SA 300 Planning in an audit of FST.

Importance of planning

- To
  - devote appropriate attention
  - to imp areas
- Identify (&) Resolve
  - potential problems on timely basis
- properly.
  - organised (&) Managed
  - audit
- Assist
  - Selection of ET members
  - with requisite
    - Capabilities (&)
    - Competence
- Co-ordination of work done by auditors of
  - Components (&)
  - experts
- facilitating
  - direction
  - Supervision
  - of ET

planning a Continuous process

Planning

- is not a discrete phase of audit
- but rather a Continuous process
- begins shortly after the Completion of previous audit
- (&) Continues until the Completion of Current audit engagements.
- includes consideration of timing of
  - Certain activities (&)
  - audit procedures
- that need to be Completed prior to the Completion of further audit procedures.

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for e.g ⇒ planning includes

- the need to Consider
- prior to the auditors
  - Identification (&)
  - Assessment
  - ⇒ of RMM

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Such matters as

1. Analytical procedure to be applied as risk assessment procedure
2. obtaining general understanding of
   - legal (&) Regulatory framework applicable to the entity
   - (&) how the entity is Complying with that framework.
3. Determination of materiality
4. Involvement of experts
5. performance of other risk assessment procedures.

Preliminary engagement activities

(a) Performing procedures required by SA 220

- regarding Continuance of
  - client relationships
  - (&) Specific audit engagements.

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There are no issue with mngmt integrity.

- that may affect the auditors willingness
- to Continue the engagement

(b) Evaluating Compliance

- with ethical requirements
- including independence
- as required by SA 220

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The auditor maintains.

- necessary
  - independence
  - (&) ability
- to perform the engagement.

(c) Establishing an understanding

- of terms of engagement
- as required by SA 210

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There is no misunderstanding with client as to the terms of engagement.

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Planning activities

Establishing audit strategy / Developing an audit plan

The audit plan shall include description of:
- NTE of planned RAP as per (SA 315)
- NTE of planned FAP (SA 330)
- other planned audit procedures.

(a) which
- sets scope, timing & direction of audit
- guides development of audit plan.

(b) In establishing the overall audit strategy the auditor shall
- # Identify the characteristics of engagement that define its scope
- # Ascertain reporting objectives of engagement to plan timing of audit & nature of comm^n required.
- # Consider: significant factors; preliminary engagement activities; knowledge gained on other engagements
- # Ascertain NTE of procedures necessary to perform.

Points to remember

The audit plan.
- is more detailed than the overall audit strategy
- includes the NTE of audit procedures to be performed by ET members

Planning for these audit procedures
- takes place over the course of audit
- as the audit plan for the engagement develops

for e.g ⇒ planning for auditors RAP occurs early in the audit process.

However planning the NTE
- of specific further audit procedures
- depends on the outcomes of those RAPs.

In addition the auditor may
- begin the execution of further audit procedures
- for some classes of transactions, A/C balances (&) Disclosures before planning all remaining audit procedures.

Changes to planning decisions

The auditor shall update (&) change overall audit strategy (&) audit plan as necessary during the course of audit.

As a result of
- unexpected events
- changes in conditions
- audit evidence obtained.

The auditor may need to modify overall audit strategy (&) audit plan.

Based on the revised consideration of assessed risk
Auditor need to modify NTE of FAP.

This may be the case when
- Inf^n comes to the auditors attention
- that differs significantly from the inf^n available when the auditor planned the audit procedure.

for e.g
- audit evidence obtained through the performance of substantive procedure
- may contradict the audit evidence obtained through test of controls.

Documentation

The auditor shall document

overall audit strategy
⇓
is a record of Key decisions considered necessary to
- properly plan the audit.
- (&) to communicate significant matters to ET.

Audit plan
⇓
is a record of.
- planned NTE of RAPs (&) FAPs at the assertion level in response to assessed risks.
- proper planning of audit procedures that can be reviewed (&) approved ⇒ prior to their performance

Any significant changes made during the audit engagement to overall audit strategy (or) audit plan (&) the reason for such changes.
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Record of change (&) reason for such change.

Additional Considerations in Initial audit engagements.

(a) performing procedures required by SA 220 regarding the acceptance of
- client relationship (&)
- specific audit engagements.

(b) Communicating with the predecessor auditor.
- where there has been a change of auditor
- in compliance with relevant ethical requirements.

Additional Consideration in Initial audit engagement — as per application material.

For an initial audit, the auditor may
- need to expand the planning activities
- because the auditor does not have the previous experience with the entity.

Additional matters auditor may consider in establishing overall audit strategy (&) audit plan.
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include the following.

* Unless prohibited by law (or) regulations
  - arrangements to be made with predecessor auditor.
  - for e.g. to review his working papers.

* Audit procedures
  - necessary to obtain SAAE
  - regarding o/p bal. as prescribed by SA 510. "Initial Engagements o/p bal."

* other procedures required by firm's system of Quality Control for initial audit engagements.
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  for e.g.
  1. # review of overall audit strategy by senior partner prior to commencing significant audit procedures.
  2. # Review Reports prior to their issue.

* any major issues discussed with mgmt in connection with
  - initial selection of auditor.
  - Comm of these matters to TCWG.
  - (&) how these matters affect the
    - overall audit strategy.
    - (&) audit plan.

The auditor shall establish an overall audit strategy considering the following:

MT ⇒ Auditor ke characteristics main (1) → jisse woh. → LARF ko follow (4) karke
→ ET members (5) aur experts (6) ko chun sakar uwake co-ordinate (7) ko sake
→ materiality (8) janke NTE (9) decide ko sake
→ (&) at last Analytical (10) (&) Risk assessment (11) procedure karke report kar sake.

(2) PJ hona chahiye

preliminary (3) engagement activity se knowledge gained hona chahiye.

1] Identify the characteristics of engagement that define its scope

2] Consider factors → that are in auditors PJ
→ significant in directing ET efforts.

3] Consider → results of preliminary engagement activities
→ (&) where applicable → knowledge gained on other engagements
→ performed by the ~~ep~~ EP for the entity is relevant.

4] obtain a general understanding of → LARF applicable to the entity
→ (&) how the entity is complying with that framework.

5] Assisting in → Selection of ET members with appropriate level of → capabilities → competence
→ to → respond to anticipated risks
→ properly assign work to them.
→ Co-ordination of work done by auditors of → Components (&) → experts.

6] ~~Determi~~. Involvement of experts.

7] Determination of materiality.

8] Ascertain NTE of resources necessary to perform the engagement.

9] The analytical procedure to be applied as RAP.

10] The performance of other RAP.

11] Ascertain the reporting objectives of engagement to plan → timing of audit
→ (&) nature of Comm^n required.

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Specific factors needs to be considered while formulating audit strategy are as follows:

The auditor shall → obtain an understanding of IS → including the related business processes due to new venture of online shopping

including the following areas:

1. classes of transactions.
   - in the entity's operations
   - that are significant to FST.
2. The procedure within both.
   - IT (&) manual system.
   - by which those transactions are
     - Initiated
     - Recorded
     - processed
     - Corrected
     - Transferred to GL
     - Reported in FST
3. The related
   - A/Cing records
   - Supporting Infⁿ.
   - (&) Specific A/Cs in FST
   - that are used to.
     - Initiate
     - record
     - process
     - Report transactions
   - includes correction of Incorrect Infⁿ
   - (&) how infⁿ is transferred to GL
   - The record may be either Manual (or) electronic form.
4. How the IS Captures.
   - events (&) Conditions other than transactions
   - that are Imp to FST

factors to be considered in development of overall audit plan

⇒ Overall plan is basically intended to
- provide direction for audit work programming.
- (&) Includes the determination of.
  - timing
  - manpower development.
  - Co-ordination of work with.
    - client
    - auditors
    - other experts.

The auditor should consider the following matters in developing the overall plan. for the expected scope (&) conduct of audit.

1. Terms of
   - his engagement
   - (&) any statutory responsibility
2. Applicable LARF
3. A/Cing policies applicable (&) changes if any.
4. effect of new accounting (&) auditing pronouncements on audit.
5. Identification of significant audit areas
6. Setting of materiality levels for audit purpose.
7. Conditions requiring special attention.
8. Degree of reliance to be placed on A/C System (&) Internal Control
9. possible rotation of emphasis on specific audit areas.
10. N (&) T of audit evidence to be obtained.
11. work of Internal auditor (&) extent of reliance on their work.
12. Involvement of other auditors in the audit of
    - subsidiaries (or)
    - branches
    - ⇒ of client
    - (&) Involvement of experts
13. Allocation of works to be undertaken between Joint auditors (&) procedures for its control (&) Review.
14. Establishing (&) Co-ordinating staffing requirements.