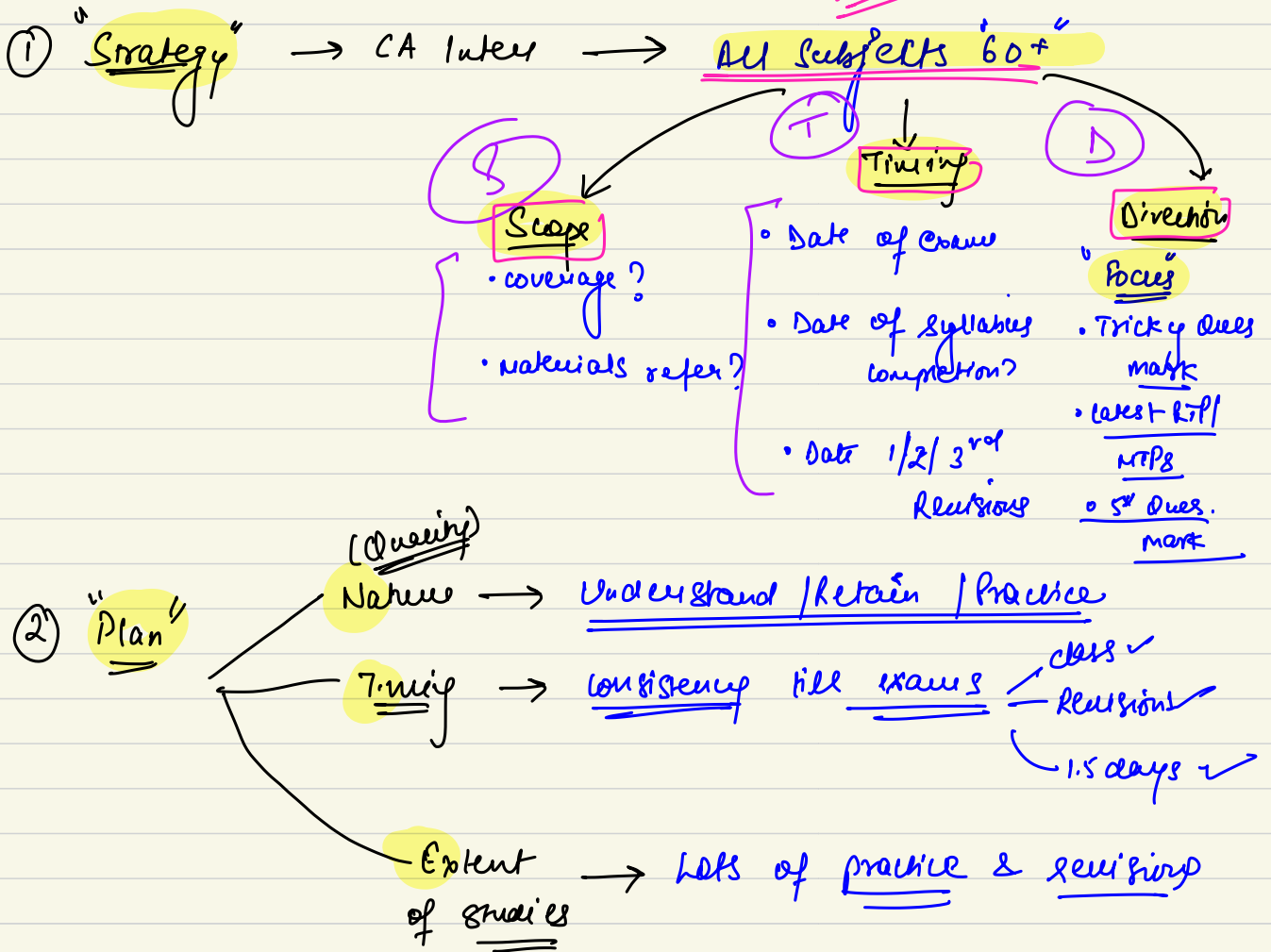


Hybrid Planning

Strategy
Plan

Eg Studies [Sharma Ji ka ladka]



Now let's link → with Audit

① Audit Strategy: Sets "STD" ← Scope ✓
Timing ✓
Direction ✓ of Audit.

② Audit Plan: Nature, Timing & Extent of

Audit Procedures.

- NTE of RAP
- NTE of FAP
- ⊕ ◦ NTE of other procedures as per SAs

③ Who's Involved in Audit Planning?

E.P. + other key members ^{Sagfire} [Experience + Insights] ^{Tajuba to Tajuba ✓}
↓
Effective & efficient audit.
opinion ✓
Time ✓
Cost ✓

④ Can we discuss "Elements of planning" with mgt?

"Yes", to facilitate engg. [Don't overshare]

↓ Why?

Can compromise effectiveness of audit.

Explⁿ

① Test of controls → purchases → docs ready ✓

or

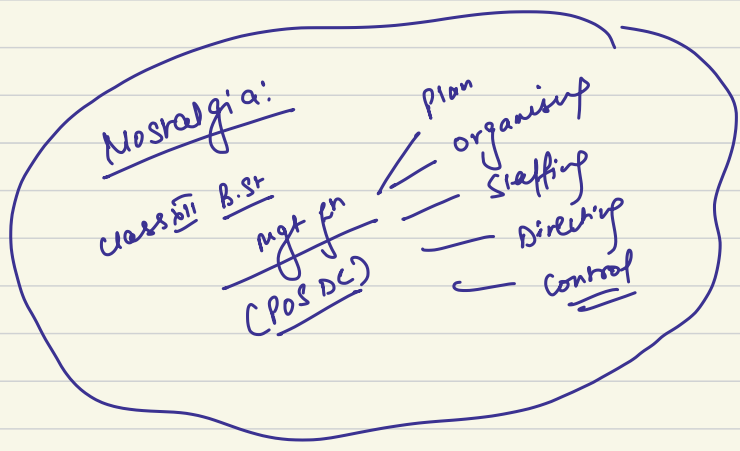
② Samples → mgt (penie) → Time mgt X

Advice

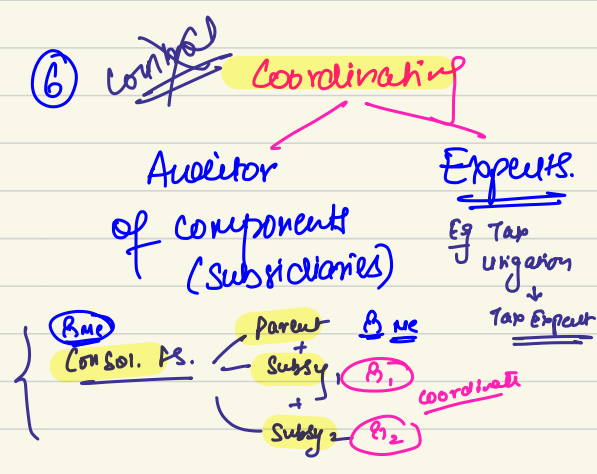
Testing time ✓

Benefits of Audit Planning (MTP May '24)

- ① Attention
↓
Important areas
Audit → manual
- ② Identify & Resolve potential problems ^{40%}
On timely basis.
staff ↓
recruit
Class R
Sath
- ③ Organise & manage audit enjg.



- ④ Selection of competent & Capable ET members.
SOCT
CCTR
- ⑤ Directing / supervise / Review of work
SOCT (EP)



Planning is a "Continuous" Process.

Planning not a "discrete phase" ^{repeated}

BUT

it is a Continual & Iterative process

- that begins at completion of previous Audit

②

• continues till completion of current Audit.

Point

Prior to G/A of Romm, planning considers:

Example

SA520

1) Analytical Procedures to be applied as R.A.P.

→ understand

3-4 times skip

FY 2020

Travelt. 19-20 1000

20-21 2050

increase 100% ↑

Corona or lockdown

→ Romm ↑

→ focus

SA250
→ ca find
↳

2) Obtaining understanding of Legal & Regulatory framework applicable to Entity.

penalty → Prod / Cont / Web
IS

SA320

3) Determination of materiality.

Risk of "material" misstatement
Common sense?

SA620
→ find

4) Involvement of Experts.

Yes

5) Other R.A.P.

Elements of Planning ☺☺



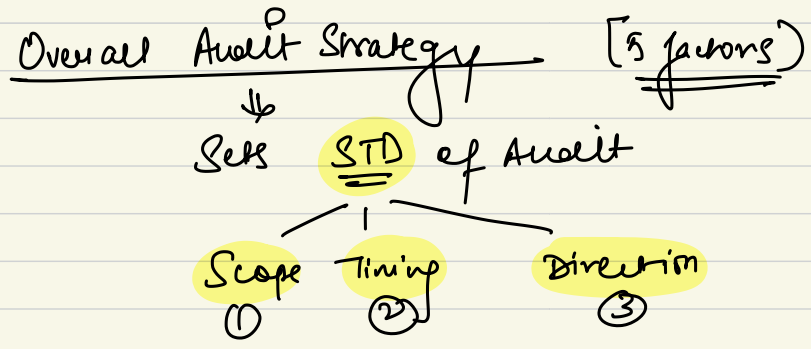
• Procedures for Acceptance / Continuance of client Relationships / Engg. → SEC I

• Evaluating compliance with Ethical Requirements, including Independence. (Qualities → CoT Prof) SA 220

Communicate
 Threats → CoR, Breach
 Safeguards → ↓ (withhold)

• Understanding Terms of Engg. SA 210





(a) Characteristics of engg that define its Scope. [MTP May-24]

- Eg. Reporting
- Applicable FRF. [Scha III disc ↑ → scope ↑]
 - Industry specific Reporting requirements. [Telecom → TRAI → Report "users" → scope ↑]

↑ • Nature of Business Segments. [ITC] → FMCN, HOTEL, Stationery → Scope ↑
 ↳ specialised knowledge

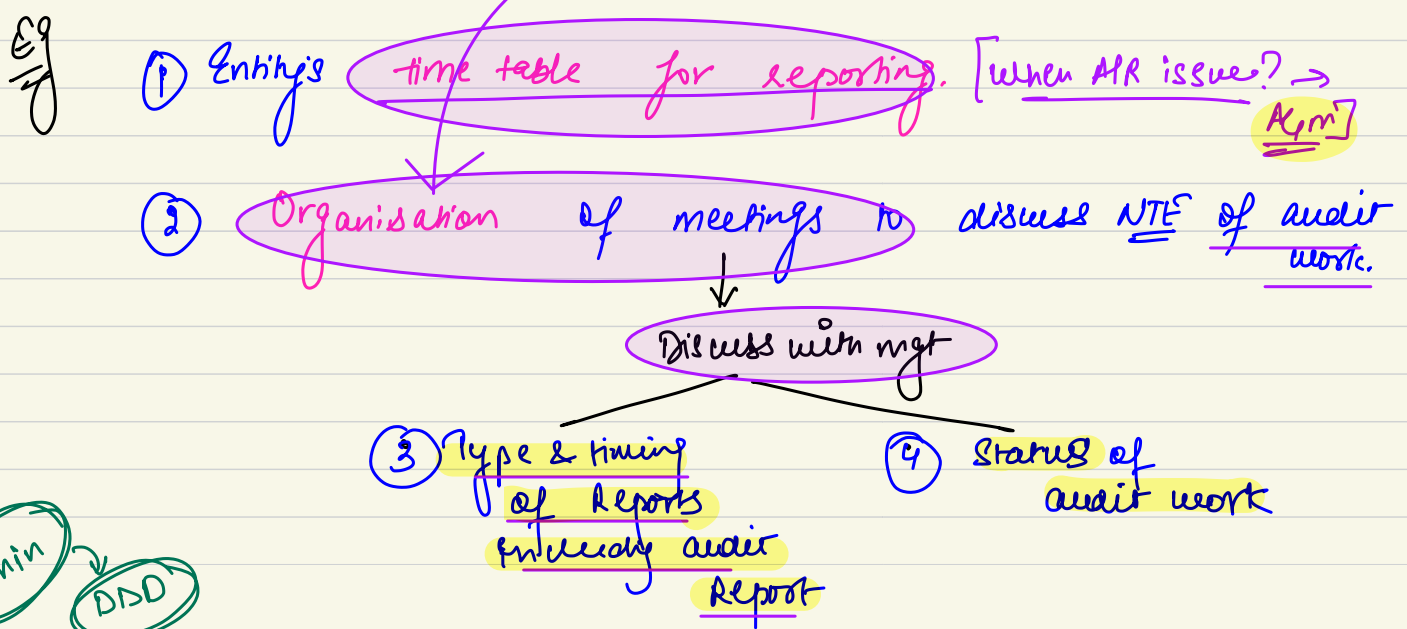
↓ • Expected use of evidence of previous audits. [ADD]
 ↳ Scope ↓ [Eg Rent Agreement valid 5 years]

(min)

(b) Reporting objectives of engg to plan Timing of audit & nature of Communication required.

which report → Audit Report, Other Report

tab?

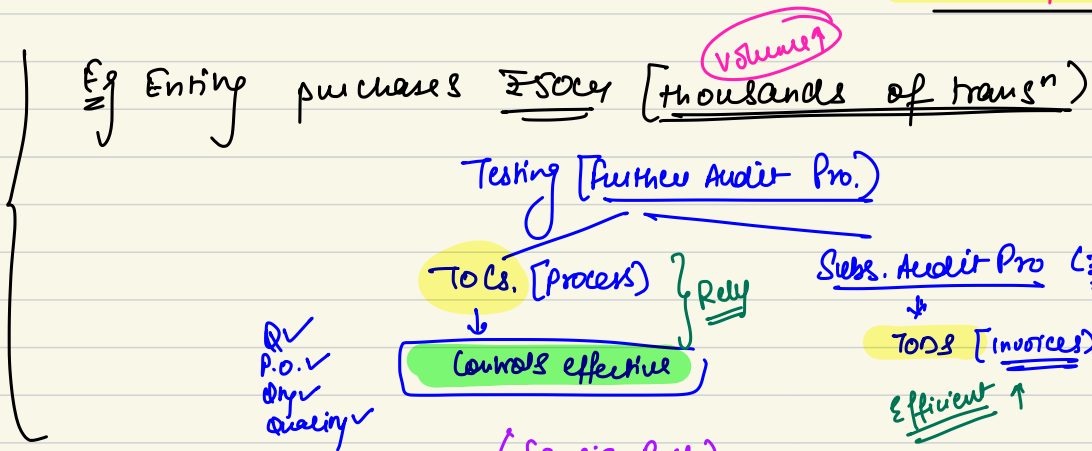


(min) → DSD

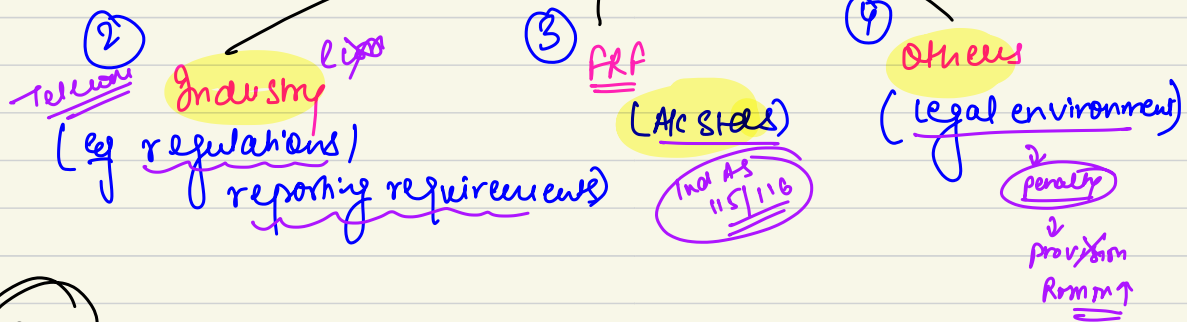
⑤ Nature & timing of communication among ET members.

① Factors → Auditor's P.J. → significant in "directing" ET's efforts. [Romney] → feel of sig. risk

② Volume of transⁿ → more efficient to rely on internal controls.

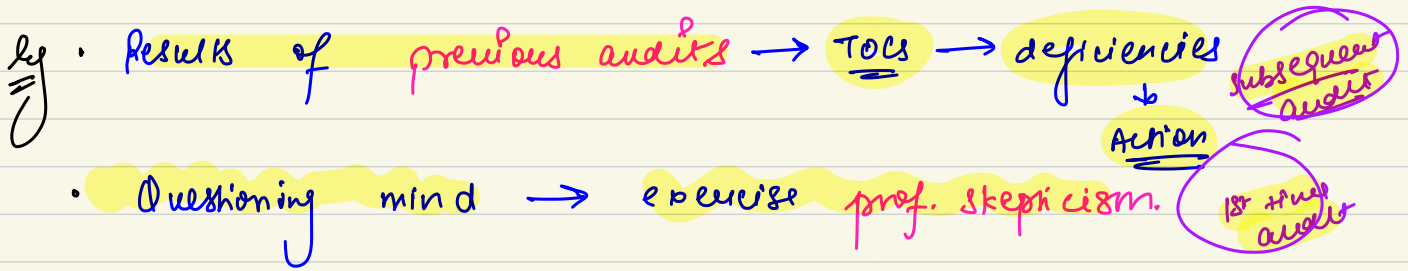


(Eg sig Risk) Significant changes / Developments (DDP)

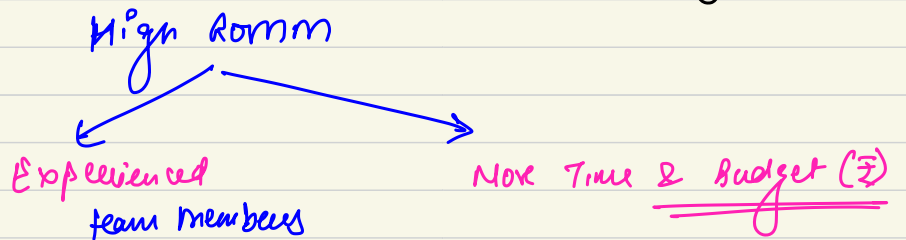


min

(d) Results of PEA & knowledge gained on other engg.



(e) Ascertain "NTE" of resources to perform engg.



Q.ues. [H.W] Q 4, 8, 9, 10, 15 [Past Exams]

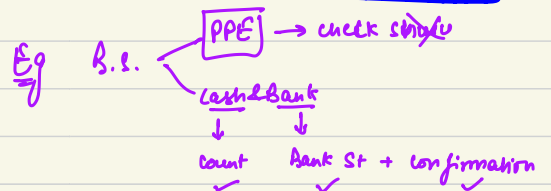
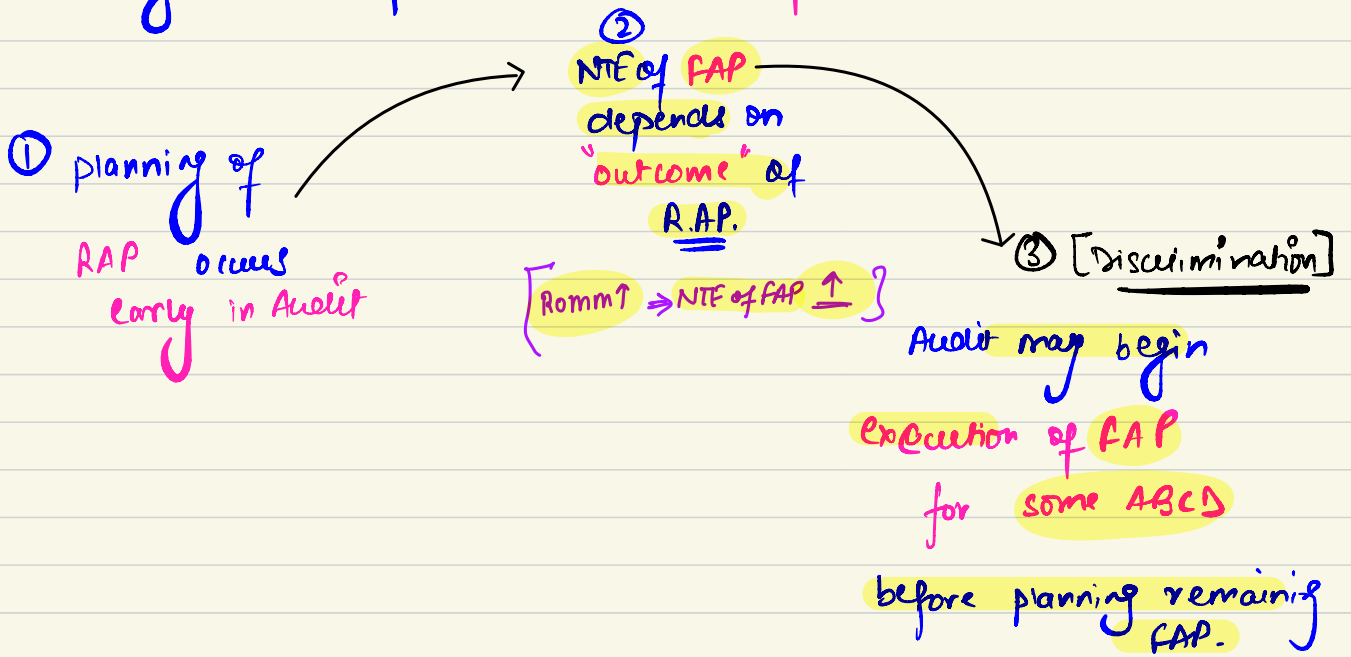
@ad support staff

Description / Contents of Audit Plan



* Audit plan is more detailed than audit strategy as it includes NTE of Audit Pro. Decision (60+)

* Planning takes place over course of Audit.



"Changes" to plan during Audit

Reasons:

(i) Unpredicted Events

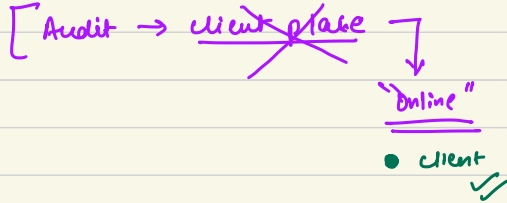
Corona

(ii) Changes in Conditions

lockdown

(iii) Audit Evidence obtained from audit Pro.

4-5 lines skip



Explⁿ of point (iii)

① Auditor needs to modify strategy & plan i.e. NTE of FAP

↓

Based on Revised ROMM

↓ kyun

② Info. comes to auditor's attention significantly

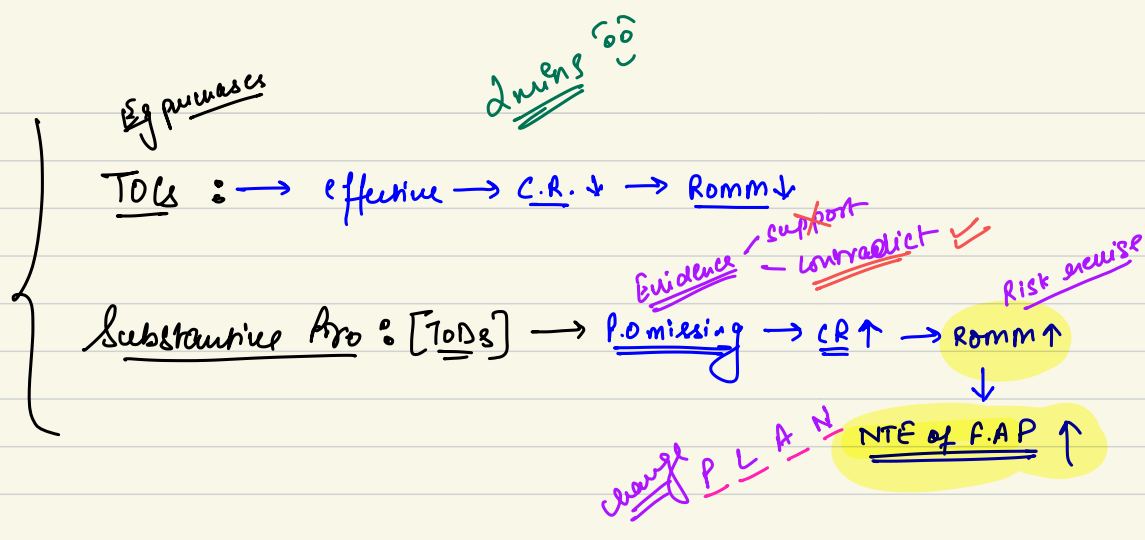
different from info. when auditor planned audit Pro.

↓ (Eg)

③ Audit evidence from Substantive Pro.

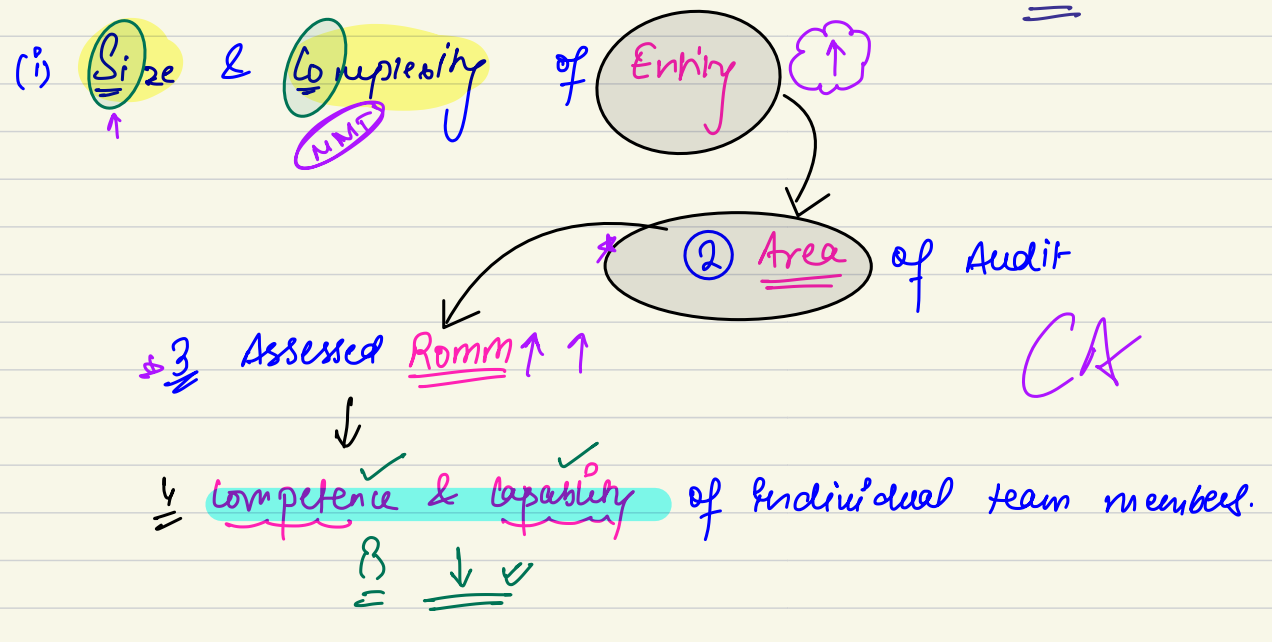
"CONTRADICTS"

Audit evidence from ToC.



Direction, Supervision & Review

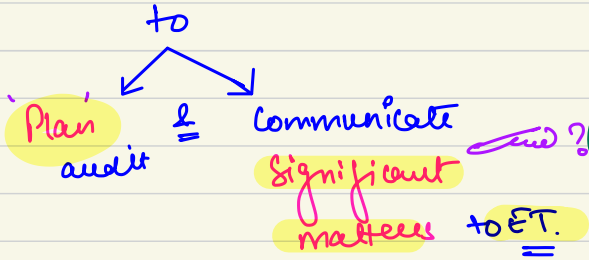
"NTE" of D/S/R depends on following "FACTORS":



* Documenting Audit Plan *

(a) Overall Audit Strategy

Record of: key decisions ^{Co+}



Eg Summarise it in form of memorandum contains key decisions regarding ST ~~D~~ Conduct of Audit.

(b) Audit Plan

Record of NTE of ^{RAP} _{FAP.}

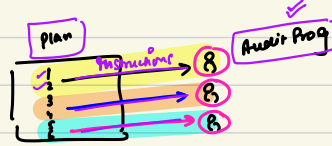
Benefits:

- Record → Reviewed & Approved prior to performance.

Tools:

- Use Audit Program

checklist.



done!
DSD ✓

(c) Significant CHANGES to Strategy & Plan

- changes in A.Pro.
- why?
- Strategy & Plan finally adopted.

Plan

Description

RAP/FAP/other

- more detailed.
- course of audit

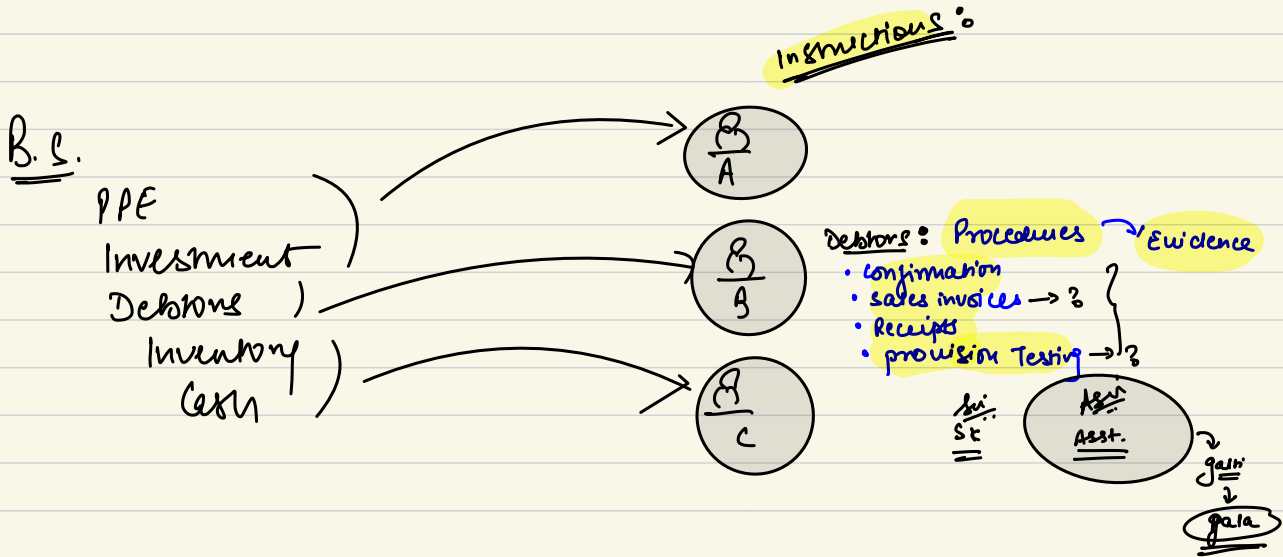
Documentation ^{mu}

• Meaning

• Purpose

• Tools

3M



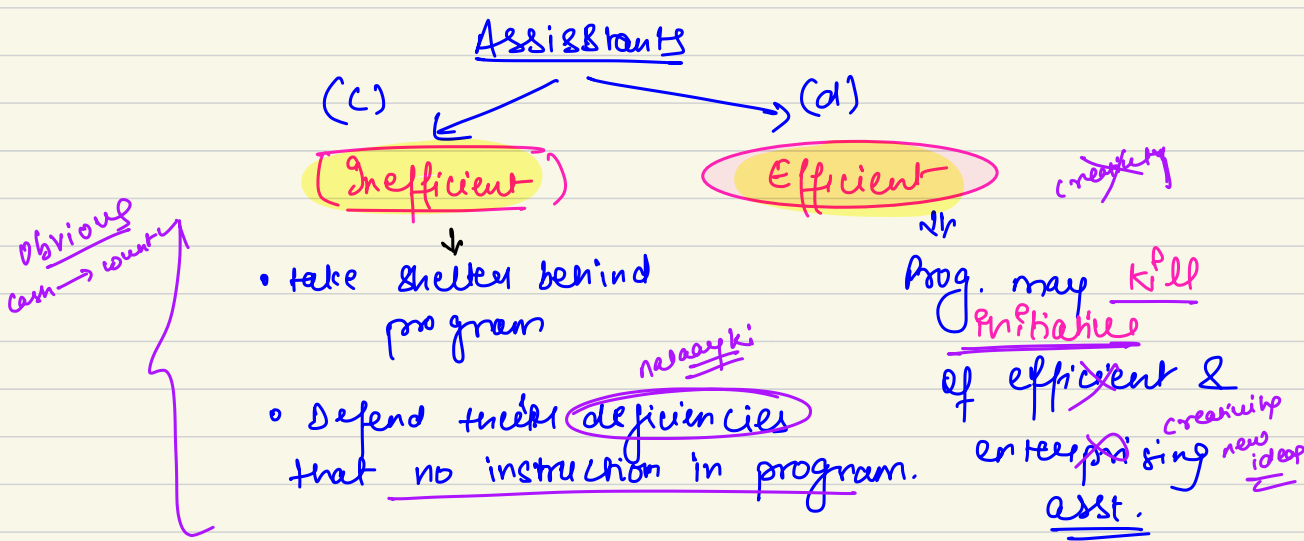
Disadvantages of Audit Prog. [Debtors ^{Quadrant} New → prov. confirm] months of yr

Audit Prog why

a) Work can become mechanical & may be carried out without understanding objectives. why?

b) Prog. becomes Rigid & inflexible.

[Business / staff / controls → may change
But still old program is carried on]



For all Business → "One" Audit Program?

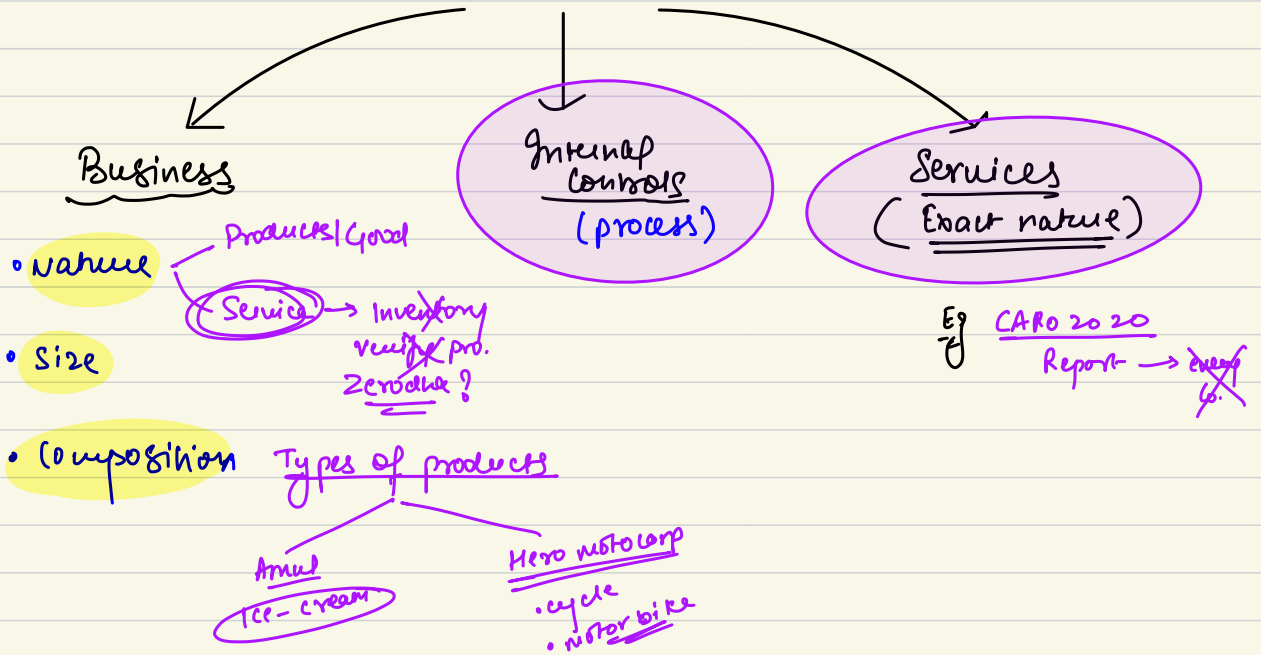
NO

NOT Practicable



Why?

"Variations"



Periodic Review of Audit Program

Why?

Assess whether it continues to be adequate for obtaining Knowledge and Evidence

Amazon Return
 15 days Return
 A/c impact
 Audit

Nani Kare Toh?

Any changes in Business Policy may not be known

Audit work on basis of obsolete Audit program

for his Negligence

Auditor can face legal consequences

Daruna

Benefit?

usefulness

Utility of A. Prog.
 Retained
 Enhanced ↑

Review of prog. client operation & etc.

Redundancies/Inadequacies Removed

Example

Br

Basic feature [A. Prog] → Lists

Tasks
 Instructions (Sampling plan, extent of checking etc)
 base work
 bya check? Debiting

Jr

Every asst. carry work as per instructions

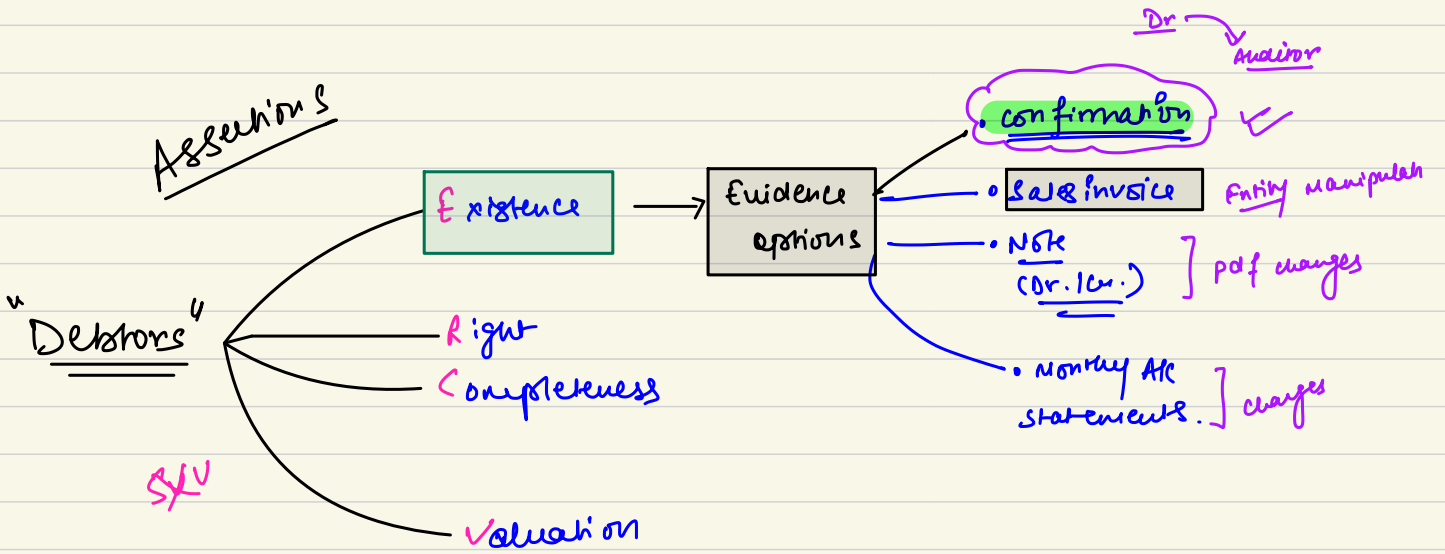
Rigidity in Audit Prog.

Spin

Not true provided

- periodic review done to keep prog. upto date
- Asst. encouraged (open minded)
i.e. observe AIC f'n.

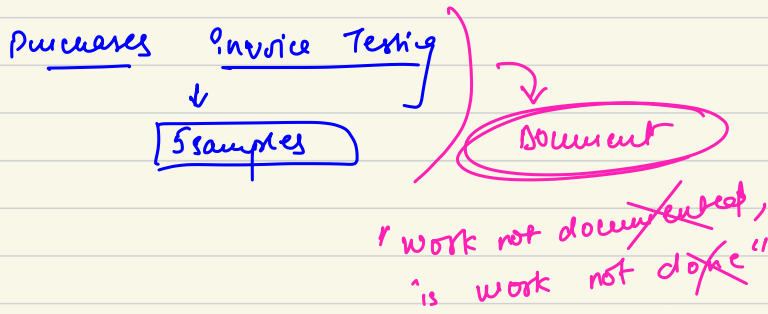
Spin → 80-85%
flow reveal



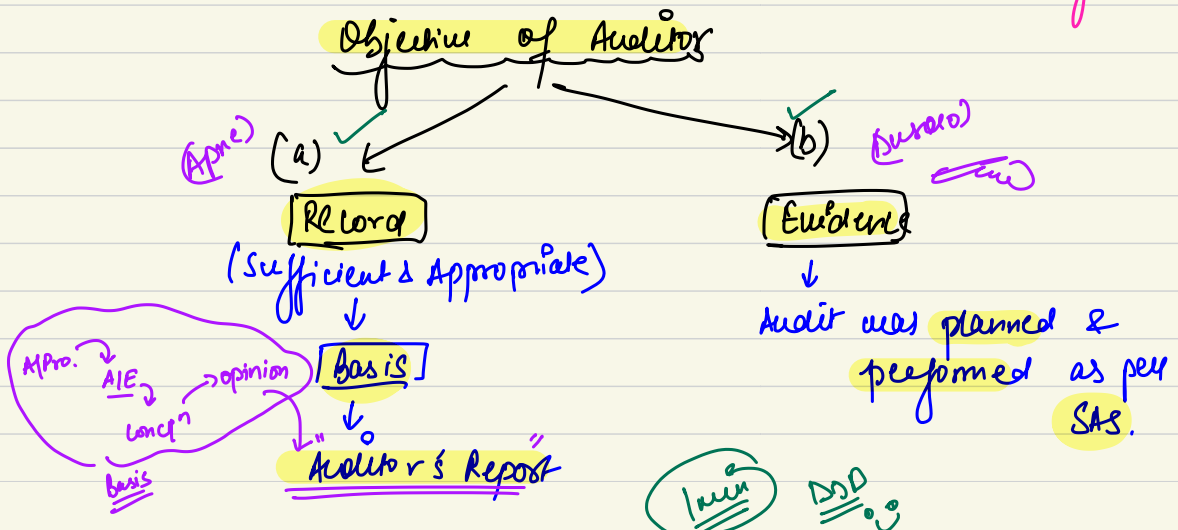
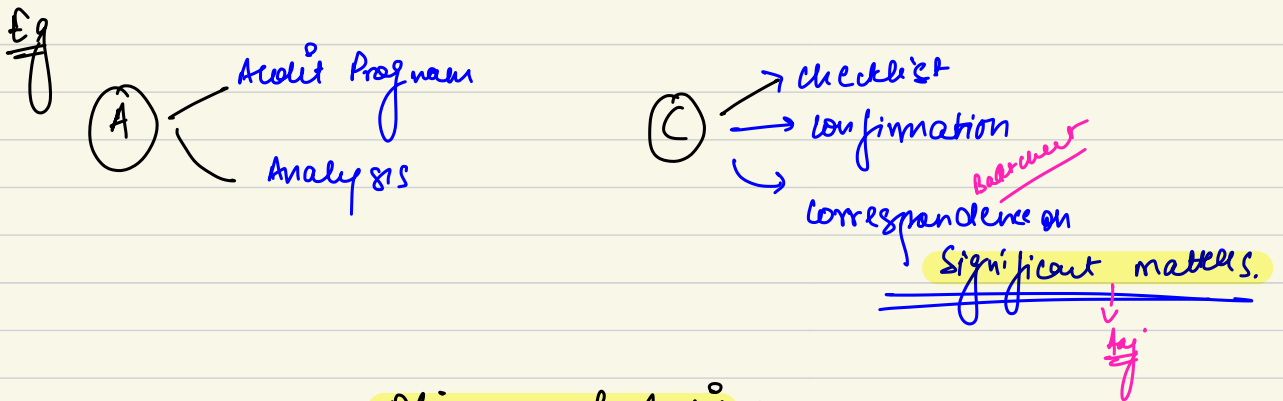
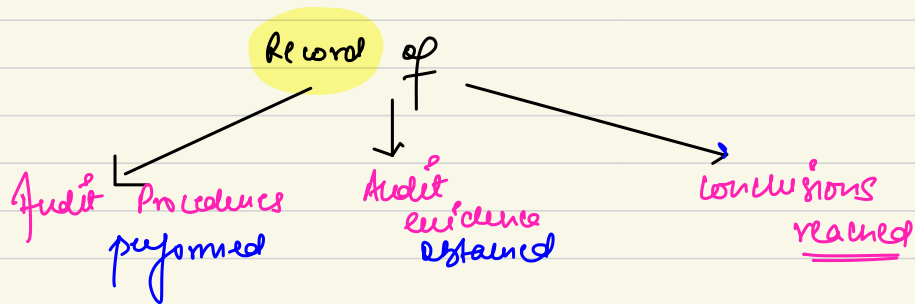
Evidence → Highest weight → Highest satisfaction about assertion.

Audit Documentation

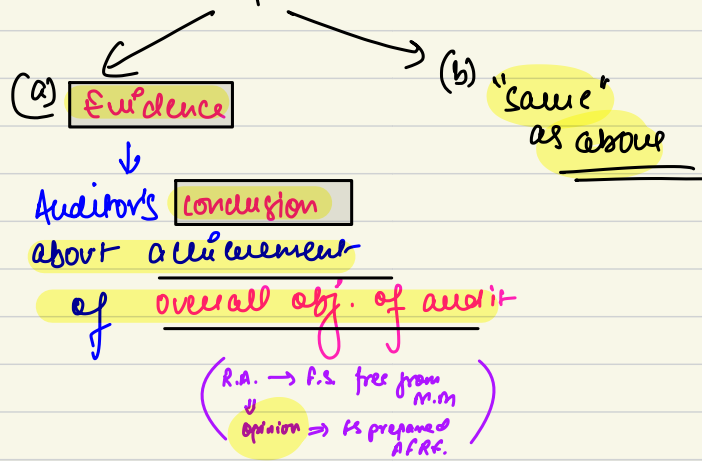
[5 marks - 3M Descrip. - 2M MCDs]
 V.V. Simple. → Scoring



Q What is Audit Documentation (A.D.)?



Nature of A. D.

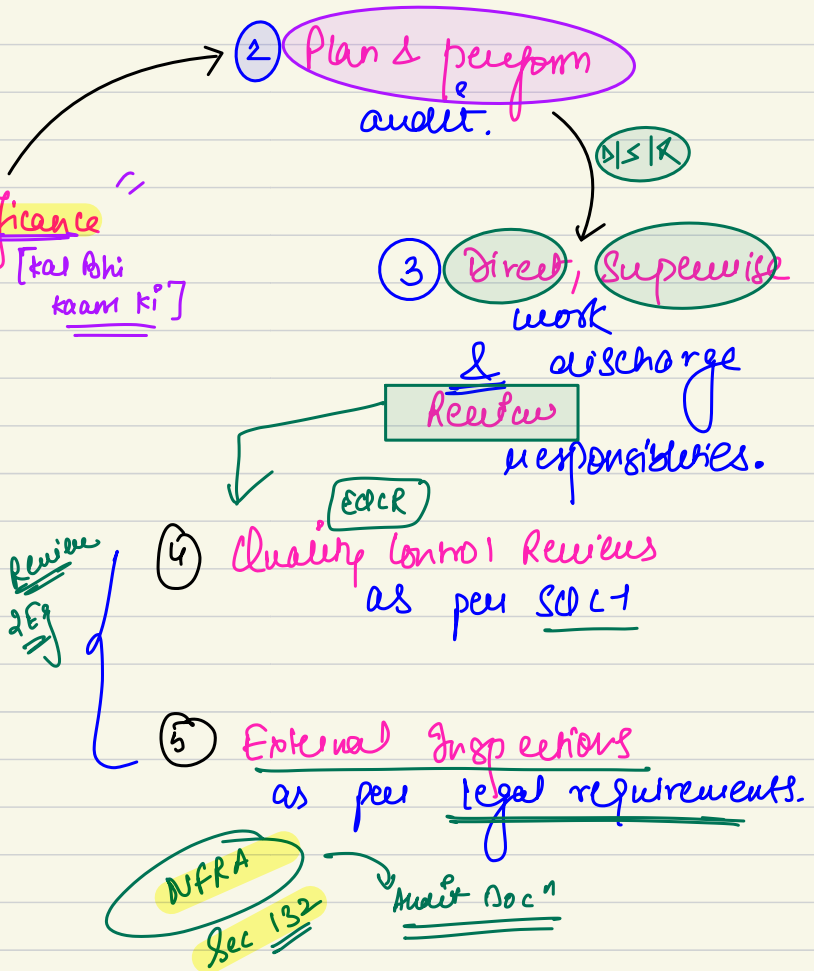


Purpose of Audit Documentation

① Retaining record of matters of "continuing significance" for future audits.

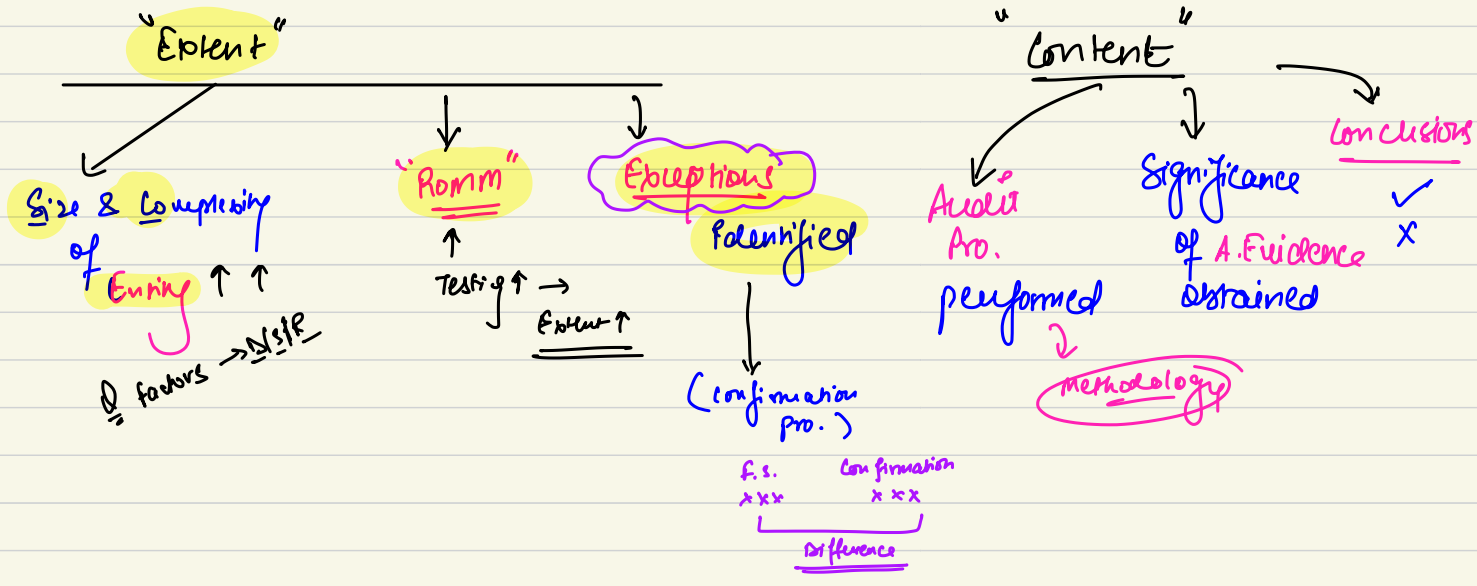
Eg Rent Expense ↓ Agreement 5 years validity

① Main → DDD



ICAI favorite
Humors

Factors affecting ~~form~~, Content & Extent of Audit Documentation



Significant Matters to be Documented [M → Min] → significant DARR

Examples 1) Significant Difficulty in applying Audit Procedures.

[Eg Auditor → confirmation to creditor → mgt denied → x valid Reason x]

2) Results of Audit Procedures → Tolls → ROMM

- f.s. 'could be materially misstated' (or)

• Revise ROMM & Auditor's Response to Assessed Risk [F.A.P. Dusra naam] [AR] 2

3) Matters giving rise to Significant Risks. [Eg Complex Fraud]

4) Audit Report → Modified opinion (or) Emphasis of matter (EOM) para. [wait SA706]

Audit Documentation on Use of "Prof. judgment" Decision

Significant judgment? "Aut. Fa. Re." ~~just~~

5 Min → Bm → M.P. Oct-21

Logic
"Basis" for auditor's conclusion

When (SA) Requirement provides

"Audit shall consider certain Factors"

Significant
FAR

"Reasonableness" of Areas of Subjective judgment

Eg Atc Estimates → Reasonable?

Litigation → Provision for Penalty → Basis? Reasonable?

- lawyer confirmation
 - Court docs. / orders
- Document

"Authenticity of Document" when further investigation done

Sube P.S. → put ↓ doc ↓ Auth to

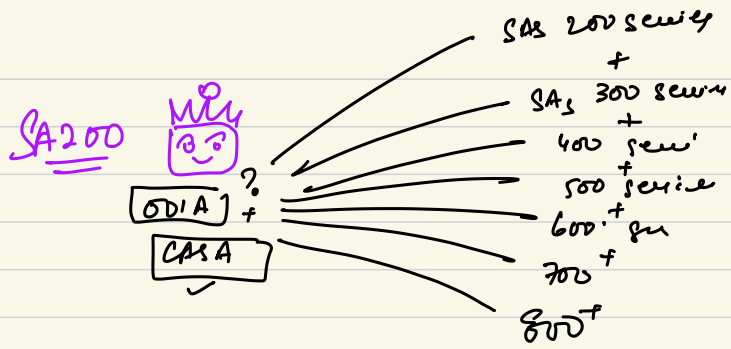
- Expert help
- Confirmation 3rd parties ✓

2 min BDD → + Asok Read

Completion "Memorandum" / Audit Documentation "Summary"

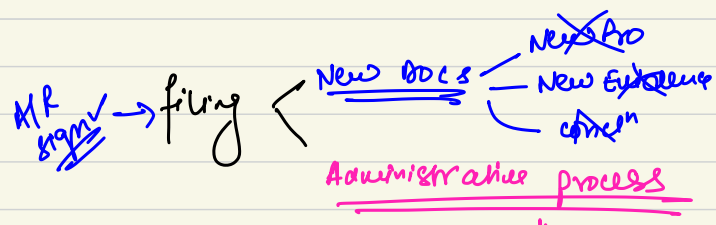
Describes significant matters identified & how they were addressed. *Deal?*

- B. Review kya*
- Benefit: ① Facilitate Effective & Efficient Review of A.D. for Large & Complex Audits. [Silo.]
- B. Kaam kya*
- ② Assist auditor to consider Significant matters.
- ③ Help auditor to know if any SA's objectives not achieved presents in achieving overall objectives of audit.



Audit file

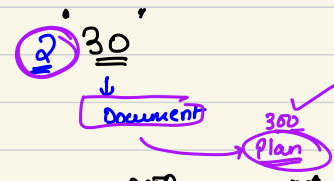
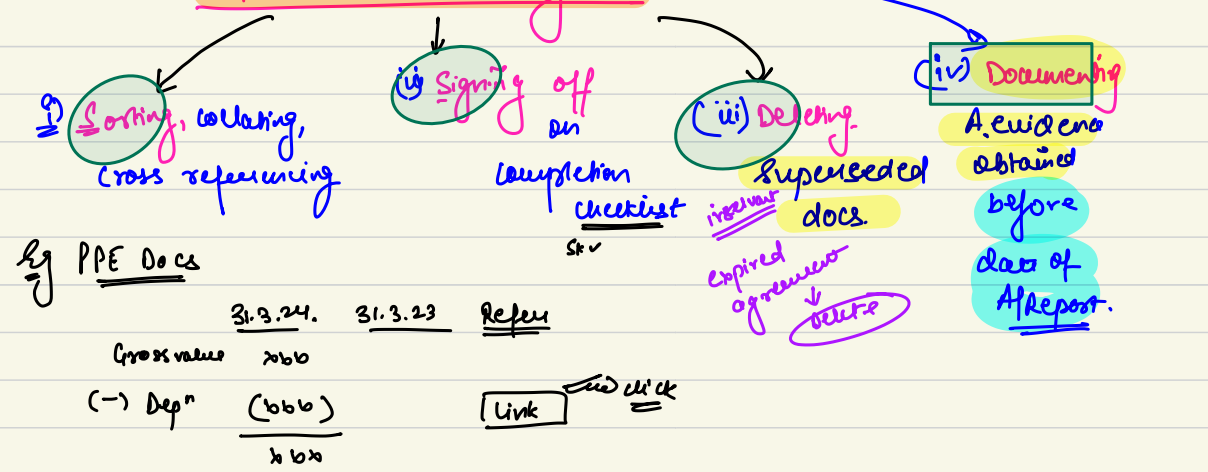
- one / more **folders / storage media** [physical / electronic] *file / folder*
- contains **Records** comprising A.Doc. *cloud storage / pen drive / HDDs*



"Selective" Changes? [3-yr]

in A.D.

Administrative changes



M.W. 01 | 2 | 3 | 4 | 5 | 6 | 9 ✓