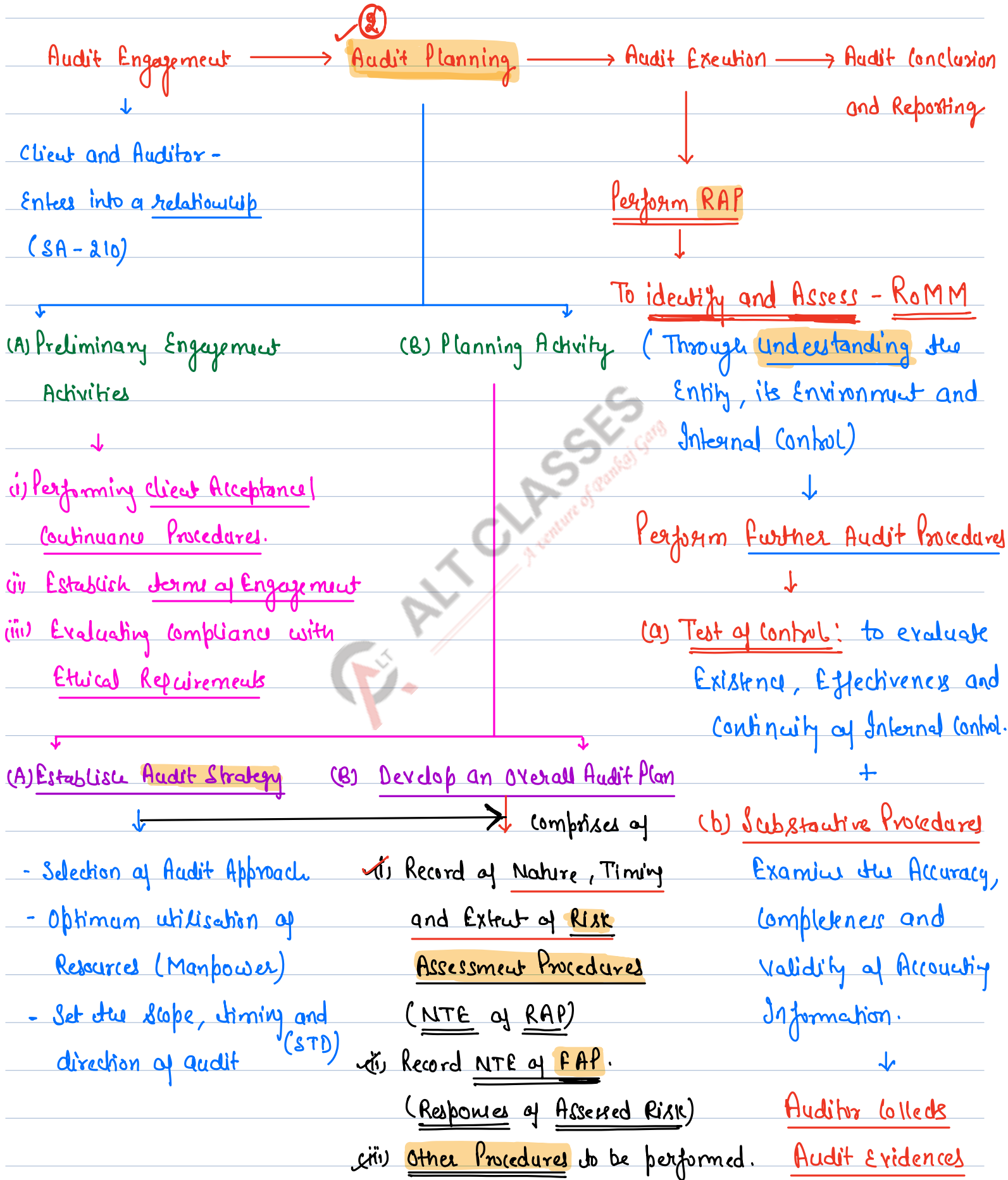


Chapter - 2 "Audit Strategy, Audit Planning and Audit Programme"

Overview of Audit Process:



Notes: Auditor is required to document the audit strategy and audit plan. Such documentation is known as Audit Programme.

(1) Auditor's Responsibility to plan an audit of f.s.:

(A) Meaning: Planning an audit involves developing an overall plan for the expected scope and conduct of audit and comprises of NTE of audit procedures.

(B) Auditing Standard dealing with planning: SA-300 "Planning an audit of financial statements"

Auditor's Objective: To Plan the audit so that it will be performed in an effective and efficient manner.

Imp-
(C) Benefits of Planning: (i) To devote appropriate attention to important areas of audit.

(ii) To Identify and resolve potential problems on a timely basis.

(iii) To perform audit in an efficient and effective manner through proper organising and managing the activities.

(iv) For Proper Direction and Supervision of team members and review of their work.

(v) Coordination of work performed by auditor of components and experts, if any.

(vi) For selection of engagement team members with appropriate competence and capabilities.

Benefits

ET

- Imp. Areas - Selection - Effective and
- Potential - Direction Efficient
Problem Supervision - Coordination
Review

Imp

(D) Planning - a continuous Process: Planning is not a discrete phase of audit; rather it is continuous process that often begins with shortly after completion of previous audit and continues until completion of current audit engagement.

Planning includes consideration of timing of certain activities that need to be completed prior to performance of further audit procedures, for example:

- (a) Performing Analytical Procedures as Risk Assessment Procedures;
- (b) Obtaining understanding of legal and regulatory framework;
- (c) Determination of Materiality;
- (d) " " Involvement of Experts;
- (e) Performing Other Risk Assessment Procedures (e.g. Inspection, Observation).

(E) Elements of Planning:

i) Preliminary Engagement Activities

ii) Planning Activities

(a) Perform procedures regarding client Acceptance

(A) Establish Audit Strategy

Continuance: Obtain Info before accepting engagement from new client; engagement from existing client.

(B) Develop Overall Audit Plan.

(b) Evaluate Compliance with Ethical Requirements

including Independence: Obtain Info - Identify threats - take approach - withdraw.

(c) Establish understanding of terms: through issue of letter of engagement.

(2) Audit Strategy:-

(i) Meaning: Selection of Audit approach so as to obtain necessary Assurance at lower cost, with optimum utilisation of resources

↓

so as to set out the scope, timing and direction of audit.

- Continuous / final - A

- Procedures - NTE - B

- Team Members - C

① - A } strategy

② - C

③ - B | plan

Quality - competency
No. of persons.

Timing, mgmt.

2 Imp

(ii) Benefits of Audit Strategy:

(A) Employment of Qualitative Resources:

(B) Allocation of appropriate Quantity of Resources.

(C) Timing of Deployment of Resources:

(D) Overall Management of Resources

(Noting - H.W.)