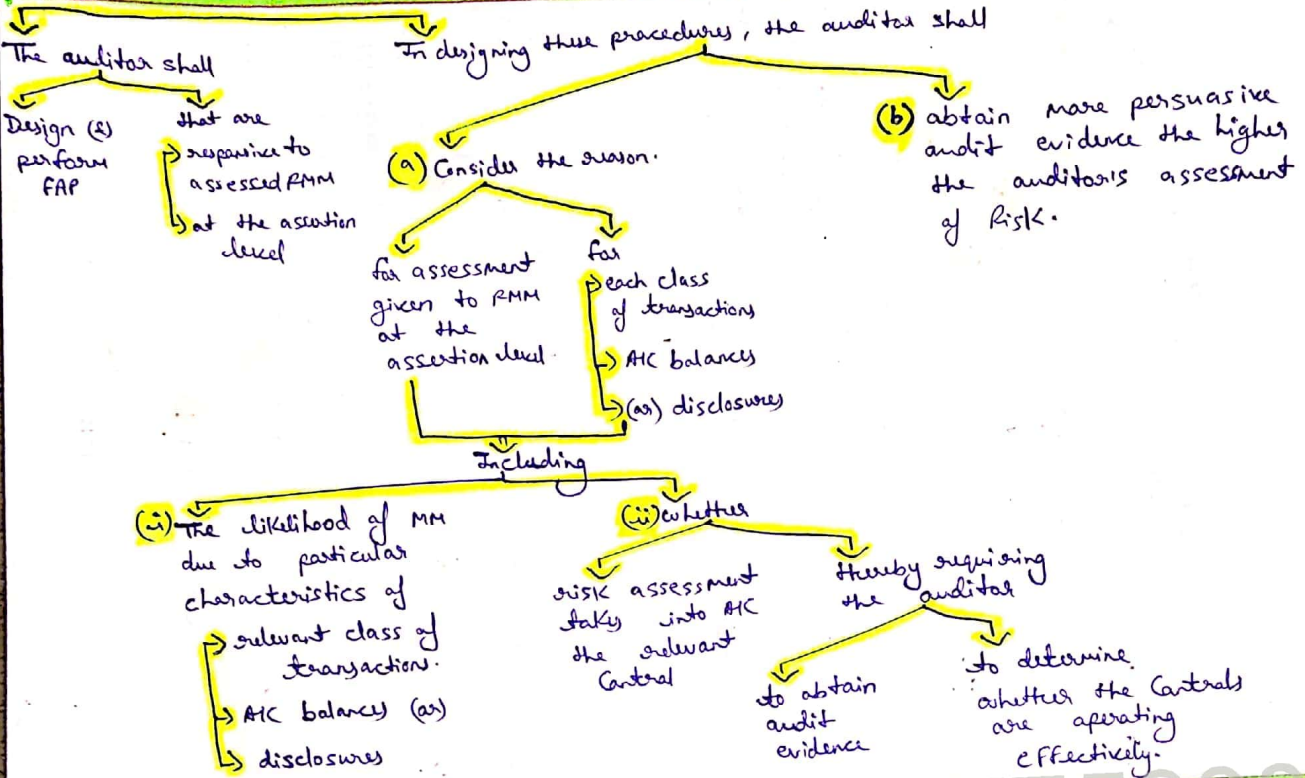


SA 300 ⇒ The auditor's response to assessed Risk.

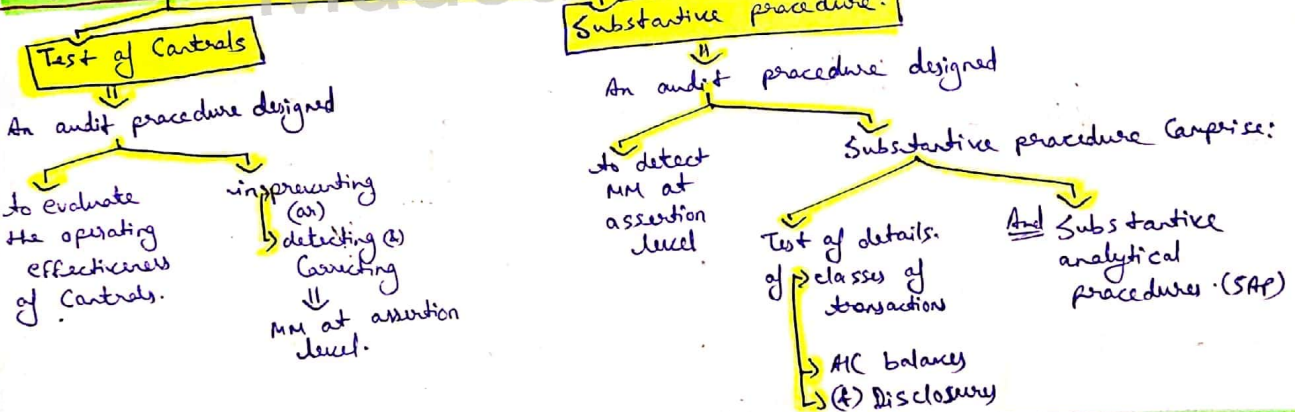
To obtain SAAE about RMM identified & assessed by auditor in accordance with SA 315.

Through designing & implementing ⇒ appropriate response to these Risk.

Auditor's procedures responsive to assessed RMM



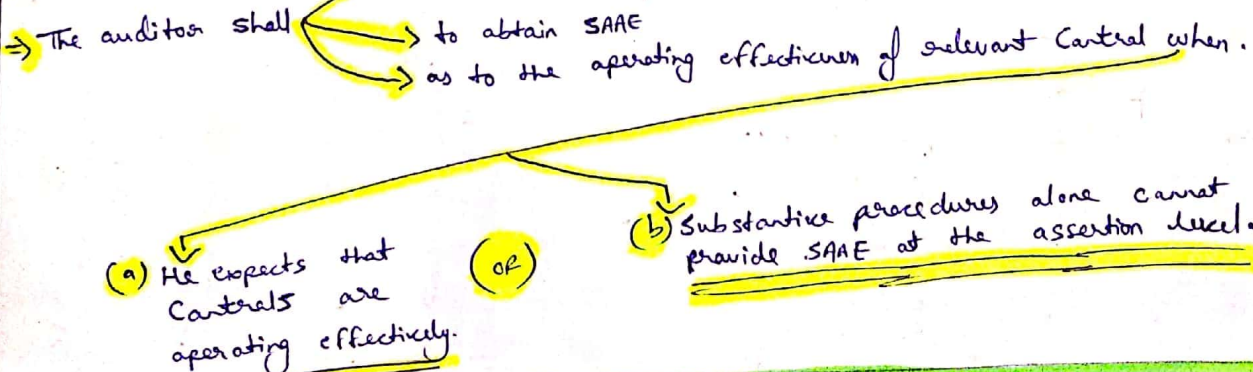
Types of FAP



Test of Controls

TOC

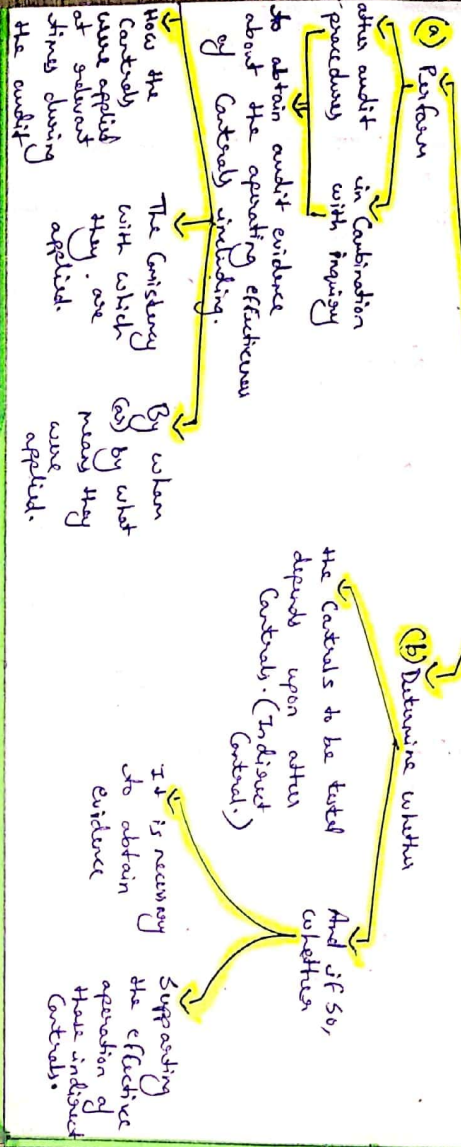
design & perform test of Controls.



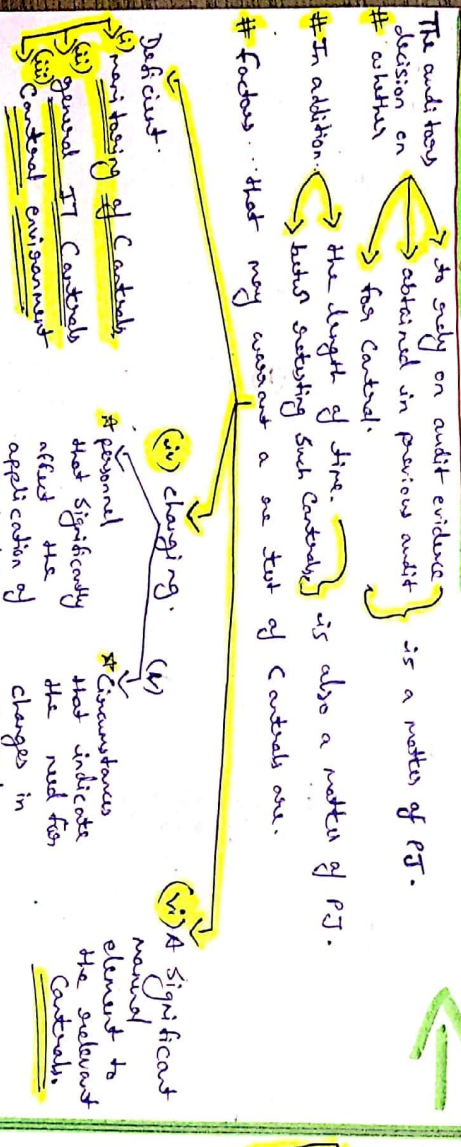
(P.T.O)

Merits (1) extent of Test of Controls

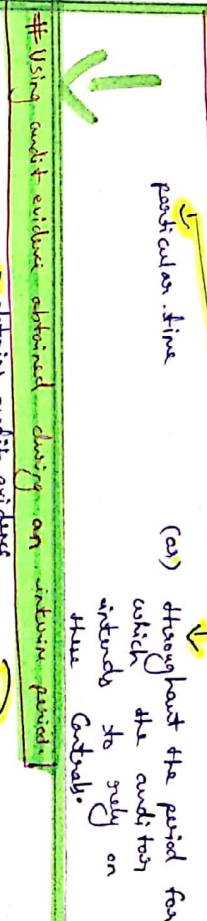
In designing & performing test of controls, the auditor shall



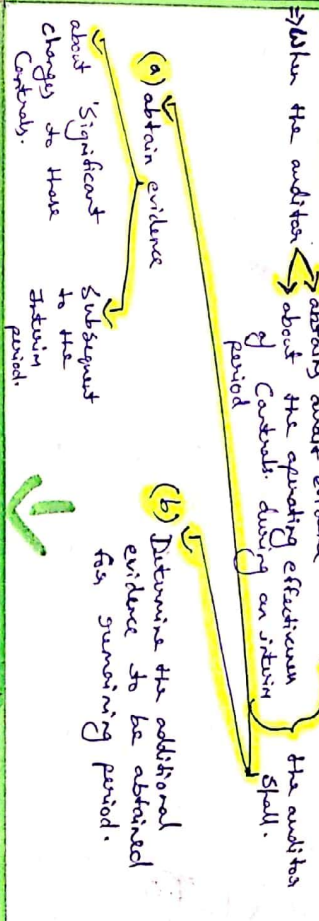
Factors concerning the test of controls



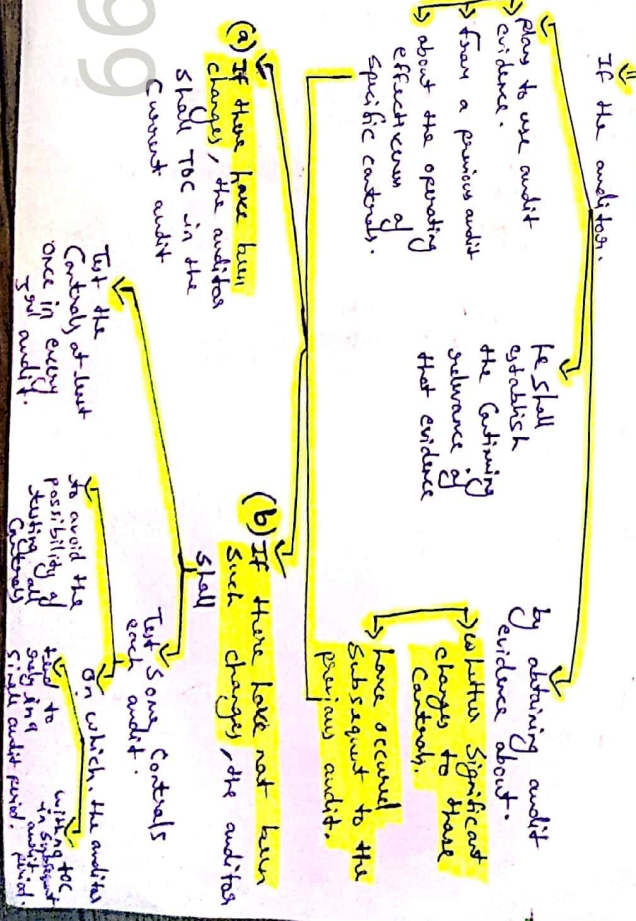
Timing of TOC -> The auditor shall TOC for



Using audit evidence obtained during an interim period



Using audit evidence obtained in previous audits



Evaluating the operating effectiveness of Controls

When evaluating the operating effectiveness of Controls, the auditor shall evaluate

The auditor shall

whether misstatements that have been detected by substantive procedures indicate that Controls are not operating effectively

evaluate whether on the basis of audit work performed the auditor has identified material weaknesses in operating effectiveness of Controls

Communicate material weakness in IC

identified during the audit

on a timely basis to mgmt

at an appropriate level of responsibility (4) as required by SA 260.

"Comm" with TCGA

The absence of misstatements detected by substantive procedures

however does not provide audit evidence

that Controls related to the assertions being tested are effective

Substantive procedures

Irrespective of assessed RMM the auditor shall

design (a) perform substantive procedures

for each material class of transaction
→ A/C balances
→ (b) disclosures

This requirement reflects the facts that

the auditor's assessment of risk is judgemental
(b) So may not identify all RMM

(c) There are inherent limitations to IC including mgmt override

Depending on the Circumstances the auditor may determine that

(1) Performing only substantive analytical procedures will be sufficient to reduce the audit risk to an acceptably low level.

(2) Only Test of details are appropriate

(3) A Combination of

substantive (a) test of analytical procedure (b) test of details

are most responsive to the assessed risks.

External Confirmation procedures as Substantive procedures

The auditor shall consider

whether external Confirmation procedures are to be performed as substantive audit procedures.

Areas where external confirmation may be used

External Confirmation procedures frequently are relevant

When addressing assertions

associated with A/C bal. (b) their elements

but need not be restricted to these items.

for examples

The auditor may request external Confirmation of

the terms of agreements
Contracts.

(a) transaction letter

entity (b) other parties.

Other situations where external Confirmation procedure may provide relevant audit evidence in responding to Assessed RMM include

(1) A/C Receivable payable bal. (b) terms

(2) Amt. due to lenders including relevant terms

(3) Bank bal. (a) other info relevant to banking relationships.

(4) Property title deeds held by lawyers (a) financiers for safe custody (b) as security.

(5) Inventories held by 3rd parties for bonded warehouse processing (a) on consignment

(6) Investments held by 3rd party for safekeeping (a) purchased from stockholders but not delivered as per date.

Factors assisting the auditor in determining use of external confirmation.

The Confirming party's knowledge of the subject matter.

Responses may be more reliable if provided by a person at the Confirming party who has the requisite knowledge about info being confirmed.

Ability (or) willingness of the intended confirming party to respond.

for example, the responding party may:
 - not accept responsibility for responding to a confirmation request.
 - consider responding too costly (as time consuming).
 - have concern about potential legal liability resulting from responding.
 - account for transaction in diffⁿ currency may operate in an environment where responding to confirmation suggest
 - is not a significant aspect of day to day operation.

The objectivity of the intended confirming party.

If the confirming party is a related party of the entity, responses to confirmation request may be less reliable.

Mausam 7304775099

Substantive procedures Related to FST c/s process.

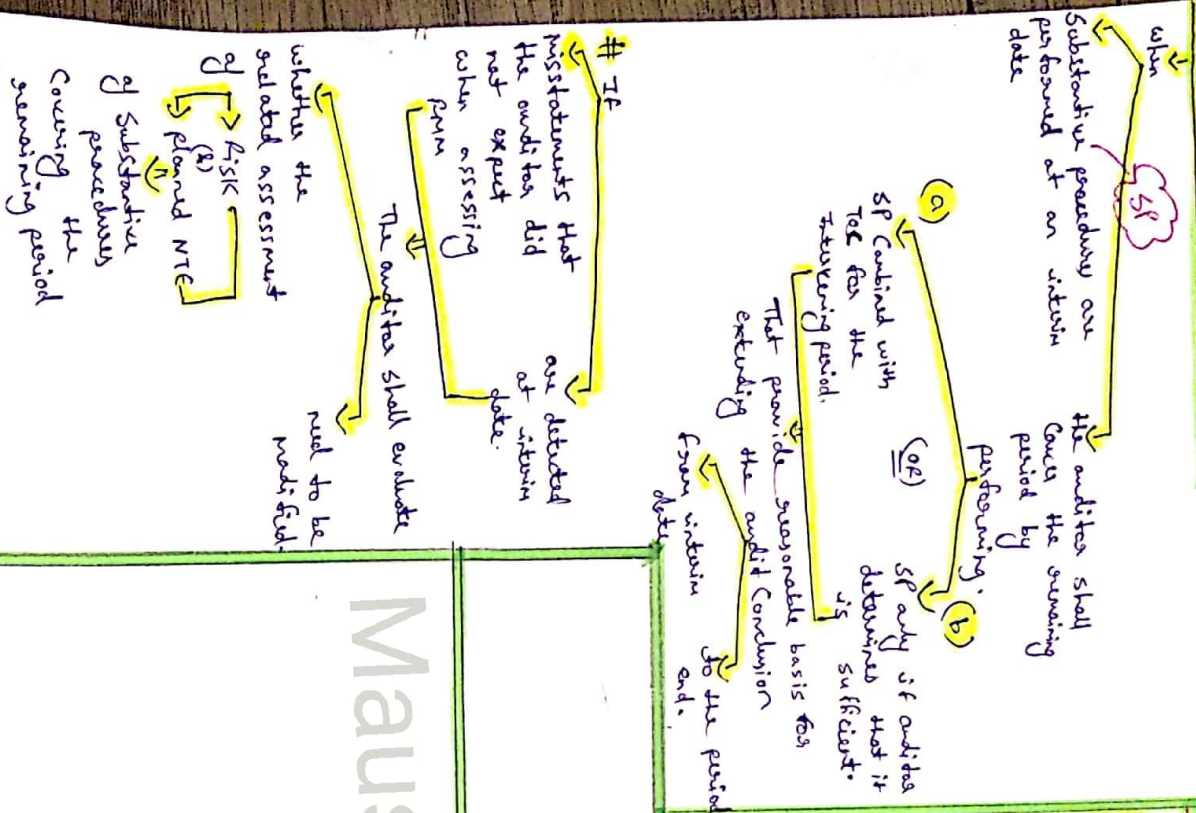
The auditor's substantive procedures shall include the following:

And
 # Assessing (or) reconciling with the underlying A/c records.
 # Examining journal entries and other adjustments made during the course of preparing FST.

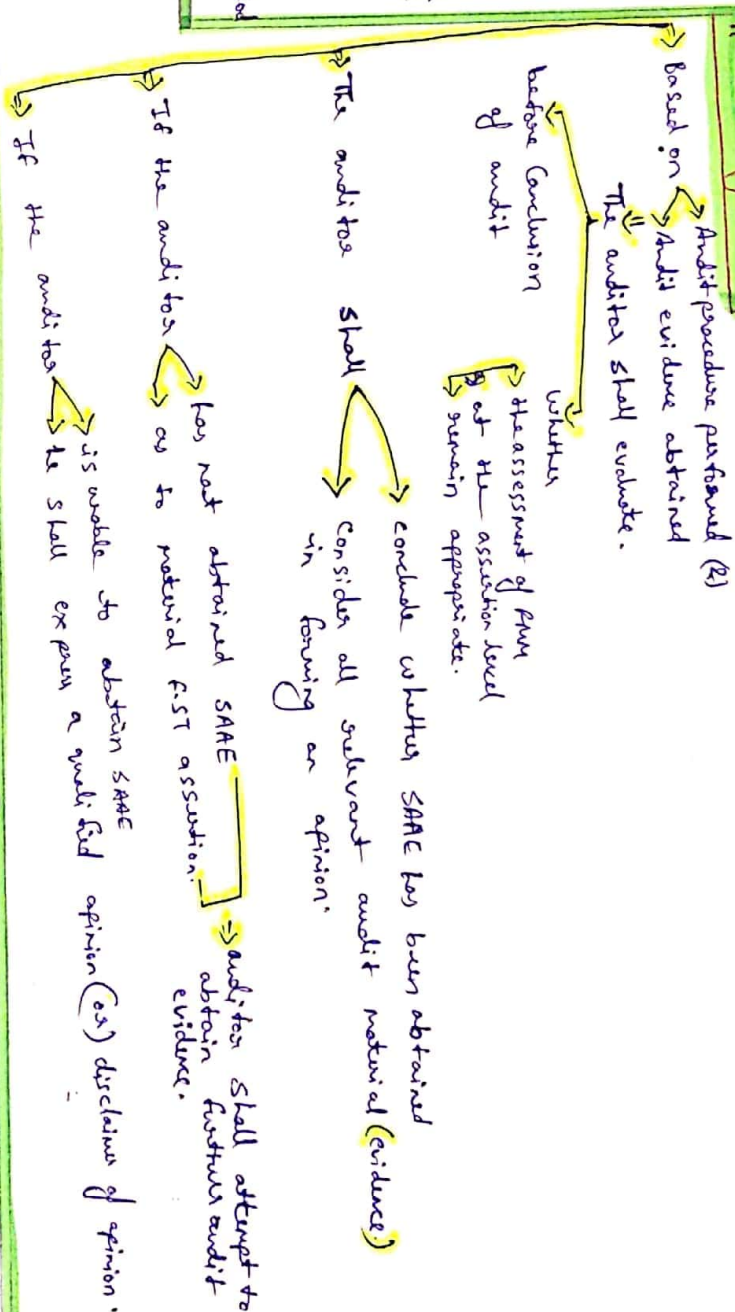
Substantive procedures Responsive to Significant Risks.

When the auditor has determined that an assessed risk is a significant risk, at the assertion level, the auditor shall perform substantive procedures that are specifically responsive to that risk.

Timing of Substantive procedures



Evaluating SAAE



Mausam 7304775099