

SA 300 - Planning an Audit of FS

<p>Benefits/Advantages of Planning in Audit</p> <ul style="list-style-type: none"> • Timely resolution of Potential Problems • Attention to Imp areas • Proper Org & Mgt of Audit Engagement • Proper Selection of Engagement Team • Direction & Supervision of Engagement Team • Easy Coordination of work done by auditors of components & experts <p>EP & other members of team shall be involved in planning audit to enhance effectiveness & efficiency of planning</p>	<p>Planning - A Continuous Process</p> <p>Planning is not a discrete (separate) phase of audit, but rather a continual and iterative (never ending) process. Prior to auditor's identification and assessment of ROMM, planning needs to consider -</p> <ul style="list-style-type: none"> • Obtaining general understanding of entity's legal framework • AP to be applied as RAP • Performance of other RAP • Determination of materiality • Involvement of experts
<p>Preliminary engagement activities</p> <ul style="list-style-type: none"> • Establishing understanding of terms of engagement (SA 210) • Performing procedures regarding continuance of client relationship & specific audit engagement (SA 220) • Evaluating compliance with ethical requirements (independence) (SA 220) 	<p>Overall Audit Strategy & Plan - Responsibility of Auditor</p> <ul style="list-style-type: none"> • Auditor is responsible for establishing audit strategy and plan • He cannot ask Mgt to prepare strategy • He may discuss elements of planning with Mgt without compromising effectiveness of audit
<p>Contents of Audit Plan</p> <p>Audit plan shall include description of -</p> <ul style="list-style-type: none"> • NTE of planned RAP (SA 315) • NTE of planned FAP (SA 330) • Other planned audit procedures to comply with SAs 	<p>Nature of Planning vary according to</p> <ul style="list-style-type: none"> • Size & Complexity of Auditee • Past Experience & Expertise • Change in Circumstances
<p>Overall Audit Strategy</p> <p>Audit strategy sets STD of audit & guides development of audit plan</p> <p>Factors while establishing Audit Strategy</p> <ul style="list-style-type: none"> • Considering results of preliminary engagement activities • Determination of Characteristics of Audit • Directing Engagement Team's Efforts • Reporting Objectives of Engagement • NTE of Resources 	<p>Benefits of Overall Audit Strategy</p> <ul style="list-style-type: none"> • Employment of Qualitative Resources • Timing of Deployment of Resources • Allocation of Quantity of Resources • Mgt of Resources <p>Documenting Audit Plan</p> <ul style="list-style-type: none"> • Overall audit strategy - Record of key decisions to properly plan audit • Plan - Record of planned NTE of RAP & FAP • Any significant changes made during audit & reasons for such changes

<p>Changes to Planning Decisions</p> <p>Auditor may need to modify Audit strategy and plan due to -</p> <ul style="list-style-type: none"> • Unexpected events • Changes in conditions • Audit evidence obtained from audit procedures • When info comes to auditor's attention that differs significantly from info available when auditor planned audit procedures 	<p>Relationship between Audit Strategy & Plan</p> <ul style="list-style-type: none"> • Audit strategy is prepared before audit plan • Audit plan contains more details than strategy & describe how it is going to be implemented • Audit strategy & plan are closely inter-related since changes in one result into changes to other • Audit strategy provides guidelines to develop audit plan
<p>Audit Programme</p> <p>It is prepared to allocate work to team members & include list of audit procedures</p> <p>Formulating Audit Programme</p> <ul style="list-style-type: none"> • Nature of business in which Org is engaged • Size of Org & structure of its Mgt • Info of Org of business • A/c & Mgt policies • ICS & A/c procedures • Overall plan 	<p>Audit programme is to be altered during audit</p> <ul style="list-style-type: none"> • If audit procedures were designed for certain volume of turnover & subsequently volume have substantially increased • If there is extraordinary increase in amount of book debts or stocks as compared to previous year • When suspicion has aroused during audit that assets are misappropriated • When during audit, it is discovered that IC are not as effective as assumed at time audit programme was framed
<p>Revision in Audit Programme</p> <p>At each subsequent engagement, programme should be modified due to -</p> <ul style="list-style-type: none"> • Experience during previous audits • Imp changes in business • Evaluation of IC for current year 	<p>Audit Execution</p> <p>Key phases in audit execution stage are -</p> <ul style="list-style-type: none"> • Execution Planning • Risk & Control Evaluation • Testing • Reporting