Chapter - 2

Audit Strategy, Planning & Programme

- Why Planning an audit is Necessary? it's Benefit:-

- Helping auditor
  - attention To IMP. area.
  - I&R Potential Problem
  - O&M Ass. Egt.
- Assisting
  - Selection of E.T.M.
  - co.ordi. of work of Expert
- Facilitating
  - DRS of ETM work.

Therefore, Planning An Audit Ensure that Audit Risk is Reduced to an Acceptably low level.

Planning Process.
(element of planning)

- Preliminary Egt Activities
- Planning Activities.
  - Establishing overall Audit Strategy
  - Developing An audit plan.

Priliminary Egt. Activities.

Performing procedure regarding C.C.R. & Audit Egt.

Firm should obtain Info. on matter such as,

- Integrity
- Competence.
- Implication of matter.

Evaluate compliance with Ethical Req. incl. independence

It is require to form conclusion for that auditor shall,

- I & E circum. or Relationship that create T.TO.I
- Determine whether mgt. create any T.TO.I for Audit Egt.
- Take Apt. Action
  - eliminate Threat → apply S.G.
  - withdraw from audit → if permit by law.

Establishing an understanding of Terms of Egt.

NOTE:- For detailed Elaboration Refer Module-2. (AB-3)

Planning Activities.

Establishing overall audit strategy. *

Factor

- Identify the characteristic* of Egt. that define it's scope.
  - *F — AFRF
  - I — Ind. specific Reporting Req.
  - N — Nature of BSNS segment
  - E — AE of PHe. Audit
- Ascertain the Repo. objective of Egt. To plan timing of audit & Nature of communication Required.
  - For Eg.
    - Entity T.T. for Reporting
    - orgn. of meeting To Discuss NTE with mgt.
    - Discuss with mgt. Expected Type & Timing of Report.
    - NTE of, comm. among Team member their Review.
- Signi. factors In A.P.J.
  - eg.
    - V.O.T. (is Rely on IC ?)
    - Δ in Indus. Dvlp.
    - Δ in AFRF
    - Other Δ in legal ENVRN.
- Consider the Result of Prilim. Activities. (R.O)
- Ascertain the NTE of Resources. (R.O)

Developing An audit Plan.

It shall inc. Discription of

- NTE of RAP
- NTE OF FAP
- other PAP that Require To comply with SAs.

(*) the auditor shall Req. To Develope an audit strategy that sets S.T.D. of the audit. and that guides the developement of audit Plan.

- Relationship B/W Audit Strategy & Audit Plan :-

<table>
<tr><th>Audit Strategy</th><th>Audit Plan</th></tr>
<tr><td>• Set Broad level approach To audit.
• Determine S.T.D. of audit.</td><td>• address the matter identified during the audit strategy
• How strategy is Implemented
• more Detailed than A.S.</td></tr>
<tr><td colspan="2">• Both are Not sequential process.
• closely Inter Related
• Δ in one Results in Δ in other.
• Auditor's Responsibility.</td></tr>
</table>

- Benefit of overall Audit Strategy :-

Assist Auditor To Determine, RESOURCES

- To Deploy.
  - $\uparrow$ Risk. — Experi-enced.
  - complex matter. — expert.
- Amount Allocate.
  - Review of Q.A. work. In case of group audit.
- When To Deploy
  - at Interim Stage?
  - OR at KCD?
- How managed.
  - D.R.S.

• Nature of audit Planning - A continuose process:-

→ Audit Planning Begins shortly after the completion of the previouse audit and continue untill the completion of current A.E.

→ matter consider for Planning:-

ROMEO

A.P. Applied AS R.A.P. | Performance of ORAP | Materiality | Involve Expert? | understa. OF L&R F.W.

• Planning, Review & Supervision (PRS) of ETM:-

The Auditor shall plan NTE of DRS of ETM Based on

C = capabilities & competencies.

A = Area of audit

R = AROMM

S = size & complexity of entity

• Documentation:-

1.] Audit Strategy [Records of key decision]

2.] Audit Plan [Records of Planned NTE of {RAP, FAP} ④ ASS. lvl.]

3.] changes in ① or ②

4.] Resulting changes in A.P.

5.] why changes?

6.] final Adoption ① & ②

Audit Programme

Definition :-

An Audit Programme consist of,
- series of verification process
- Applied at F.S. & A/C Balances of given entity.
- For the purpose of obtaining SAAE
- enable the auditor to Express an informed opinion on F.S.

Features :-

- Work which is suitable for one BSNS may not for other.
- one A.P. cannot applicable to all.
- Assistant Has to keep an open minded.

• Points kept in mind while programme constn:

- Stay within the scope & limit of Assignment.
- Prepare a W.A.P.
- Apply only those steps useful in verification purpose.
- Co-ordinate the procedure applied to Related item.
- Determine the A.E. Reasonably Avl. and identify best evidence.
- Include Audit objective for each area.
- Consider All Posibility of ERROR.

• Advantages and Disadvantages of Audit pro:

Advantages.	Disadvantages.
• provide assistant, instruction • provide Total perspective of work. • Risk of overlooking B & Rec is less- audit can proceed significantly. • By sign on A.P. assistant Takes the Responsibility • Examination principle can control the progress. • guide for succeding audit • settle as evidence	• work may Become mechanicle. • Rigid and inflexible.

NOTE:-
It may be Eliminated By.
- Imaginative supervision
- Receptive attitude
- Asistant should be encouraged to observe matter objectively.
- Notice signi. matter.
(SQ.)

- Points kept in mind while programme constⁿ:

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  - Prepare a W.A.P.
  - Apply only those steps useful in verification purpose.
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Other Point Read from Books (M2) :-

1.] Other IMP. NOTES.

2.] Assistant Has To Keep open mind.

3.] Periodic Review of audit programme.