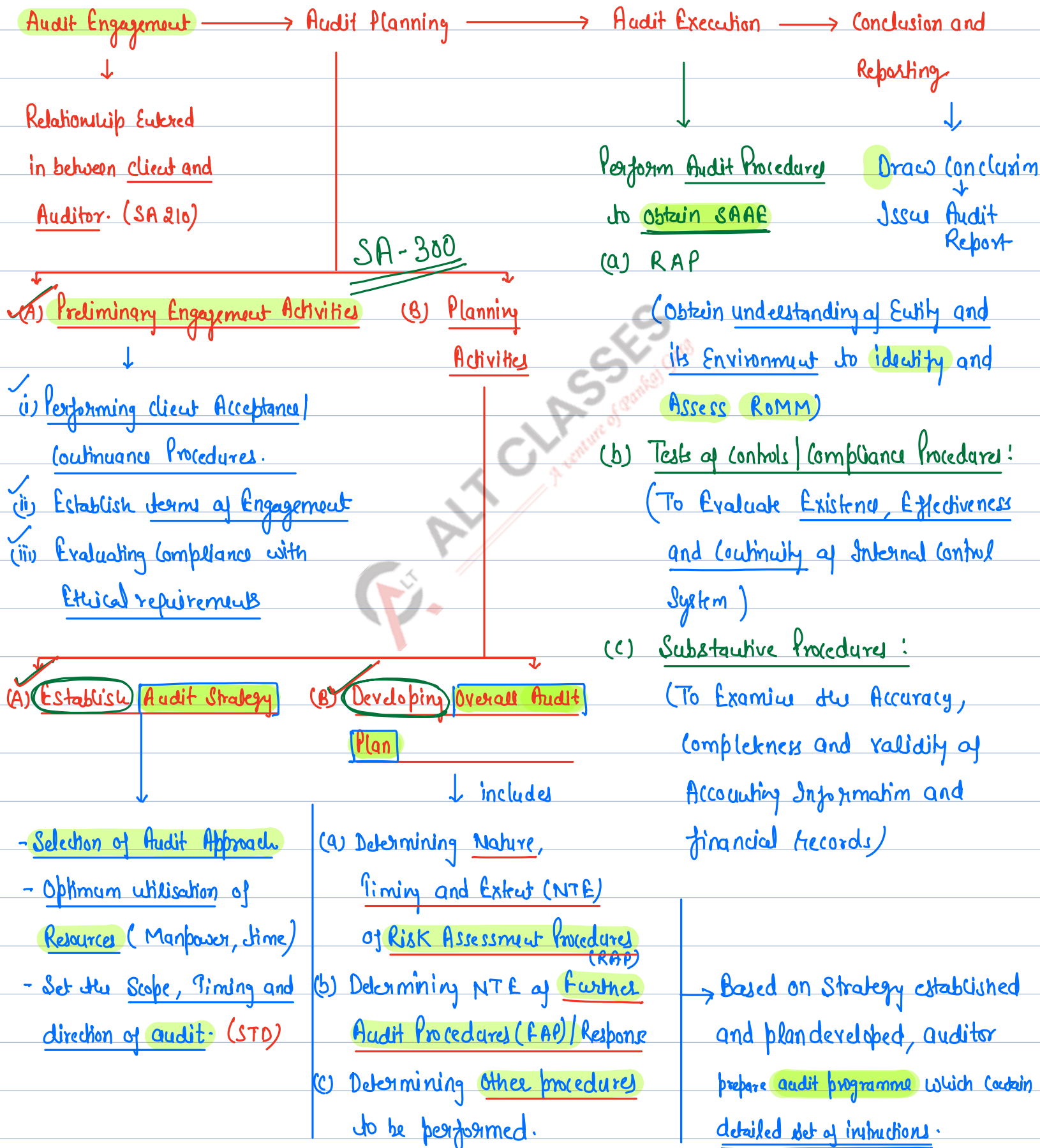


Chapter-2 "Audit Strategy, Planning and Programme"

Overview of Audit Process:



(1) Auditor's Responsibility to plan an Audit of F.S.:

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

Note: SA-300 "Planning an audit of financial statements" guides the auditor in establishing an auditor strategy and developing an audit plan.

As per SA 300, Auditor's objective is to plan the audit so that it will be performed in an effective and efficient manner.

- Imp.
- (B) Benefits of Planning:
- (i) To perform audit in an efficient and effective manner through proper organising and managing the activities.
 - (ii) To devote appropriate attention to important areas of audit.
 - (iii) To identify and resolve (potential problems) on a timely basis. ^{★★}
 - (iv) Planning helps in proper direction and supervision of engagement team members and review of their work.
 - (v) Planning helps in coordination of work performed by auditor of Components and Experts; if any.
 - (vi) Planning helps in selection of members of ET with appropriate competency and capability.
- * Branches, units, Subsidiaries; Associates, J.V. Entities*
- ★★ - Mngt. unwillingness to provide info.
- Consistent Application of Mngt Policies

Imp.

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

- Planning involves 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; (ToC | Substantive Procedures)
 - (b) Obtaining understanding of legal and regulatory framework;
 - (c) Determination of Materiality;
 - (d) Determination of Involvement of Experts;
 - (e) Performing other Risk Assessment Procedures.

(d) Q.1 - Write a short note on: Preliminary Engagement Activities

Q.2 - Auditor is required to perform procedures regarding acceptance or continuance of client relationship. Elaborate.

Q.3 - As a part of Preliminary Engagement Activities, auditor is required to evaluate compliance with Ethical Requirements including independence. Explain briefly.

(2) Audit Strategy:

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

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

v. 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 -

H.W.