

**CHAPTER 2 AUDIT STRATEGY PLANNING AND PROGRAMMING**

Q.no	Reference	Question	Answer
1	ICAI Module	“Once the overall audit strategy has been established, an audit plan can be developed to address the various matters identified in the overall audit strategy” Explain.	<p>The establishment of the overall audit strategy and the detailed audit plan are not necessarily discrete or sequential processes, but are closely inter-related since changes in one may result in consequential changes to the other.</p> <p>The auditor shall develop an audit plan that shall include a description of</p> <p>(a) The nature, timing and extent of planned risk assessment procedures, as determined under SA 315 “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment”.</p> <p>(b) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under SA 330 “The Auditor’s Responses to Assessed Risks”.</p> <p>(c) Other planned audit procedures that are required to be carried out so that the engagement complies with SAs</p>
2	ICAI Module	“Planning is not a discrete phase of an audit, but rather a continual and iterative process”. Discuss	<p>Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement.</p> <p>Planning, however, includes consideration of the timing of certain activities and audit procedures</p>

			<p>that need to be completed prior to the performance of further audit procedures. For example, planning includes the need to consider matters such as:</p> <ol style="list-style-type: none"> <li>1. The analytical procedures to be applied as risk assessment procedures.</li> <li>2. Obtaining a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework.</li> <li>3. The determination of materiality.</li> <li>4. The involvement of experts.</li> <li>5. The performance of other risk assessment procedures</li> </ol>
3	ICAI Module	<p>“The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors.” Explain</p>	<p>Factors affecting DSR:</p> <ol style="list-style-type: none"> <li>1. The size and complexity of the entity.</li> <li>2. The area of the audit.</li> <li>3. The assessed risks of material misstatement.</li> <li>4. The capabilities and competence of the individual team members performing the audit work</li> </ol>
4	ICAI Module	<p>“The utility of the audit programme can be retained and enhanced only by keeping the programme and also the client’s operations and internal control under periodic review so that inadequacies or redundancies of the programme may be removed” Discuss stating clearly the advantages of an audit programme.</p>	<p>The advantages of an audit programme are:</p> <ol style="list-style-type: none"> <li>(a) It provides the assistant carrying out the audit with total and clear set of instructions of the work generally to be done.</li> <li>(b) It is essential, particularly for major audits, to provide a total perspective of the work to be performed.</li> <li>(c) Selection of assistants for the jobs on the basis of capability becomes easier when the work is rationally planned, defined and segregated.</li> <li>(d) Without a written and pre-determined programme, work is unorganised.</li> <li>(e) The assistants, by putting their signature on programme, accept the responsibility.</li> <li>(f) The principal can control the progress of the various audits in hand by examination of audit programmes initiated by the assistants deputed to the jobs for completed work.</li> </ol>
5	ICAI Module	<p>“Determining materiality involves the exercise of professional judgment”. Discuss stating the factors that may affect the identification of an appropriate benchmark. Also give examples</p>	<p>Factors affecting selection of benchmark:</p> <ol style="list-style-type: none"> <li>1) The elements of the financial statements</li> <li>2) Whether there are items on which the attention of the users of the particular entity’s financial statements tends to be focused</li> <li>3) The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates</li> <li>4) The entity’s ownership structure and the way it is financed</li> <li>5) The relative volatility of the benchmark.</li> </ol>