

Chapter - 2 "Audit Strategy, Planning and Programme"

Topics Covered: ✓(i) Auditor's responsibility to plan an Audit of f.s.
✓(ii) Audit Strategy

(iii) Audit Planning:

(A) Development of Audit Plan: - Once audit strategy is established, audit plans are to be developed, to address the matters identified in audit strategy.

- In developing audit plan, auditor must obtain understanding of client's business. Without having knowledge of client's business, proper audit is not possible.

- Audit plan includes description of following:

(a) N, T, E of Risk Assessment Procedures to be performed.

(b) N, T, E of Further Audit Procedures to be performed.

(Compliance Procedures and Substantive Procedures).

(c) Other planned audit procedures to be performed.

Note: ✓ RAP: Procedures performed to obtain understanding of the Entity, its environment and Internal Control so as to Identify and Assess RoMM.

Compliance: Procedures performed to evaluate Internal Control System.

(ToC)

Substantive: Procedures performed to examine the Accounting records and financial information contained in financial statements.

(B) Relationship between audit strategy and audit plan:

- Audit strategy sets the scope, timing and direction of audit.
- Audit planning involves development of overall audit plan that includes description of NTE of audit procedures (RAP, FAP and others)
- Audit strategy and audit plan are interrelated to each other; changes in one may require changes in another.
- Generally audit strategy is prepared before audit plan and audit plan contains more detail than audit strategy.
- Audit strategy provides a basis for development of overall audit plan.

(C) Overall Audit Strategy and Audit Plan - Auditor's responsibility:

- It is the auditor who is responsible for establishing audit strategy and developing audit plan.
- Auditor may discuss elements of planning with entity management without compromising the effectiveness of audit.

(d) Changes to planning decisions:

- Planning is a continuous activity and auditor shall update and change audit strategy and audit plan as necessary during the course of audit.
- changes may be required due to:
 - (a) Unexpected Event;
 - (b) Changes in Circumstances; or
 - (c) Audit evidence obtained from results of audit procedures performed.

Example: Audit Evidence obtained through performing substantive procedures may contradict with Evidence obtained through tests of controls, which may require auditor to modify NTE of further audit procedures.

(e) Planning the Direction, Supervision and Review of work of ET Members:

As per SA-300, Auditor shall plan the NTE of direction, supervision of ET Members and review of their work.

Planning of NTE of direction and supervision of ET Members and review of their work depends upon following factors:

- (i) Size and Complexity of the Entity;
- (ii) Area of the Audit;
- (iii) Assessed ROMM;
- (iv) Capabilities and Competency of team members.

(f) Documentation: Auditor shall document the following:

