



## ISA 315 (Revised)

# Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment (IT)

Fiona Campbell, ISA 315 (Revised) Task Force Chair

IAASB Meeting, October 2017

Agenda Item 5

IAASB

International Auditing  
and Assurance  
Standards Board

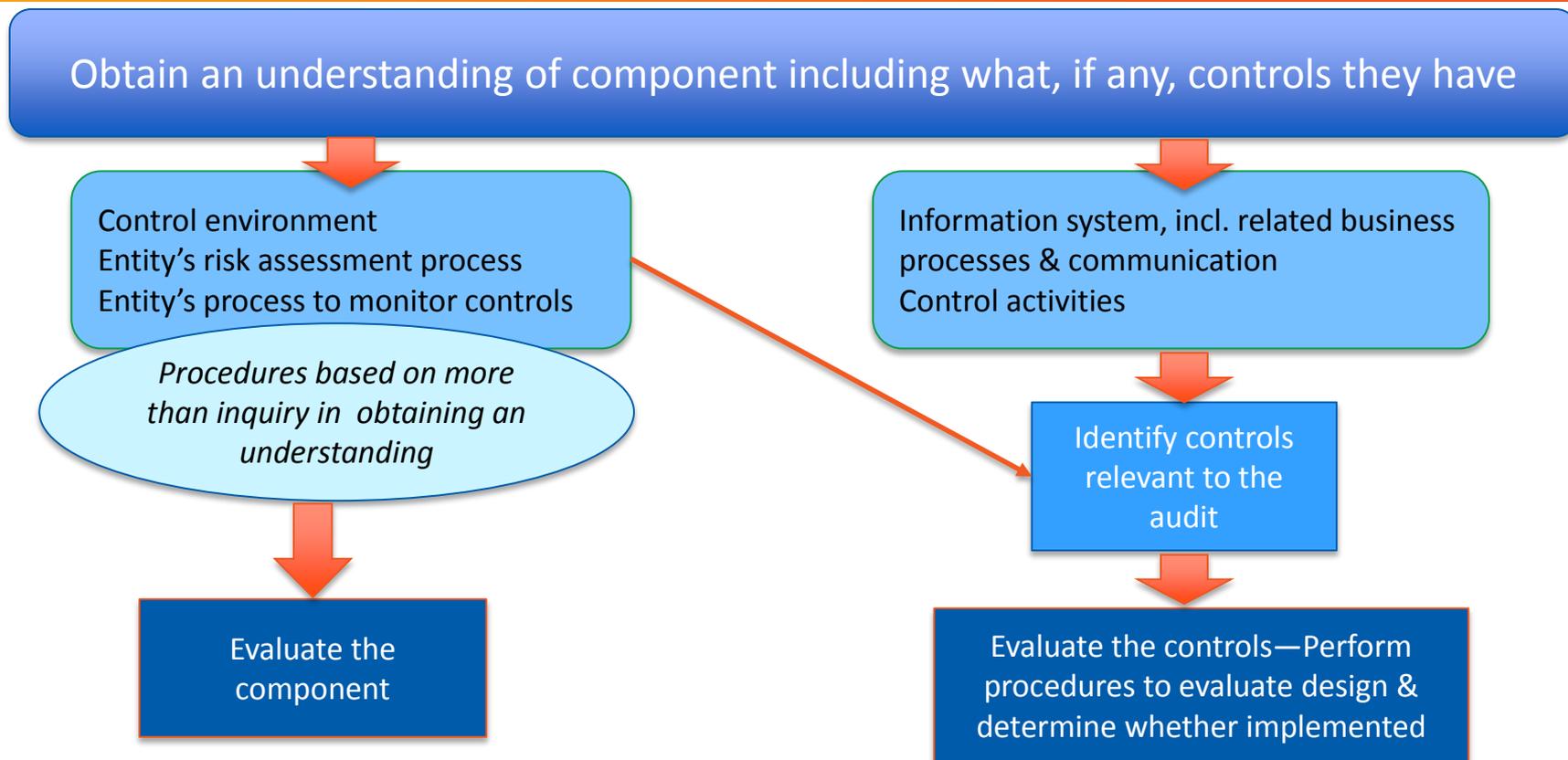
## Definition of Controls

- Controls – policies or procedures that are embedded in the components of the system of internal control
- Policies – formal statements that are documented or otherwise communicated by those charged with governance, or informal expectations implied through their actions, as to what should, or should not, be done within the entity to effect control

### **Application Material:**

- *Policies are implemented through the actions of personnel within the entity, or through their restraint from taking actions that would conflict with such policies.*
- *Procedures may be mandated, through formal documentation or other communication by those charged with governance or management, or may result from behaviors that are not mandated but are conditioned by the entity's culture.*

# ISA 315 (Revised) – Obtaining an Understanding of Internal Control

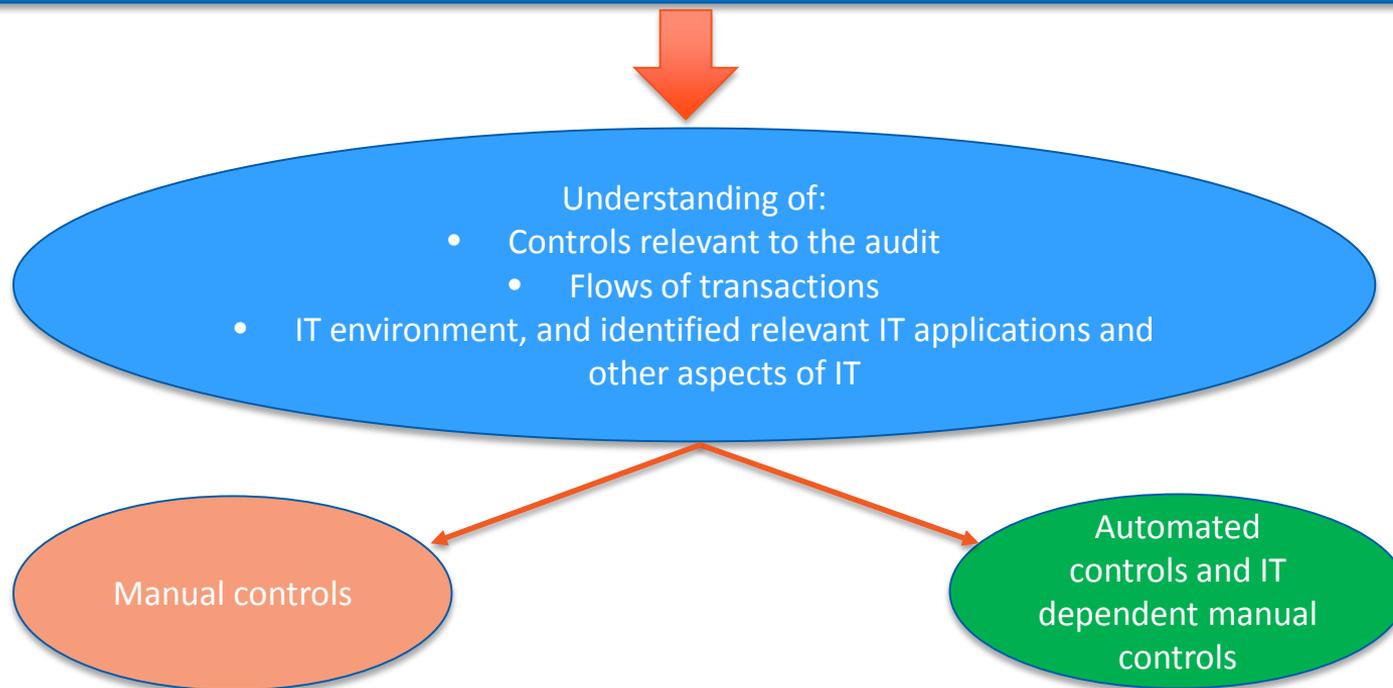


## Matters for IAASB Consideration

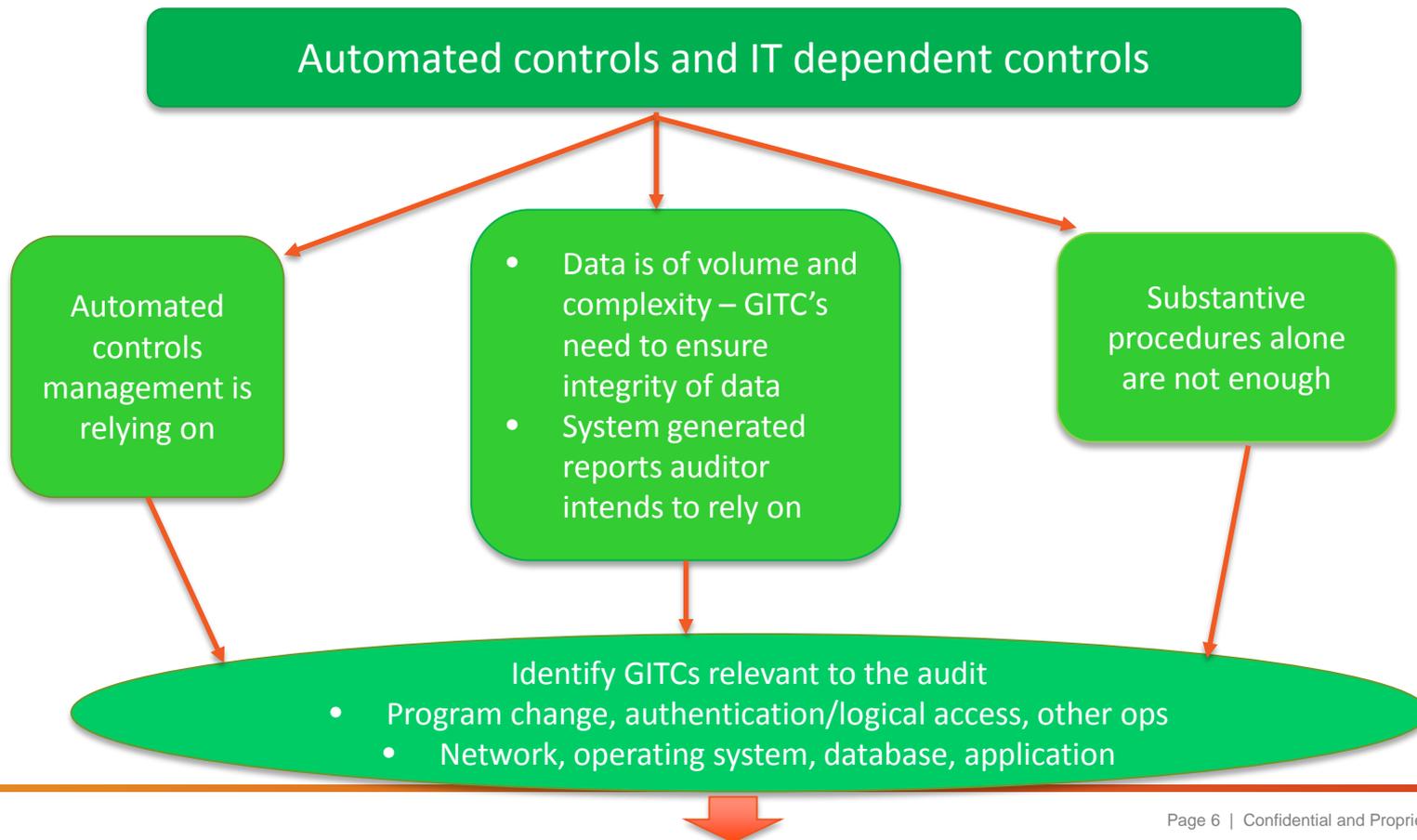
1. The IAASB is asked for views regarding the proposed changes to the definition of controls as explained in paragraph 12 above, specifically whether this is broad enough to capture other matters that Board members were concerned would be omitted by a more narrow definition.

## Understanding Internal Control (1)

Obtain an understanding of the 5 components of internal control



## Understanding Internal Control (2)



## Understanding Internal Control (3)

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graph TD; A[Understanding Internal Control (3)] --> B[Evaluate design and determine implementation (all controls relevant to eth audit, including all GITCs relevant to the audit)]; B --> C[Determine controls to be tested for operating effectiveness (includes GITCs related to these controls)]; C --> D[Control risk assessment based on expectation of operating effectiveness of controls; is used as basis for further planned audit procedures per ISA 330];
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Evaluate design and determine implementation (all controls relevant to eth audit, including all GITCs relevant to the audit)

Determine controls to be tested for operating effectiveness (includes GITCs related to these controls)

Control risk assessment based on expectation of operating effectiveness of controls; is used as basis for further planned audit procedures per ISA 330

## Matters for IAASB Consideration

2. The IAASB is asked for views regarding the proposed changes to ISA 315 (Revised) relating to enhancing the auditor's considerations of IT as explained the issues paper, i.e., changes relating to:
  - (a) Risk assessment procedures, understanding the entity and its environment and understanding the system of internal control (paragraphs 5, 11 and 12 of ISA 315 (Revised))
  - (b) The following components of internal control: the control environment, the entity's risk assessment process and the entity's process to monitor controls (paragraphs 14, 14A, 15 and 22 of ISA 315 (Revised))
  - (c) The following components of internal control: the information system including related business processes) and control activities (paragraphs 18 and 20/21 of ISA 315 (Revised))

Are there any other IT circumstances that should be included?

## Matters for IAASB Consideration

3. Are there other matters related to IT that the Task Force should be considering in finalizing the proposals for discussion at the December IAASB meeting?



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