



SA 300 –

Planning an Audit of Financial Statements

SA 315 –

Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment



CA Abhijit Shetye – Partner, P G BHAGWAT LLP

Agenda

Introduction

Scope and Objective

SA 300 - Discussion

SA 315 - Discussion

Key Takeaways

Disclaimers

- Views expressed herein may not necessarily reflect the views of the firm.
- A presentation which raises ideas and concepts does not amount to an opinion of the firm or of the author, but should be merely viewed as matters having potential possibility.
- A presentation is not a replacement for a formal opinion on a point of law which may require to be addressed.
- The information and views contained in this presentation are to be viewed with caution and should be appropriately considered.
- Information provided herein is only for the benefit of the recipients, and is not to be shared with any other person without our consent.

Introduction

SA 300-499 deal with Risk Assessment and Response to Assessed Risks and other related matters.

The Objectives of these standards is to efficiently and effectively plan the audit to reduce the audit risk at acceptably low level.

This presentation covers –

- Overall Audit Planning and
- Identification and Assessment of Risks.

SA Series - 300 to 499

SA 300-499 Risk Assessment and Response to Assessed Risks

- SA 300 Planning an Audit of Financial Statements
- SA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment
- SA 320 Materiality in Planning and Performing an Audit
- SA 330 The Auditor's Responses to Assessed Risks
- SA 402 Audit Considerations Relating to an Entity Using a Service Organisation
- SA 450 Evaluation of Misstatements Identified During the Audit



Audit Report - Relevant Extract

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act we are also responsible for expressing our opinion on whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls.

“

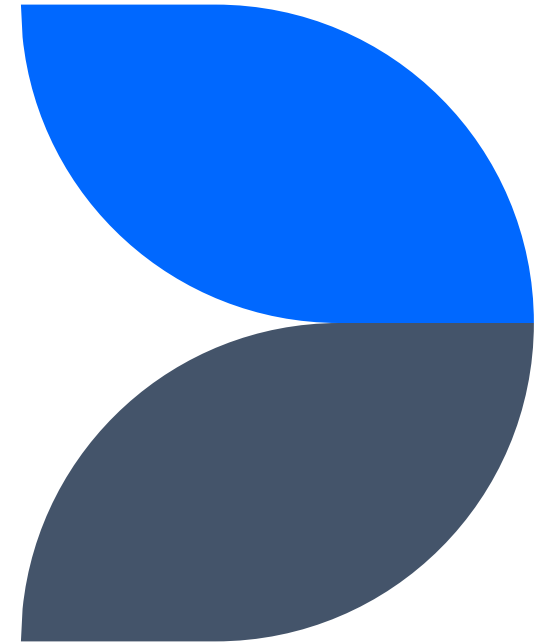
Give me six hours to chop down a tree and I will spend the first four sharpening the axe.

Abraham Lincoln

”

SA 300

Planning an Audit of Financial
Statements



SA 300 – Scope and Objective

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

Objective

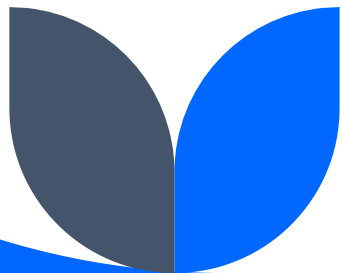
To plan the audit so that it will be performed in an effective manner.

Audit Planning

Importance of Audit Planning

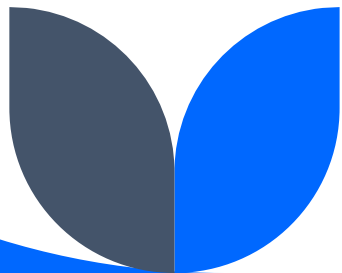
- To Perform engagement in effective and efficient manner
- To reduce Audit Risk to acceptably low level

Not a discrete phase of audit but a continual and iterative process



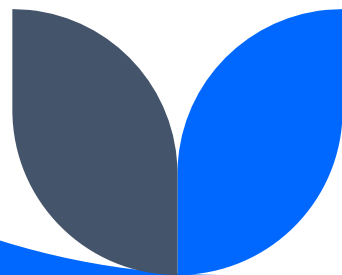
Audit Planning - Benefits

- Team members learn from the experience/insight of the partner and other key personnel.
- The engagement is properly organized, staffed, and managed.
- Experience gained from previous years' engagements and other assignments is properly utilized.
- Important areas of the audit receive the appropriate attention.
- Potential problems are identified and resolved on a timely basis.
- Audit file documentation is reviewed on a timely basis.
- Work performed by others is coordinated (other auditors, experts, etc.).



Preliminary engagement activities

- Performing procedures required by SA 220 – “Quality Control for an Audit of Financial Statements” – Acceptance and Continuance, Engagement teams etc.
- Evaluating compliance with ethical requirements, including independence – SA 220
- Establishing an understanding of the terms of the engagement - SA 210

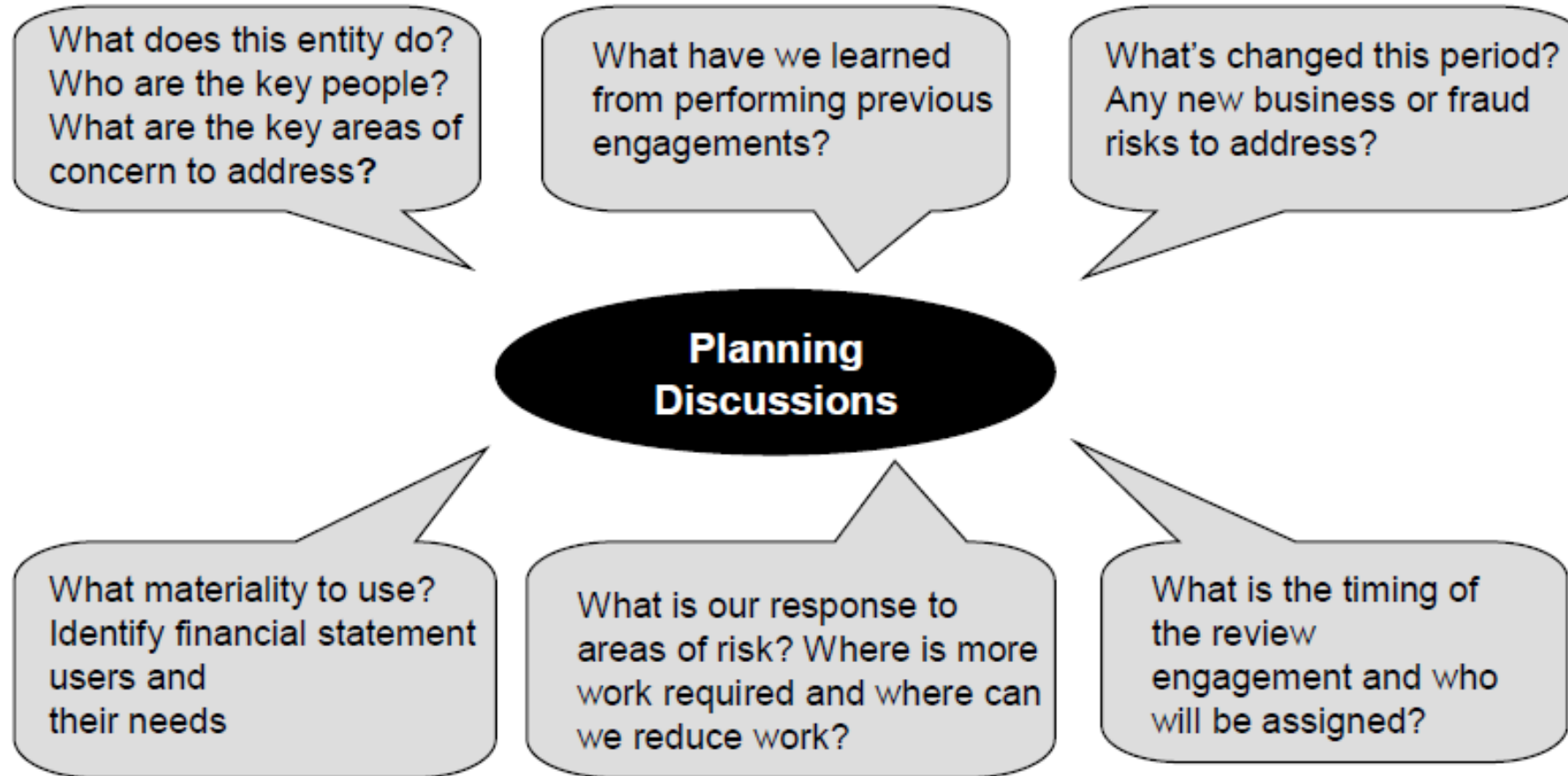


Planning – Role and Timing

- Planning is **continuous and iterative process**.
- Planning generally include consideration of the timing of certain activities and audit procedures that need to be completed prior to the performance of further audit procedures.
- Involve communication with management about **certain elements of planning** to conduct audit effectively.
- **Involvement of Key Engagement Team Members** including Engagement Partners and Other Senior Team members
 - Making use of experience and insights of EP and senior team members
 - Reflecting on prior year audit experience
 - enhancing the effectiveness and efficiency of planning process



Planning meetings – Agenda Items



Overall Audit Strategy

Factors to be considered for establishing audit strategy

- Identify the characteristics of the engagement that define **its scope**;
- Ascertain the **reporting objectives** of the engagement to plan the **timing** of the audit and the **nature of the communications** required;
- Consider the **factors** that, in the auditor's professional judgment, are **significant** in directing the engagement team's efforts;
- Consider the **results of preliminary engagement activities** and, where applicable, whether **knowledge gained on other engagements** performed by the engagement partner for the entity is relevant; and
- Ascertain the **nature, timing and extent of resources** necessary to perform the engagement.



Overall Audit Strategy

Purpose -

- **Which** resources to be deployed for specific audit areas,
- **Number** of resources to be allocated to specific audit areas,
- **When** these resources are to be deployed and
- **How to** manage, direct and supervise the resources which are deployed

Once audit strategy is established, audit plan can be developed to address the various matters identified in the overall audit strategy.

Determination of Audit Strategy and Audit Plan –

- are not discrete or sequential process.
- closely inter-related since changes in one may result in consequential changes to the other.



Audit Plan

Scope

More detailed than Audit Strategy

Includes nature, time and extent audit procedures to be performed.

Takes place over the course of audit

Changes in Audit Plan

May happen as a result of unexpected events, changes in conditions, or the audit evidence obtained during audit

This will impact nature, time and extent audit procedures

Direction, Supervision and Review

Depends on

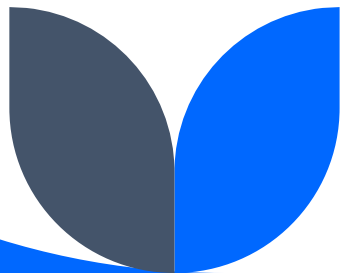
- The size and complexity of the entity
- The area of the audit
- The assessed risks of material misstatement
- The capabilities and competence of the individual team members



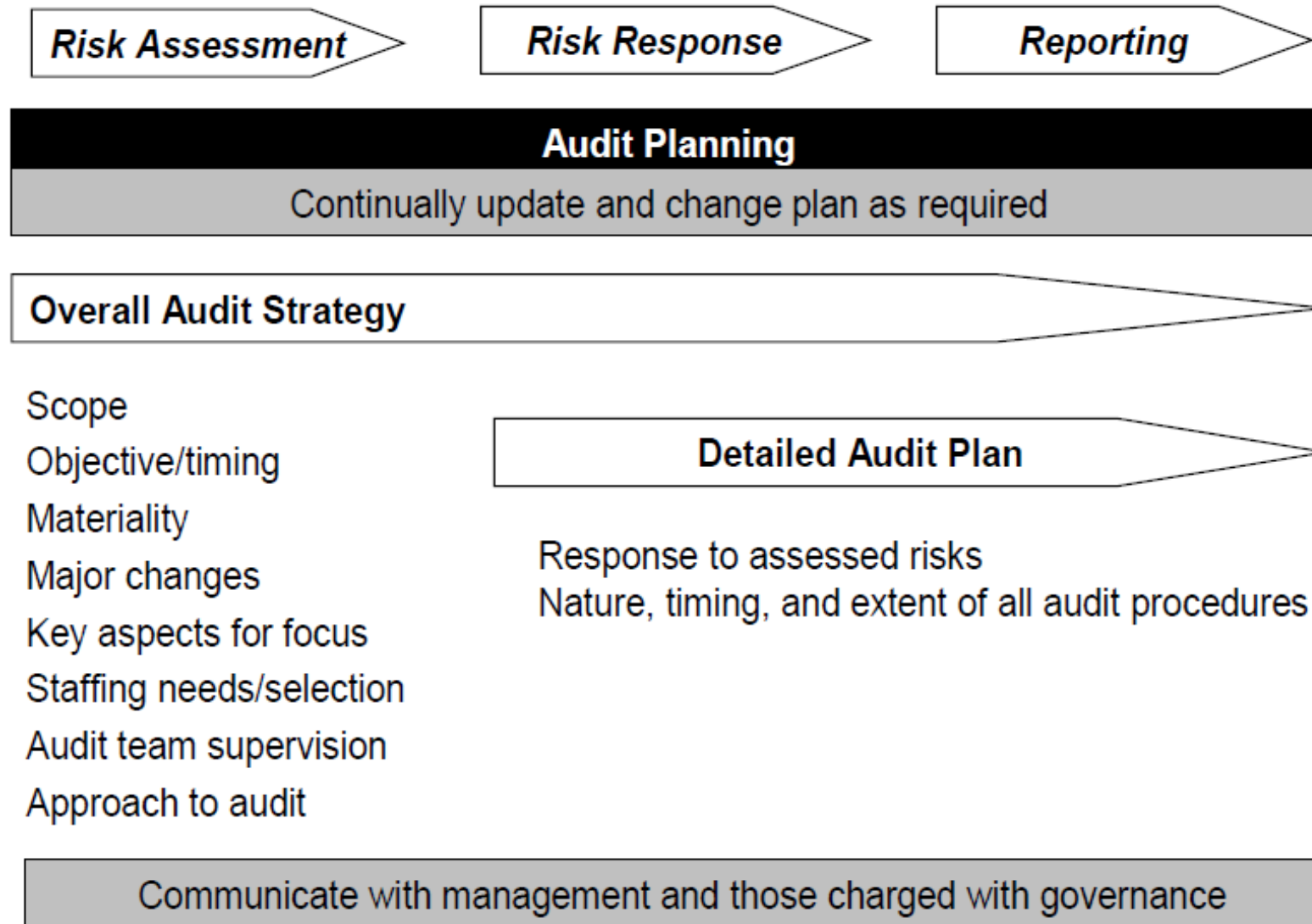
Audit Plan

Contents of Audit Plan

- The nature, timing and extent of **planned risk assessment procedures**, as determined under SA 315;
- The nature, timing and extent of **planned further audit procedures at the assertion level**, as determined under SA 330;
- **Other planned audit procedures** that are required to be carried out so that the engagement complies with SAs;



Audit Planning



Documentation

The documentation of –

- **the overall audit strategy** is a record of the key decisions considered necessary to properly plan the audit and to communicate significant matters to the engagement team.
- **the audit plan** is a record of the planned nature, timing and extent of risk assessment procedures and further audit procedures at the assertion level in response to the assessed risks.
- **A record of the significant changes** to the overall audit strategy and the audit plan, and resulting changes to the planned nature, timing and extent of audit procedures,



Overall Audit Strategy

Client : **Prepared by :** **Date :**

Year : **Reviewed by :** **Date :**

Overall Audit Strategy

The overall audit strategy can be established after considering the following :

1. Organise a planning meeting with the clients staff to update our understanding the entity and their accounting process.

Description :

Work Paper ref :

2. Consider environmental and industry factors which might identify specific potential risk and document our observation.

Description :

Work Paper ref :

3. Perform preliminary analytical procedures and identify any unusual or unexpected balances, and or, relationship which may indicate potential misstatement of the financial statements.

Description :

Work Paper ref:

4. Determine planning materiality after assessment of the specific circumstances of the client.

Description :

Work Paper ref :

5. Decide whether Involvement of experts is necessary, and any additional risk assessment procedures required for the engagement.

Description :

Work Paper ref :

6. Where changes during the year are significant or where factors indicate potential risks, document the details and our specific observations.

Description :

Work Paper ref:

7. Prepare debriefing notes on audit including carry forward points of last year. It includes the following:

- Any audit areas that might require additional or less attention in the future;
- Any planned changes that will affect future engagements such as an acquisition, new product or service, or the installation of a new accounting system; and
- Where additional assistance could be provided by the entity such as analysis of certain accounts.

Description :

Work Paper ref :

8. Document the assertions that cannot be addressed by substantive tests alone, if any.

Description :

Work Paper ref :

9. Assess the need to incorporate an element of unpredictability or further audit procedures (such as to address fraud, risk, and so forth)

- Description:**
- Work Paper ref:**
10. Ensure special attention required for any significant risks is given duly while framing the overall audit strategy.

Description:

Work Paper ref:



Illustrative Format of Audit Planning Schedule

Tasks/ Timing	Week 1	Week 2	Week 3	Week 4	Week 5	Budgeted hours	Actual hours
Meetings							
Meetings with management to understand entity's operations and significant developments, update progress	√	√	√	√	√	X	
Deployment of engagement team and team meetings	√	√	√	√	√	X	
Meetings with Those Charged with Governance – sharing audit strategy and conclusions	√	√			√	X	
Perform risk assessment							
Perform preliminary analytics and other planning procedures	√					X	
Identify and assess key risk		√				X	

Determine audit strategy		√					X	
Develop responses to risks through detailed audit plan		√					X	
Perform tests of controls								
Identify key controls		√					X	
Review work of others (Internal audit, Type 1/2 reports)		√					X	
Perform tests as designed			√				X	
Evaluate deficiencies and impact on substantive procedures			√				X	
Perform Substantive Procedures								
Determine procedures responsive to key risks			√				X	
Perform substantive analytical procedures or tests of details as planned and obtain sufficient appropriate audit evidence			√	√			X	
Evaluate appropriateness and sufficiency of				√				

audit evidence								
Execute changes to audit strategy and plan if circumstances require				√				
Conclusions								
Perform final analytics and other closing procedures					√		X	
Review by Engagement Partner and conclude on evidences obtained					√		X	
Consultations with Quality Review Partner					√		X	
Share draft results and discuss with management					√		X	
Finalise and Issue opinion, discuss with Those Charged with Governance					√		X	

Considerations related to smaller entities

- Since the audit teams are smaller, Establishing the overall audit strategy for the audit of a small entity need not be a complex or time-consuming exercise;
For Example, a brief memorandum prepared at the completion of the previous audit may be updated based on discussion with owner/management **can serve a documented audit strategy.**
- Forming an objective view on the **appropriateness of the judgments made** in the course of the audit can present practical problems when the same individual also performs the entire audit. When particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to **consult with other suitably-experienced auditors or the auditor's professional body.**
- **For Audit Plan**, Standard Audit Program / Checklists can be used after tailoring the same to the circumstances of the engagement.



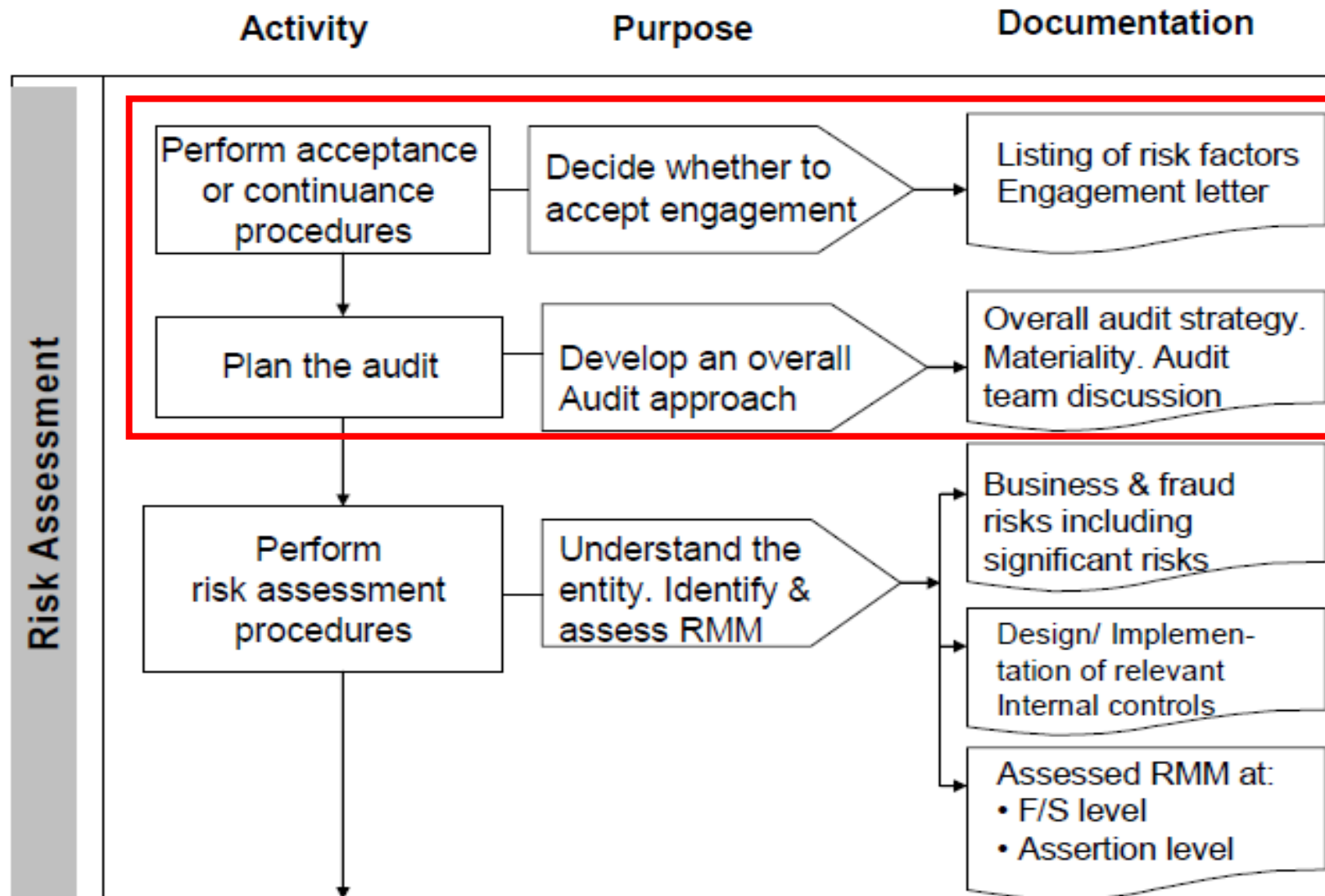
Initial Audit Engagements – Additional Considerations

During first year of engagement, auditor may consider certain additional matters during the planning. For example,

- Unless prohibited by law or regulation, reviewing the predecessor auditor's working papers.
- Any major issues discussed with management in connection with the initial selection as auditor
- Audit procedures related to opening balances (SA 510)
- Other procedures required by the audit firm's quality control policies

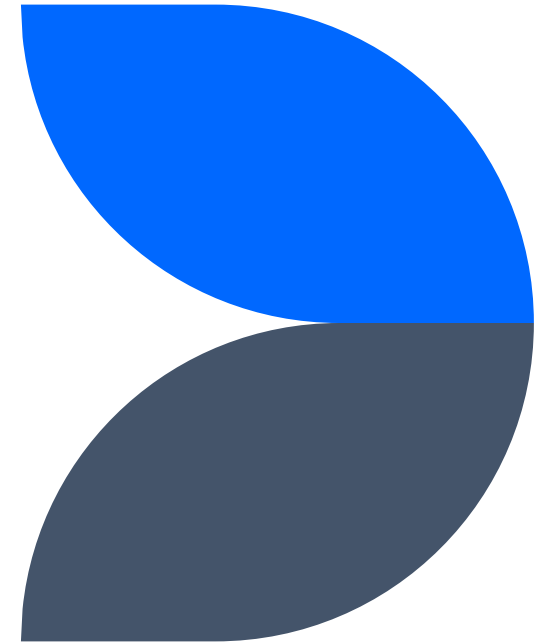


Audit Planning



SA 315

Identifying and Assessing the Risks
of Material Misstatement Through
Understanding the Entity and its
Environment



SA 315 – Scope and Objective

Scope

Deals with the auditor's responsibility to identify and assess the risks of material misstatement (RoMM) in the financial statements, **through understanding the entity and its environment, including the entity's internal control.**

Objective

To **identify and assess RoMM**, due to fraud or error, **at the financial statement and assertion levels.**

To **provide basis for designing and implementing responses** to the assessed RoMM .

To reduce the RoMM **to an acceptably low level.**

“

Risk:

*the possibility of something bad
happening at some time in the future.*

Oxford Dictionary

”

Risk in the context of audit

Audit Risk

Risk of **expressing an inappropriate audit opinion** on financial statements **that are materially misstated**.

The objective of the audit is to reduce this audit risk to an acceptably low level.

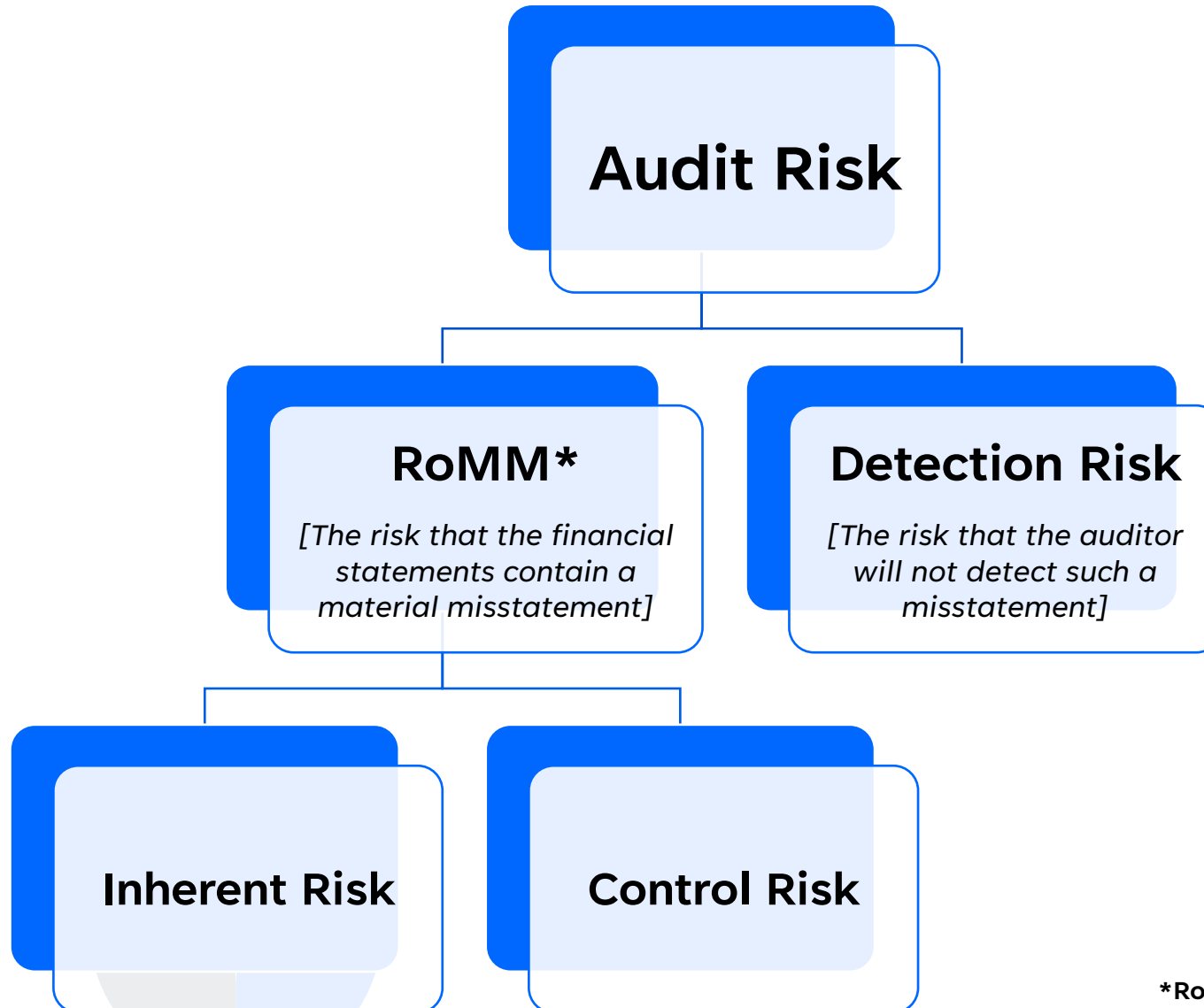
‘TO REDUCE AUDIT RISK TO AN ACCEPTABLY LOW LEVEL’

- Assess the risks of material misstatement; and
- Limit the detection risk.

This may be achieved by performing procedures that respond to the assessed risks at the financial statement, class of transactions, account balance and assertion levels.



Risk in the context of audit



*RoMM – Risk of Material Misstatement

Audit Risk Components

Inherent Risk: Susceptibility of an assertion to a misstatement that could be material, individually or when aggregated with other misstatements, **assuming that there are no related controls.**

Control Risk: Risk that the entity's **internal control system will not prevent or detect and correct** a material misstatement on a timely basis.

Fraud Risk: The **risk of an intentional act** by one or more individuals among management, those charged with governance, employees or third parties, involving the use of deception to obtain an unjust or illegal advantage.

There are **two types of intentional misstatement** that are relevant to the auditor:

- Misstatements resulting from **fraudulent financial reporting;** and
- Misstatements resulting from **misappropriation of assets.**



Audit Risk Components

Combined Risk: This is a term that is sometimes used to refer to the assessed (**inherent and control risk**) risks of material misstatement at both the financial statement level and the assertion level.

Auditors can make **separate or combined assessments** of inherent and control risks **depending on preferred audit techniques or methodologies and practical considerations.**

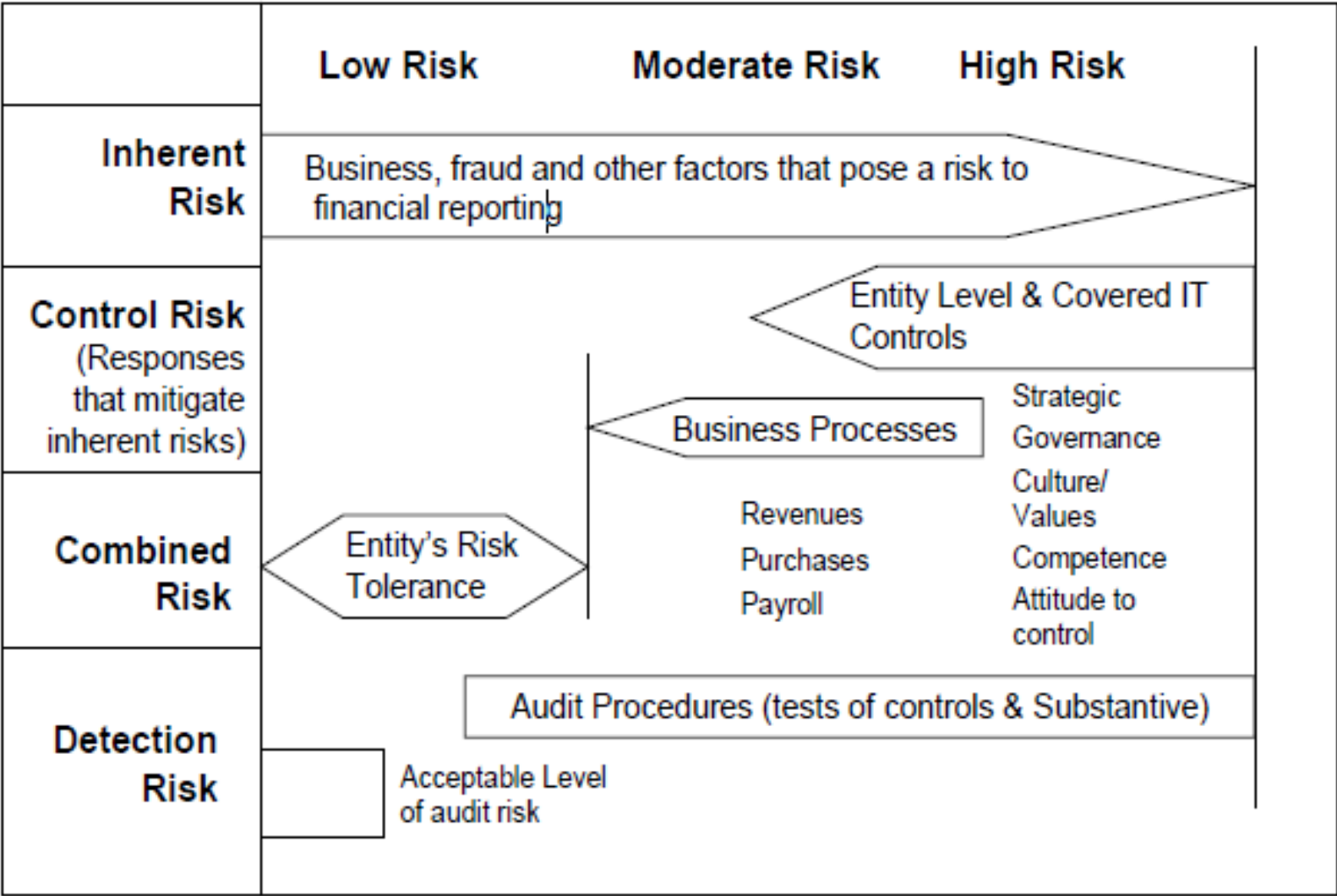
Detection Risk: Risk that the auditor will not detect a material misstatement at **assertion level.**

To reduce the detection risk at acceptably low level

- Identify assertions (areas) where there are risk of material misstatement
- Concentrate audit procedures on such areas
- Carefully design and evaluate results of procedures performed.



Interrelationship of Audit Risk Components



Risks of Material Misstatement

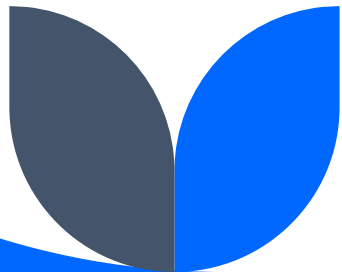
Identifying and Assessing the Risks of Material Misstatement

Auditor need to identify Risk of Material Misstatements (RoMM) at

- the financial statement level; and
- the assertion level for classes of transactions, account balances, and disclosures;

RoMM at Financial Statements Level

- Relate pervasively to the financial statements as a whole and potentially affect multiple assertions
- Not necessarily identifiable at specific assertion (management override of controls)
- deficient control environment (management's lack of competence)
- Concerns about the integrity of the entity's management
- Concerns about the condition and reliability of an entity's records



Identifying and Assessing the Risks of Material Misstatement (Contd)

RoMM at assertions level

Class of transactions	Account Balances	Disclosures
<ul style="list-style-type: none">• Occurrence• Completeness• Accuracy• Cut off• Classification	<ul style="list-style-type: none">• Existence• Rights & Obligations• Completeness• Valuation & Allocation of resources	<ul style="list-style-type: none">• Occurrence• Rights & Obligations• Completeness• Classification & Understandability• Accuracy & Valuation



Identifying and Assessing the Risks of Material Misstatement (Contd)

1. Identify risks throughout the process of **obtaining an understanding of the entity and its environment, including relevant controls** and by considering the classes of transactions, account balances, and disclosures in the financial statements; **(Risk Identification at FS level and assertion level)**;
2. Assess the identified risks, and evaluate whether they relate more pervasively to the financial statements as a whole and potentially affect many assertions **(Financial Statement level assessment)**;
3. Relate the identified risks to what can go wrong at the assertion level considering relevant controls **(Assertion level assessment)** and
4. Consider the **likelihood** of misstatement, including the possibility of multiple misstatements, and whether the potential misstatement is of a **magnitude** that could result in a material misstatement. **(Assessing RoMM)**



Understanding Entity and Its Environment

This involves following –

- Relevant industry, regulatory, and other external factors including the applicable financial reporting framework.
- The nature of the entity, including
 - its operations;
 - its ownership and governance structures;
 - the types of investments that the entity is making and plans to make, including investments in special-purpose entities; and
 - the way that the entity is structured and how it is financed;
- The entity's selection and application of accounting policies,
- The entity's objectives and strategies, and those related business risks
- The measurement and review of the entity's financial performance.



Understanding Entity and Its Environment

Information about the entity and its environment can be obtained from both internal and external sources.

	Internal Sources	External Sources
Financial Information	<ul style="list-style-type: none"> • Financial statements • Budgets • Reports • Financial performance measures/metrics • Minutes • Income tax returns • Decisions made on accounting policies • Judgments and estimates 	<ul style="list-style-type: none"> • Industry information • Competitive intelligence • Credit rating agencies • Creditors • Government Agencies • Franchisors • The media and other external parties
Non-financial Information	<ul style="list-style-type: none"> • Vision • Mission • Values • Objectives • Strategies • Organisation structure • Minutes • Job descriptions • Operating performance • Business drivers • Capabilities • Policy & procedure manuals • Non-financial performance measures/ metrics 	<ul style="list-style-type: none"> • Trade association data • Industry forecasts • Government agency reports • Newspaper/ magazine articles • Information on the Internet



Understanding Entity and Its Environment

External Factors

- Nature of Industry
- Regulatory environment
- Financial reporting framework

Nature of Entity

- Operations, ownership & governance
- People, investments & structure
- Application of accounting policies

Entity Objectives & Strategies

- Related business risks
- Financial consequences

Measurement/ Review of Financial Performance

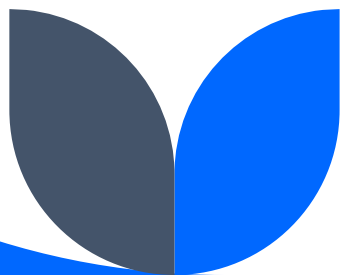
- What key measures are used
- What pressures are on management to improve business performance



Understanding Entity's Internal Control

Auditor need to obtain understanding of internal control relevant to the audit.

When obtaining an understanding of controls that are relevant to the audit, the auditor shall evaluate the **'design of those controls (Design Effectiveness) and determine whether they have been implemented (Operating Effectiveness)**, by performing procedures in addition to inquiry of the entity's personnel.



Understanding Entity's Internal Control

- Control Environment
- The entity's risk assessment process
- Information System and Communication
- Control activities relevant to the audit
- Monitoring of controls



Understanding Entity's Internal Control

Control Environment

- Communication and enforcement of integrity and ethical values
- Commitment to competence
- Participation by those charged with governance
- Management's philosophy and operating style
- Organisational structure
- Assignment of authority and responsibility
- Human resource policies and practices

Risk Assessment Process

- Identifying business risks relevant to financial reporting objectives;
- Estimating the significance of the risks;
- Assessing the likelihood of their occurrence
- Deciding about actions to address those risks.

Control Activities relevant to audit

- Authorization.
- Performance reviews
- Information processing
- Physical controls
- Segregation of duties

- Controls addressing Risks arising from IT (ITGCs and Application Level Controls)

Information System and Communication

- Identify and record all valid transactions
- Sufficient description for proper classification
- Proper measurement of transaction
- Recording transaction in correct accounting period
- Proper presentation and disclosure

- Communications between management and TCWG
- External communications

Monitoring of Controls

- Management process to assess the effectiveness of internal control performance over time.
- How the entity initiates remedial actions to deficiencies in its controls
- Understanding about the internal audit function
- Understanding of the sources of the information used in the entity's monitoring activities

Understanding Entity's Internal Control



Internal Control—Integrated Framework (Framework), © [2013] Committee of Sponsoring Organizations of the Treadway Commission (COSO). All rights reserved.

Risk Assessment Procedures

Inquiry procedures

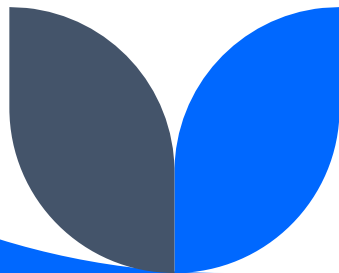
- Inquiries with TCWG
- Inquiries with Employees, Inhouse Legal Counsel and Departmental Heads
- Inquiries with Internal Audit Function

Analytical Procedures

- Analytical procedures may include both financial and non financial information
- Assist in assessing the risks of material misstatement in order to provide a basis for designing and implementing responses to the assessed risks
- Helps to identify the existence of unusual transactions or events, and amounts, ratios, and trends
- Data aggregated at high level may give only broad indication about RoMM

Observation and Inspection

- Observation of entity's operations
- Inspecting documents (such as business plans and strategies), records, and internal control manuals.
- Reports prepared by management and TCWG
- Visiting entity's premises and plant facilities



Significant Risks

Definition: ‘An identified and assessed risk of material misstatement that, in the auditor’s judgment, **requires special audit consideration.**’

Auditor **need to exercise professional judgement** to identify risks that require special audit consideration.

The auditor shall **exclude the effects of identified controls** related to the risk.

Let’s look at the **factors** to be considered for identifying Significant Risks!



Significant Risks - Factors

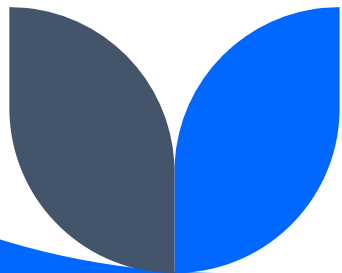
- a. Whether the risk is a **risk of fraud (including presumed risks of fraud)**;
- b. Whether the risk is related to recent **significant economic, accounting, or other developments** like changes in regulatory environment, etc., and, therefore, requires specific attention;
- c. The **complexity** of transactions;
- d. Whether the risk involves **significant transactions with related parties**;
- e. The **degree of subjectivity** in the measurement of financial information related to the risk, especially those measurements **involving a wide range of measurement uncertainty**; and
- f. Whether the risk involves **significant transactions** that are outside the **normal course of business for the entity**, or that otherwise appear to be **unusual**.



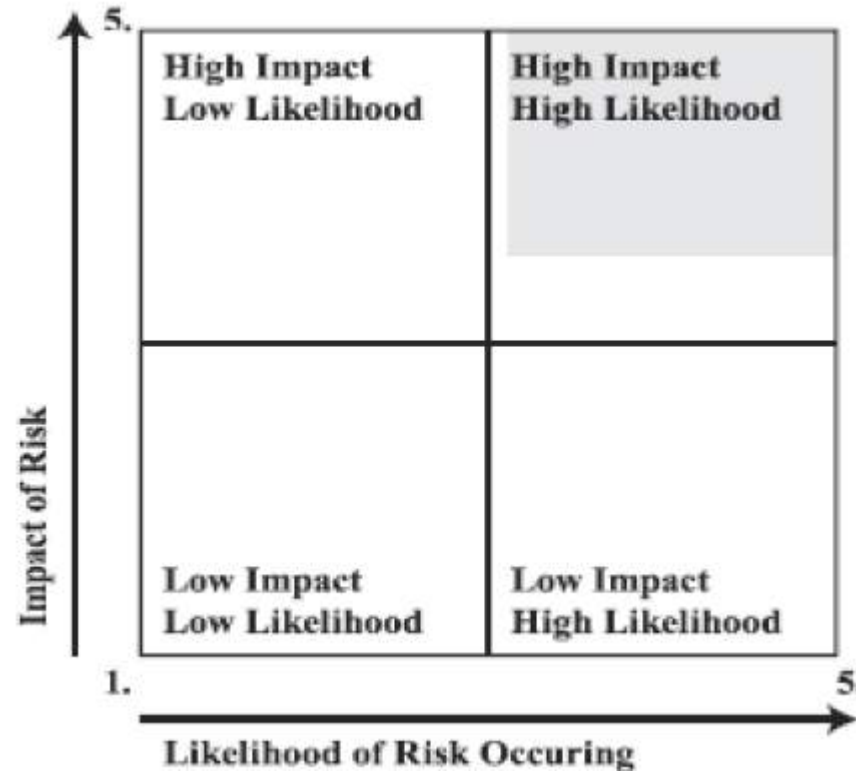
Significant Risks

Significant risks often relate to –

- **significant non-routine transactions**
 - Greater management intervention to specify the accounting treatment.
 - Greater manual intervention for data collection and processing.
 - Complex calculations or accounting principles.
 - The nature of non-routine transactions, which may make it difficult for the entity to implement effective controls over the risks. OR
- **judgmental matters**
 - Accounting principles for accounting estimates or revenue recognition may be subject to differing interpretation.
 - Required judgment may be subjective or complex, or require assumptions about the effects of future events, for example, judgment about fair value.



Significant Risks



Risks falling in the “**high impact, high likelihood**” area of the chart clearly require management controls to mitigate. In addition, these will likely be determined as being **significant risks, which require special audit consideration.**



Significant Risks

Other SAs dealing with Significant Risks

SA 330 – describes the consequences for further audit procedures of identifying a risk as significant.

SA 240 – provides further requirements and guidance in relation to the identification and assessment of the risks of material misstatement due to fraud.

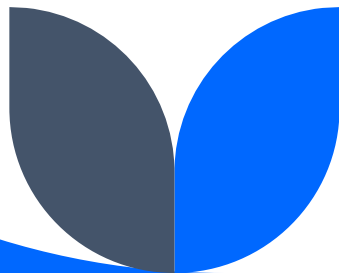


Risks for Which Substantive Procedures Alone Do Not Provide Sufficient Appropriate Audit Evidence

These risks are –

- related **routine and significant** classes of transactions or account balances such as an entity's revenue, purchases, and cash receipts or cash payments.
- subject to **highly automated processing** with little or no manual intervention
- Audit evidence may be available only in electronic form and its sufficiency and appropriateness of usually **depend on the effectiveness of IT controls** over its accuracy and completeness.
- **The potential** for improper initiation or alteration of information may be **greater if such controls are not operating effectively.**

SA 330 further describes the consequences for further audit procedures of identifying such risks.



Revision of Risk Assessment

Sometimes, information obtained during the course of audit **significantly varies** from the information on which risk assessment was based.

For Examples,

- Certain control on which reliance was placed were not operating effectively, or
- Misstatements detected are greater in frequency or amounts than originally assessed level.

In such circumstances, auditor need to **revise original risk assessment** and **plan further audit procedures** to address the revised assessment.

SA 330 provides further guidance on the same.



Documentation

Documentation of Risk Assessment should cover following

- The discussion among the team and significant decision reached Key Elements of understanding obtained regarding each aspects of entity and its environment, including internal controls
- Sources from which information was obtained and risk assessment procedures performed thereon.
- Identified and assessed risk of material misstatements
- Significant Risks (which require special audit considerations) and related controls
- Risks for which substantive procedures alone do not suffice and related controls.

Form and extent of documentation depends on

- nature, size and complexity of the entity and its internal control,
- availability of information from the entity and
- the audit methodology and technology used in the course of the audit.



Documentation

Documentation may reflect following

- Key elements of understanding on which risk assessment is based.
- The experience and capabilities of the members of the audit engagement team.
- For recurring audits, certain documentation may carried forward and updated as necessary

What if a key or significant aspects of audit is performed but not documented?

It's Not Audited!



Illustrative Format of Audit Plan

Identification and Assessment of Key Risks of Material Misstatement

(to be completed for all material classes of transactions, account balances and disclosures)

Area	
Amount as per Trial Balance	
Components of the amount	
Understanding of the processes based on inquiry with:	
<ul style="list-style-type: none"> • Management • Those Charged with Governance • Internal auditor • Business process owners • In-house legal counsel • Any other source 	
Results of preliminary analytical procedures – any unusual or unexpected relationships	
Results of design effectiveness of internal controls	
<ul style="list-style-type: none"> • Control environment 	

<ul style="list-style-type: none"> • Risk assessment • Information system and business process • Control activities • Monitoring of controls 			
Results of observation and inspection of :			
<ul style="list-style-type: none"> • Entity's operations • Documents and records • Reports • Premises 			
Other information available			
<ul style="list-style-type: none"> • past audits • other engagements of the entity • continuance assessment • results of limited reviews at interim periods • discussions within engagement team • any other source 			
Identified risks	Risk description	Inherent / Control	Assertion
Key risks			
Non –key risks			
Impact on any other area			

Planned procedures – to be completed prior to performance of audit procedures based on aforesaid information

Assessed risks	Planned procedures			
	Nature	Extent	Timing-Interim / Final	Team member
	Tests of operating effectiveness of controls Substantive procedures <ul style="list-style-type: none"> • Analytical procedures • Tests of details • Any specific procedure in accordance with SAs 			
	Tests of operating effectiveness of controls Substantive procedures <ul style="list-style-type: none"> • Analytical procedures • Tests of details • Any specific procedure in accordance with SAs 			

(Approval of Engagement Partner)

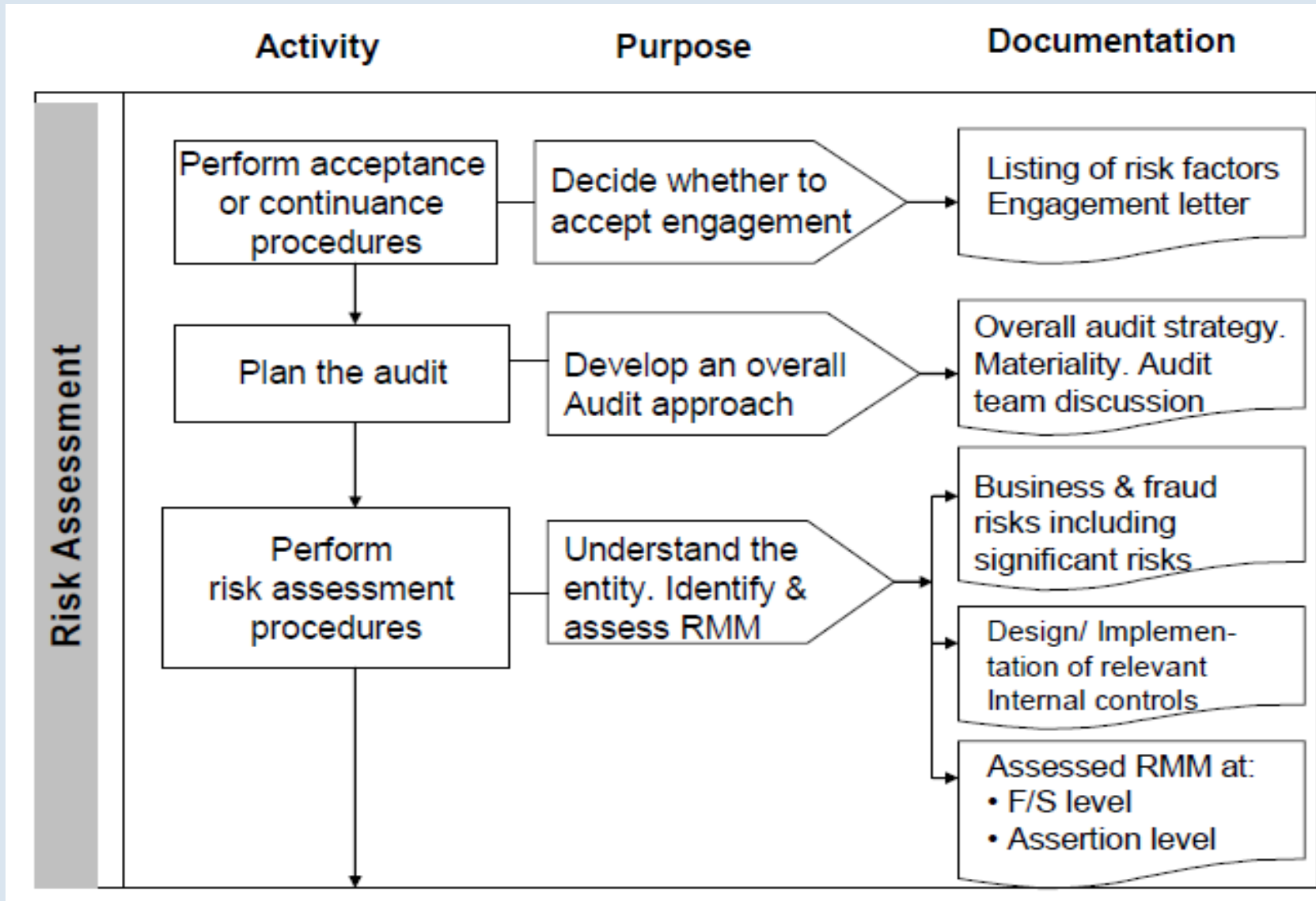
Key Takeaways

Risk Assessment Phase involved following steps –

- Performing client acceptance or continuance procedures; - SA 220
- Planning the overall engagement; - SA 300
- Performing risk assessment procedures to understand the business and **identify inherent and control risks;**
- Identifying **relevant internal control** procedures and assessing their design and implementation
- Assessing the risks of material misstatement (RoMM) in the financial statements;
- Identifying the **significant risks** and **risks for which substantive procedures alone are not sufficient;**
- **Communicating any material weaknesses** in the design and implementation of internal control to management and those charged with governance;
- Making an informed assessment of **RoMM at the financial statement level and at the assertion level.**
- **DOCUMENTATION OF AUDIT PLANNING IS CRITICAL!**



Key Takeaways



ICAI Technical Material available

- Standards on Auditing issued by ICAI (Revised from time to time)
- Implementation Guide to SA 230, Audit Documentation (Revised 2018)
- Implementation Guide to SA 300, Planning an Audit of Financial Statements
- Implementation Guide to Risk Based Audit of Financial Statements



Q&A

Thank you