risk of material misstatement is based on inherent risk.</p>			<p><u>Following para. 50:</u></p> <p>...as follows:</p> <p>(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.</p> <p>(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.</p> <p><i>(requirement made conditional and material amended in application material to support)</i></p>
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(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
			Application material about “how”, see paragraph A232 to A235a of Agenda Item 2-C
<p>[New requirement]</p> <p><u>Evaluating the Audit Evidence Obtained from the Risk Assessment Procedures</u></p> <p>51A. The auditor shall evaluate whether the <u>audit evidence obtained from the risk assessment procedures provides an appropriate basis for the identification and assessment of the risks of material misstatement at the financial statement and assertion level, and the design of further audit procedures. In identifying and assessing the risks of material misstatement, the auditor shall take into account all audit evidence relevant to risk assessment procedures, whether corroborative or contradictory.</u></p>			Application material about “how”, see paragraph A23 to A239b of Agenda Item 2-C
<p><i>Classes of Transactions, Account Balances and Disclosures that are Not Significant, but which are Material</i></p> <p>52. For material classes of transactions, account balances or disclosures that</p>			Application material about “how”, see paragraph A240 to A242 of Agenda Item 2-C

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>have not been identified as significant classes of transactions, account balances or disclosures, the auditor shall evaluate whether the auditor's conclusion that there are no related risks of material misstatement remains appropriate.⁵</p>			
<p><i>Revision of Risk Assessment</i></p> <p>53. If the auditor obtains new information 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 of the risks of material misstatement, the auditor shall revise the assessment, and modify the planned overall responses or further audit procedures accordingly.</p>		<p><u>Lead in to para 53:</u></p> <p>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.</p> <p><i>(Requirement made conditional and further explanation enhance in application material)</i></p>	<p>Application material about "how", see paragraph A243 of Agenda Item 2-C</p>
<p>Documentation</p> <p>54. The auditor shall include in the audit documentation:⁶</p>			<p><u>Para 54(a):</u></p>

⁵ Wording as agreed to by IAASB – refer para. 125 of **Agenda Item 4** in March 2019.

⁶ ISA 230, *Audit Documentation*, paragraphs 8–11, and A6–A7

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
<p>(a) The discussion among the engagement team and the significant decisions reached;</p> <p>(b) Key aspects <u>elements</u> of the auditor's understanding obtained regarding the entity and its environment and of each of the components of the system of internal control in accordance with paragraph 23; the sources of information from which the auditor's understanding was obtained; and the risk assessment procedures performed;</p> <p>(c) The controls identified to be relevant to the audit in accordance with the requirements in paragraphs 39 and 40.</p> <p>(d) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level, including significant risks, and the rationale for the significant judgments made.</p>			<p><i>...among the engagement team, where required in accordance with paragraph 22,</i></p> <p><i>(removed reference to requirement)</i></p> <p><u>Para 54(b):</u></p> <p><i>...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...</i></p> <p><i>(Removed references to requirements)</i></p> <p>Application material about “how”, see paragraph A244 to A247 of Agenda Item 2-C</p> <p><u>Para 54(d):</u></p>

(1) What? [=Proposed requirement]	(2) Definition	(3) Why?	(4) How?
			<p><i>...and at the assertion level as required by paragraph 45 through 51, including significant risks, and the rationale for the significant judgments made in identifying and assessing the risks of material misstatement.</i></p>