

SA 315 → Identifying & Assessing FIRM through understanding → Entity & its environment

Risk Assessment procedure (RAP)

Meaning:

Audit procedures performed to:

- obtain an understanding of Entity environment including entity's IC
- to identify & Assess FIRM risk due to control (or) eval.
- at FST level, association

Components:

1. Inquiry of management & others within the entity
2. Analytical procedure
3. Observation & Inspection

Understanding suggested of entity & its environment

- Industry Regulatory factors including AFRIT & external
- The nature of entity including:
 - operations
 - ownership & governance structure
 - types of investment → entity's financial
 - the way entity makes financial

Understanding suggested of IC [Internal Controls]

- Although, most controls that relevant to the audit are likely to relate to the FE
- While obtaining understanding of controls that are suggested to the audit the evaluate the design of controls
- Determine whether they have been implemented.

Assessment of FIRM

A AT FST level

Refer to FIRM.

- that relate positively to FST as a whole
- potentially affects many assumptions.

- Risk at FST level may derive in particular from deficient control environment.

- for eg Deficiency such as management's lack of competence may have a more pervasive effect on FST.
- may be so serious to cause the auditor to conclude that FIRM's FST is such that audit can't be conducted.
- may require an overall opinion by auditor.

The auditor's understanding of IC may raise doubt about the auditability of an entity's FST for eg

1. Concern about the integrity of entity's management
2. Concern about the condition & reliability of an entity's records

it is unlikely that SAAT will be available on FST.

B AT Assertion level

Firm at the assertion level for.

- because Such Consideration directly assist in determining NTE of RAP at assertion level
- to obtain SAAT.

Disclosure need to be considered

Assertions evaluated

Transactions occurred during the year

→ succeeded
→ Completely accurately in correct A/R period

→ properly classified into Capital.
→ Revenue.

2) Bal. at period end.

→ Rights of entity have been shown as an assets

→ obligations have been shown as liability

Assets (a) liability

→ shown in BS exist

→ have been recorded Completely

→ at appropriate and. (b) adjustments appropriately recorded.

3) presentation (2) Disclosure.

Financial transactions, infⁿ (a) other infⁿ.

→ occurred (a) one Complete

→ appropriately presented

→ disclosed fairly and at appropriate amts.

Risk assessment process

1) Identify Risk

→ throughout the process of obtaining an understanding of entity's environment

Assess the identified risk

→ (a) evaluate whether they relate materially to FST as a whole.

Relate the identified risk to what can go wrong at the assertion level

Consider the likelihood of misstatements, including the possibility of multiple misstatements.

Risk that requires special audit consideration

→ In exercising judgment as to which risks are significant risks, the auditor shall consider the following:

Evaluate the risk

- 1) is a risk of fraud
- 2) is significant to success of economic development
- 3) involves significant transactions with related parties
- 4) Significant unusual transactions.

The complexity of transaction.

The degree of subjectivity in the measurement of financial T/F.

Revision of Risk Assessment

The auditor's assessment of RMM at a section level

→ may change during the course of audit as additional evidence is obtained.

The auditor shall

→ revise the assessment (a) modify the FRP accordingly.

Areas to be examined for deficiencies (a) risk identification → in CIS environment.

program development (a) maintenance

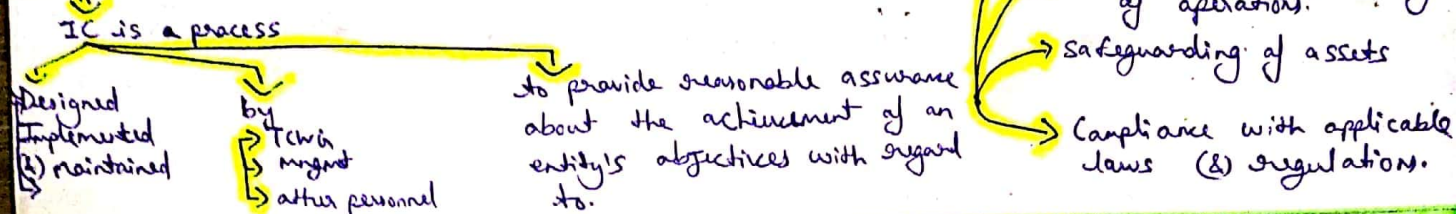
system software support operations including processing of data

physical CIS security

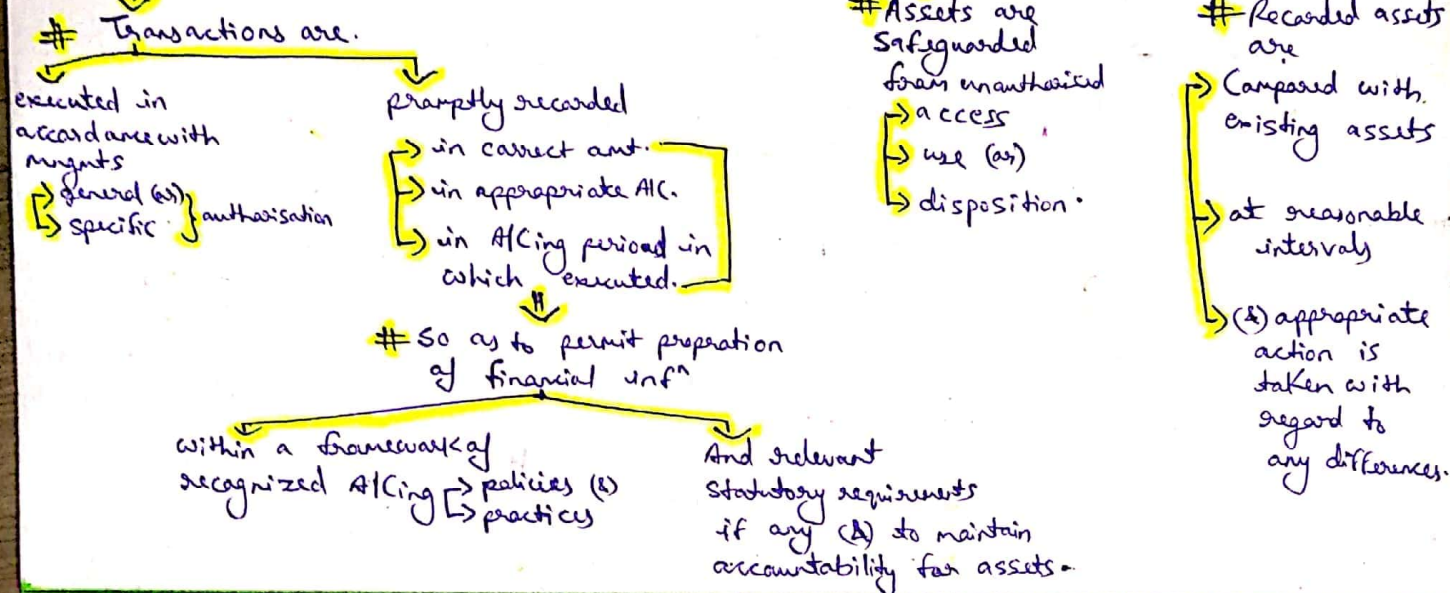
Control over access to specialized CIS, utility programs.

Internal Control (IC)

Defn

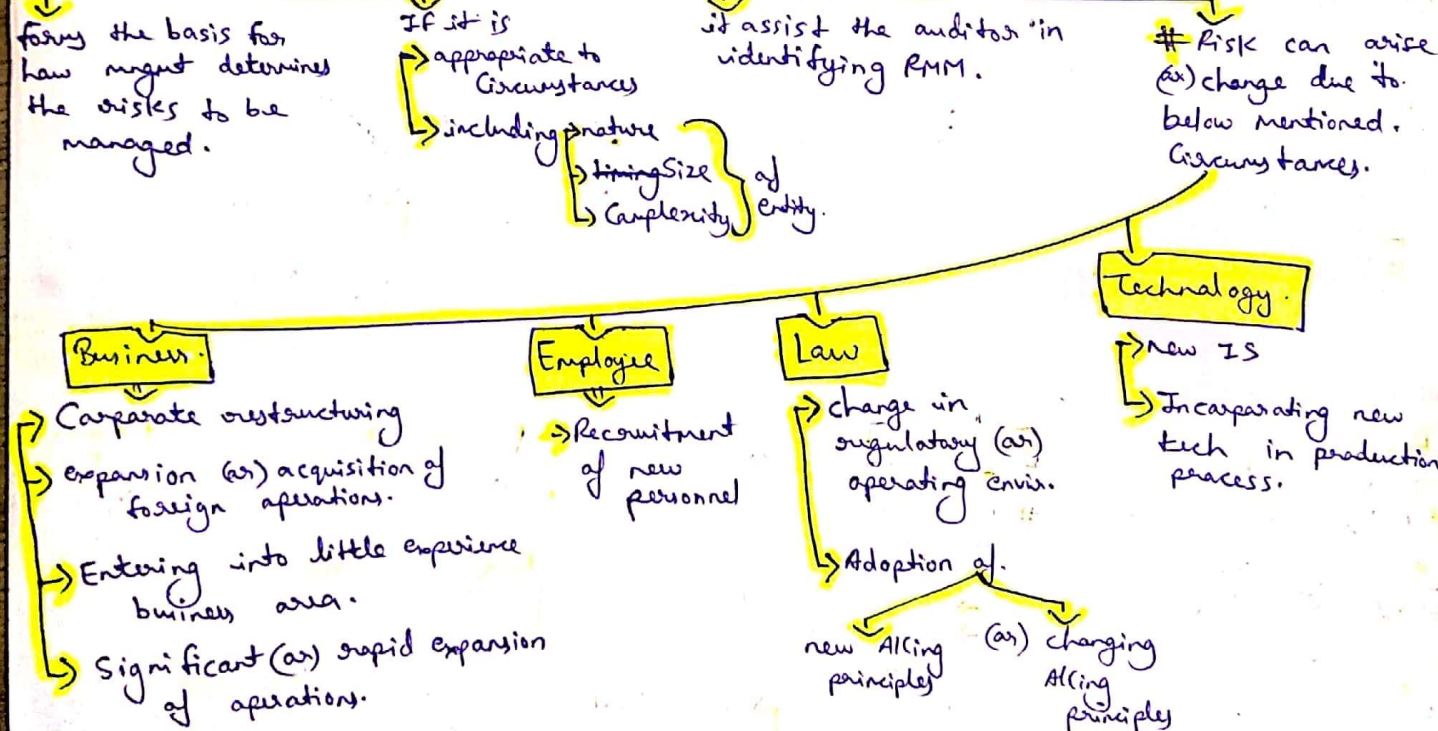


Objectives of IC

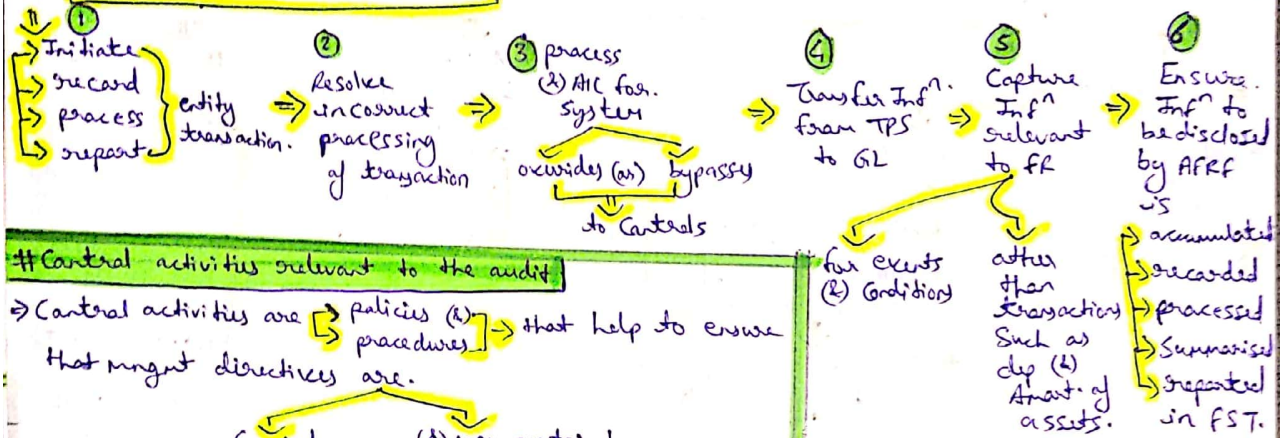
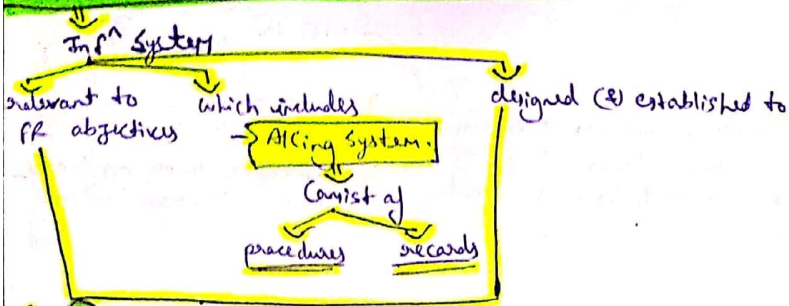


Components of IC

RAP

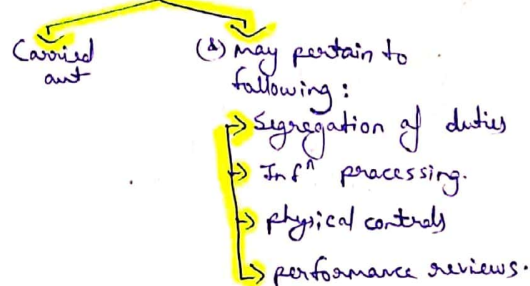


Infⁿ System → areas to be examined.



Central activities relevant to the audit

→ Central activities are policies (&) procedures that help to ensure that mgmt directives are.

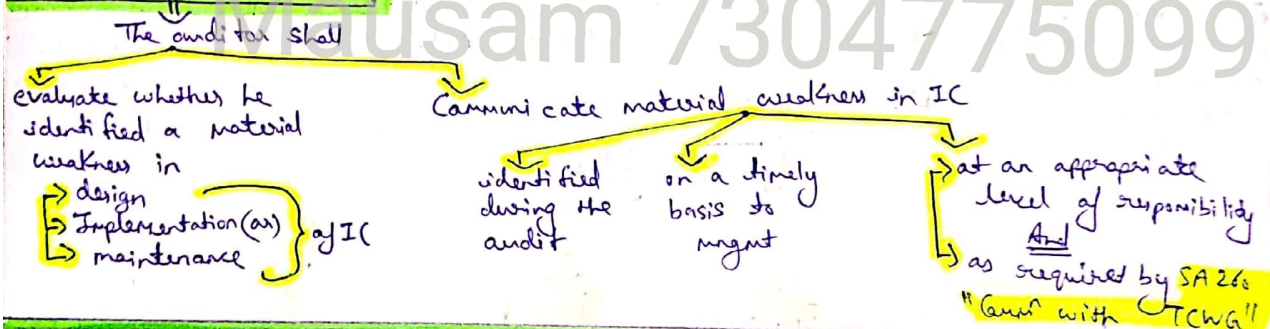


Monitoring of Controls.

is a process to assess the effectiveness of IC performance overtime

- (2) Taking necessary corrective actions.

Material weakness in IC



Risk to IC imposed by IT

