

Chapter 02 Audit Strategy, Audit planning & Programme

Auditor's Responsibility to plan an Audit of FS

SA300 "Planning An Audit of FS"
Objective of the Auditor to plan an Audit

So that it can be performed effectively & Timely manner

Benefits

- ① Auditor Devotes → Appropriate Attention → Imp. Area
 - ② Auditor → Identify → potential → Timely Basis
 - ③ Auditor → Organize → Audit Engagement → effective & efficient
 - ④ Assisting in Selecting → engagement team members
 - ⑤ Facilitating → direction & supervision → Review
 - ⑥ Assisting → Coordination of work
- planning ensures → Audit Risk is reduced to an acceptable level → Reduces the Risk of inappropriate opinion

Nature of Audit Planning

Not A Discrete phase
continuous → Begins → Shortly after → previous Audit → continues → until completion → subsequent A
→ Extra Cycle → Audit procedures & Stages of Audit

RAP → SA 315 → Identification & Assessment of
RAP → SA 330 → Auditor's response to

Remember through Understanding the Entity & its Environment

→ things to be done before R.A.P → considers

- ① Analytical procedures → to be applied → RAP
- ② General understanding → legal → Regulatory Framework
- ③ Determination of materiality
- ④ Involvement of experts → Taking A/c of complexity of business
- ⑤ performance of other RAP

planning involves → Engagement partners → Experience & Insight → other key members → Enhance eff. & EFF

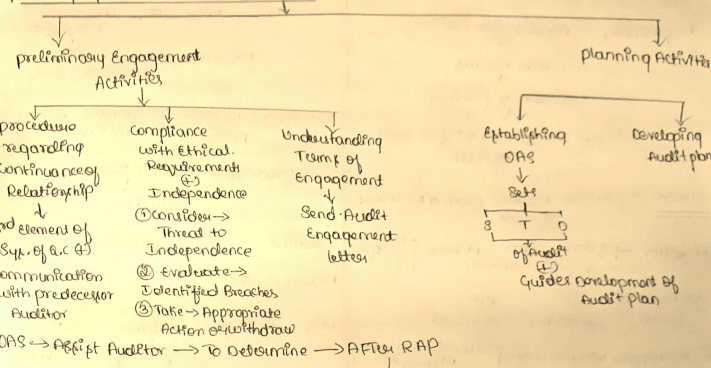
Discussion of elements of planning → with mg
Auditor may → facilitate → conduct → of AE
Not to compromise the effectiveness of Audit

Relation B/w Audit Strategy & Audit plan

Audit Strategy	Audit plan
Sets Broad overall approach	Addresses various matters identified in OAS.
Determines T_0 of Audit	Describes how strategy is going to be implemented
Less detailed than Audit plan	More detailed than OAS Includes NET of Audit procedures
OAS is Established first	Audit plan can be developed after OAS

* Establishment of OAS → sequential → Audit plan → not necessarily

planning process elements of planning



Resources to Deploy [TYPE] → Amount of Resources [Qty] → When to Deploy [Time] → How to Deploy [How]

* Factors to be considered → for establishing Audit Strategy

- ① Identify → characteristic → of engagement
App. FRF → nature of Business → Reporting Requirements → nature (N) Timing (T) → AE of LY.
- ② Ascertain in → Reporting objectives → To plan → nature (N) Timing (T)
Entity's. Timetable for Reporting → meeting to discuss → N E T of work → mg's expectation → Type Timing Communication of status of Audit → expected → communication among audit team members
- ③ Consider → significant factors → in directing → Team's efforts
Volume of Transactions → Industry Judgments → Δ in FRF → Δ in Environment.
- ④ Consider → Result → Preliminary engagement activities → Relevant knowledge of engagement partners
- ⑤ Ascertain → NET → of Resources Necessary.

Overall Audit Strategy & The Audit Plan - The Auditor's Responsibility

Responsibility → Remains with Auditor
 may discuss elements of planning with those comprising effectiveness of audit

Changes to planning Decision During The course of Audit

① Auditor - Update of ORA + planned [E] of RP
 Unexpected conditions are obtained

② This happens when → INFO of the nature of planning
 In an Auditor's position

Planning Supervisor's Review of work of Auditor shall plan [E] of [E] of [E]

- Factors of complexity → of entity
- Size
 - Area of Audit
 - Applicable RMM
 - Capabilities of the engagement team members

Audit Programme
 variable → particularly → Request Audit
 List of Examination steps to be applied - Involving
 Inward & outward
 Keeping in view the requirements of one step to another
 Clean & shown

(41) Detailed plan → of planning → Auditor's procedure
 Instructions → appropriate techniques for accomplishing audit objectives

Evolving One Audit Programme - Not practicable for all Buses

Not practicable → on all Buses
 vary in nature size composition work

Documentation
 Audit plan changes on Audit plan

- Documentation - Record of: (1) RAP & RP (ii) Proper planning of audit procedures Approved
- Auditor may use → set of audit program → Tailored → as needed

Prerequisites To Keep An Open Mind
 ① Auditor should have → minimum expertise
 firm → providing for → minimum expertise

② changes in programme → upon gaining experience
 By gradually increasing work.
 Applicants - note report - significant matters.
 open mind.

Periodic Review of Audit Programme
 ① To Assess → whether → some changes to be made
 Adequate For training requisite

② Auditor → may have to face local requirements
 Negligently conducted audit on the basis of an OBSOLETE Audit Programme.
 Knowledge Evidence

③ Audit ASB's Grant → Unusually → Follow instructions of Audit Programme until changed by principal
 if periodic review is conducted → it removes credibility

Constructing An Audit Programme
 Audit planning commences → conclusion → PA related program → Conclusion → PA
 Reconsidered → for modification Based on preliminary evaluation result of compliance Substantive procedures

① while developing Audit Program → Auditor may rely on IC.
 Eff. & Eff. work. conducted on audit
 not to rely on IC. other more efficient way to obtain suff. + appropriate

② considered → Timing of procedure
 Coordination with client
 Availability of Applicant
 Involvement of other - expected

③ when to perform audit procedure
 Generally some cases → not flexible
 Flexible eg. Director's cash

① Stay within [time] of the assigned.
 ② propose → written audit programme
 ③ identify → Best Evidence
 ④ apply → only useful steps

⑤ Include → audit objectives → of tasks
 ⑥ consider → potential errors
 ⑦ co-ordinate → procedures

Audit Programme - Designed To Provide Audit Evidence
 A.E. = Info → used by Auditor → in arriving
 Includes on which Auditor's opinion is based
 Info. In other info. A.C. records
 A.E. → basis for formulation of opinion
 audit programme → procedures
 → technical queries
 → drawn
 → considered
 → reviewed

Advantages
 ① Total & clear → set of instructions
 ② provide → perspective → work to be performed
 ③ selection of capable applicants
 ④ Audit can proceed systematically

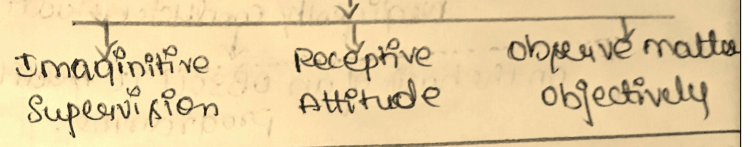
Advantages & Disadvantages of Audit Programme
 Advantages
 ① Total & clear → set of instructions
 ② provide → perspective → work to be performed
 ③ selection of capable applicants
 ④ Audit can proceed systematically

- ⑤ work may be tracked back to the asst start.
- ⑥ principal can track progress
- ⑦ serves as a guide for future Auditor
- ⑧ serves as evidences.

Disadvantages

- ① work → may become → mechanical
- ② programme → Tends to become → Rigid
Inflexible
- ③ Inefficient assistants → may take shelter.
- ④ Hard & Fast Audit programme → may kill initiative

Disadvantages may be overcome by



Advantages of Audit

① To detect errors & frauds

② To ascertain the truth of financial statements

③ To provide a basis for the formation of opinion

④ To provide a check on the management

⑤ To provide a guide for the future

⑥ To provide a basis for the formation of opinion

⑦ To provide a check on the management

⑧ To provide a basis for the formation of opinion

⑨ To provide a check on the management

⑩ To provide a basis for the formation of opinion

Disadvantages of Audit

① Work may become mechanical

② Programme tends to become rigid & inflexible

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Ways to overcome disadvantages

① Imaginative Supervision

② Receptive Attitude

③ Observe matters objectively