



CA INTER AUDIT

BY NEERAJ ARORA

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SCAN ME

SA 300 - Planning an Audit of Financial Statements

<p>Objective</p>	Audit is performed in efficient and effective manner	
<p>Involvement of Key Engagement Team Members</p>	Engagement partner and other key members of ET shall be involved in Planning	
	Advantage	Draws on their experience and insight Enhance - Effectiveness and efficiency of audit
<p>Discussion of elements of planning with management</p>	may be done to facilitate the conduct and management of the audit.	
	the overall audit strategy and the audit plan remain the auditor's responsibility.	
	care is required in order not to compromise the effectiveness of the audit.	
<p>Benefits of Planning</p>	1. Appropriate attention	to important areas
	2. Identify and resolve	potential problems
	3. Properly organize and manage	the audit
	4. Selection	of engagement team members
	5. Direction, supervision and review	of ET and their work
	6. Coordination	of work done by auditors of components and experts

Preliminary Activities (PA)			
SA 220	Perform	Procedures required regarding the continuance ⚡	Will Help Auditor in Ensuring - no issues with management integrity that may affect the auditor's willingness to continue the engagement
SA 220	Evaluate	compliance with ethical requirements, including independence	Will Help Auditor In maintaining the necessary independence and ability to perform the engagement.
SA 210	Establishing	Understanding of the terms of the engagement	no misunderstanding with the client as to the terms of the engagement.
PURPOSE (PA Helps in)	identifying and evaluating events or circumstances	that may adversely affect the auditor's ability to plan and perform the audit engagement.	



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Planning activities

The nature and extent of planning activities will vary according to the

*size and complexity of the entity,

* the key engagement team members' previous experience with the entity, and

* changes in circumstances that occur during the audit engagement.

Overall Audit Strategy (Scope, Time, Direction) - guides the development of Audit plan	Establishing the overall audit strategy,	CS - characteristics and scope
		RO - reporting objectives
		ETE - Factors that are significant in directing the engagement team's efforts
		PEAOE - results of preliminary engagement activities and knowledge gained on other engagements
In short, OAS is the basis of Audit Plan	How would the audit strategy be helpful to the auditor?	Nature of resources
		Extent of resources
		Time of resources
		Management of resources
Audit Plan more detailed than the overall audit strategy that includes the nature, timing and extent of audit procedures to be performed by engagement team members	nature, timing and extent of planned risk assessment procedures - SA 315	Planning of the auditor's risk assessment procedures occurs early in the audit process.
	nature, timing and extent of planned further audit procedures at the assertion level - SA 330	planning the nature, timing and extent of specific further audit procedures depends on the outcome of those risk assessment procedures.
	Other planned audit procedures that are required to conduct the engagement that complies with SAs.	



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Change in OAS and AP		
The auditor shall update and change the overall audit strategy and the audit plan as necessary during the course of the audit as a result of	As a result of unexpected events,	
	Changes in conditions,	
Examples	the audit evidence obtained from the results of audit procedures	
	revised consideration of assessed risks	
	information comes to the auditor's attention	that differs significantly from the information available when the auditor planned the audit procedure
	Performance of substantive procedures may contradict the audit evidence obtained through tests of controls.	

Relationship between OAS and AP	
OAS	Audit Plan
Overall approach to the audit	addresses the various matters identified in the overall audit strategy
determines scope, timing and direction of audit	describes how strategy is going to be implemented.
Broad	audit plan is more detailed. includes the nature, timing and extent of audit procedures to be performed by engagement team members
Not necessarily discrete or sequential processes	
closely inter-related since changes in one may result in consequential changes to the other.	

Overall audit strategy deals with scope, timing, and direction of Audit

Audit plan includes nature, extent and timing of risk assessment, procedures, and further audit procedures and other audit procedures as required by standards on auditing

Audit strategy is broad while audit plan is detailed

Audit strategy is the basis of audit plan or we can say that audit plan is made on the basis of audit strategy

They are not sequential or discrete

They are closely interrelated to each other. Change in one will lead to change in another.



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The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work.

Factors

area of the audit

assessed risks of material misstatement

capabilities and competence of the individual team members performing the audit work

size and complexity of the entity



Documentation

Overall audit strategy

record of the key decisions

considered necessary to properly plan the audit and to communicate significant matters to the engagement team.

Audit Plan

record of the proper planning of the audit procedures

that can be reviewed and approved prior to their performance.

significant changes made during the audit engagement to the overall audit strategy or the audit plan, and the reasons for such changes

explains why the significant changes were made,

and the overall strategy and audit plan finally adopted for the audit.

It also reflects the appropriate response to the significant changes occurring during the audit.







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 Planning is a continuous process		
not a discrete phase of an audit		
 continual and iterative process	 begins shortly after the completion of the previous audit	
	 continues until the completion of the current audit engagement.	
includes consideration of the timing of certain activities and audit procedures	Example - Before IAROMM Need to consider matter such as	AP
		General Understanding
		Materiality
		Experts
		Performance of other RAP

 Additional Consideration in Initial Audit Engagements	
Purpose and Objective Same	
Need to expand the planning activities - Why? - No Previous Experience.	
Performing procedures required by SA 220 regarding the acceptance	
Communicating with the predecessor auditor - in compliance with relevant ethical requirements. - arrangements to be made with the predecessor auditor	
Other procedures required by the firm's system of quality control for initial audit engagements	for example, review of the overall strategy by senior partner before starting the audit)