

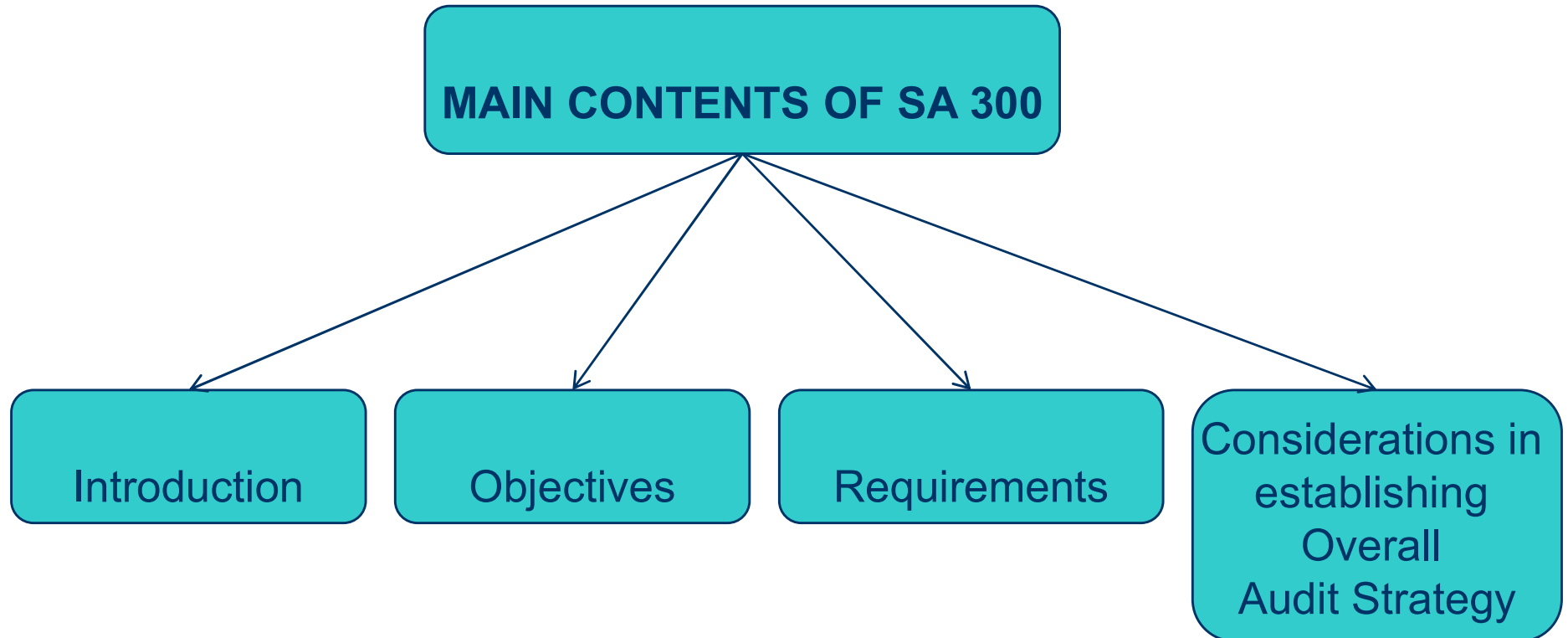
SA – 300 (Revised)

PLANNING AN AUDIT OF FINANCIAL STATEMENTS

Effective Date

- Effective for audits of financial statements for periods beginning on or after **April 1, 2008**

Contents of The Standard



SCOPE

- Deals with the auditor's **responsibility to plan an audit of Financial Statements**
- Framed in the context of **recurring audits**
- Additional considerations in **initial audit engagements are separately identified**

Role of Planning

HELPS THE AUDITOR:

- ✓ to devote appropriate attention to important areas
- ✓ identify and resolve potential problems on a timely basis
- ✓ in the selection of engagement team members
- ✓ in direction and supervision of engagement team members and the review of their work
- ✓ in coordination of work done by auditors of components and experts

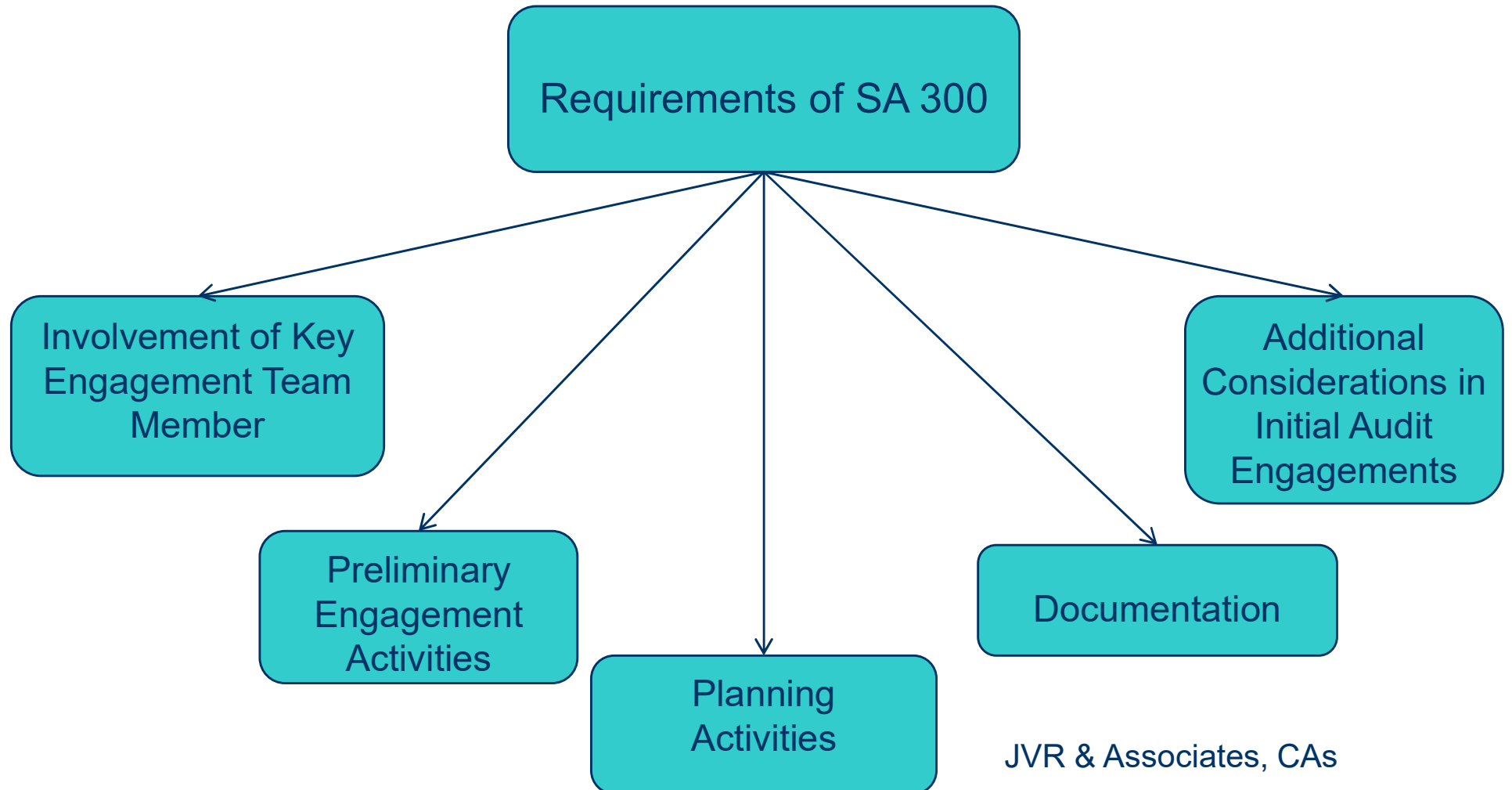
Timing of Planning

- Planning is a **continual & iterative process that often begins shortly after the completion of the previous audit and continues until the completion of the current engagement**
- Though the auditor may decide on discussing certain elements of the audit plan with the management, the overall **audit plan & strategy remain the auditor's responsibility**

Objective of the Standard

- To obtain reasonable assurance as to whether the financial statements, as a whole are free from material misstatement, whether due to fraud or error, thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework; and
- To report on the financial statements, and communicate as required by the SAs, in accordance with the auditor's findings

REQUIREMENTS



KEY ENGAGEMENT TEAM MEMBER

- Key Engagement Team = The engagement partner + Other key members of the engagement team
- Involvement draws in the valuable **experience and insight of the members**

PRELIMINARY ENGAGEMENT ACTIVITIES

- The auditor shall undertake the following activities at the beginning of the current audit engagement to identify and evaluate events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement:
 - ✓ Perform procedures required by SA 220, "Quality Control for Audit Work" regarding the continuance of the client relationship and the specific audit engagement;
 - ✓ Evaluate compliance with ethical requirements, including independence, as required by SA 220; and
 - ✓ Establish an understanding of the terms of the engagement, as required by SA 210, "Terms of Audit Engagements"

PLANNING ACTIVITIES

- Planning Activities are classified into 4:
 - ✓ *The overall audit strategy*
 - ✓ *The audit plan*
 - ✓ *Changes to planning decisions during the course of the audit*
 - ✓ *Direction, Supervision & Review*

The Overall Audit Strategy

- The process of establishing the overall audit strategy assists the auditor to determine:
 - ✓ *The resources that are to be deployed*
 - ✓ *The amount of resources to be allocated*
 - ✓ *When these resources are to be deployed*
 - ✓ *How such resources are managed, directed and supervised*

- Establishing the overall audit strategy for the audit of a small entity **need not be a complex or time consuming exercise**

AUDIT PLAN

- The audit plan is more detailed than the overall audit strategy
- Planning for these audit procedures takes place over the course of the audit
- For example, planning of the auditor's risk assessment procedures occurs early in the audit process whereas planning the nature, timing & extent of specific further audit procedures depends upon the outcome of risk assessment procedures

Changes to Planning Decisions During the course of Audit

- When information comes to the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures, the audit strategy and the audit plan may be changed accordingly

DIRECTION, SUPERVISION & REVIEW

- The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors, including:
 - ✓ The size and complexity of the entity
 - ✓ The area of the audit
 - ✓ The assessed risks of material misstatement
 - ✓ The capabilities and competence of the individual team members

DOCUMENTATION

- The auditor shall document:
 - ✓ The overall audit strategy (the overall scope, timing & conduct of audit)
 - ✓ The audit plan (audit programs, checklists)
 - ✓ Significant changes made during the audit engagement and its reasons

Additional Considerations in Initial Audit Engagements

- Performing procedures required by SA - 220 regarding the acceptance of the client relationship and the specific audit engagement
- Communicating with the predecessor auditor, where there has been a change of auditors, in compliance with relevant ethical requirements
- Performing audit procedures necessary to obtain sufficient appropriate audit evidence regarding opening balances (SA 510 “Initial Engagements – Opening Balances”)

Considerations in Establishing Overall Audit Strategy

- **Characteristics of the Engagement**
(Reporting framework, industry specific reporting requirements etc)
- **Reporting Objectives, Timing of the Audit, and Nature of Communication**
(Timetable for reporting, communication with TCWG etc.)
- **Significant Factors, Preliminary Engagement Activities & Knowledge Gained on Other Engagements**
(Materiality levels, Internal Control Review etc.)
- **Nature, Timing & Extent of Resources**
(Selection & assignment of duties to team members, engagement budgeting etc.)



THANK YOU VERY MUCH

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