AUDIT QUALITY ASSURANCE WORKSHOP

Tuesday 20th March 2018

Presentation by:

CPA Hesbon Omollo
Bon&Drew Associates-CPA-K

Audit Planning, Supervision &Review…… (ISA 300)

Planning involves all issues that the auditor should consider to develop an overall audit strategy and plan for conducting the audit.
The outcome of the planning process is a written plan that sets forth the overall audit strategy and the nature, extent and timing of the audit work.

The steps to be followed during the planning phase include:

Understanding the entity and its environment,

Understanding of internal controls,

Assessing the risk of material misstatement,

Planning materiality,

Response to assessed risk, audit strategy and audit plan.

Audit Strategy.....

Factors to be considered in developing an audit strategy include:

1. **Scope** of the audit
2. The **timing** of the audit and reporting deadlines.
3. **Financial reporting framework** used and industry specific reporting requirements.
4. **Key dates** for communicating with management and those charged with governance.
5. **Materiality**
6. **Initial assessment** of the **overall resource requirements** including the use of experts on complex matters
7. Initial assessment of **resource allocation** to specific audit areas
8. Identification of **recent significant entity specific,** industry, financial reporting or other developments

Audit plan.....

An audit plan includes the following:

Preliminary Analytical Review:

This is a review of key **business ratios**, trends and other financial information available at this stage as a risk assessment procedure to obtain an understanding of the entity and its environment.

Preliminary Risk Assessment:

A preliminary review of overall risk and key risks in individual audit areas and their impact on the audit taking into account:

Audit plan.....

1. Past experience.
2. Areas large in materiality.
3. Changes in financial reporting standards and accounting policies.
4. Areas where there is a significant risk of material misstatement or fraud.
5. Complex accounting areas including those involving accounting estimates.
6. The impact of IT(information technology.)
7. Conditions requiring special attention, such as the existence of related party

transactions, contingencies, market and industry conditions.

Audit plan.....contd..

Any taxation aspects which may affect the audit.

Appropriateness of the going concern assumption

Sources of Reliance

Materiality:

Details of the level chosen and the reasons why it was chosen

Auditor’s responses to assessed risks

Audit plan.....contd..

This will include the risks identified for each key audit area and the planned response to such risks including the use of specialized audit tools including Computer Assisted Audit Techniques (CAAT's).

The sampling techniques to be adopted

Audit time table and requirements

This involves determination and communication of the accounting work and audit schedules that will be prepared by the client and by the auditor

Audit plan.....contd..

Consideration of independence requirements where accounting and tax work is carried by the auditor.

Overall audit timetable including:

Client and legal reporting deadlines.
Availability of accounting records for audit commencement.
Year end procedures.
Audit needs at different client locations.
Time and cost budgets

Risk Assessment procedures..

The auditor needs to identify and assess risks of material misstatement at both the financial statement level and assertion level.

The auditor has to consider both **inherent** and **control** risks.

The assessed level of risk of material misstatement is used to determine the acceptable level of detection risk and to plan the auditing procedures to be performed.

The engagement team is also required to assess the risks of material misstatement due to fraud.

The team at the planning stage is supposed to summarize the key risks attached to the entity and factors that may minimize or eliminate those risks

Considerations made when performing control risk assessment include..

(i) Control risk is the risk that a material misstatement could occur in an assertion will not be detected, prevented and or corrected on a timely basis by the entity’s internal control systems.

Control risks is assessed as low when the controls have been tested.

(ii).Inherent risk is the risk posed by an error or omission in a financial statement due to a factor other than control.

How to arrive at sound professional judgment...

3. Perform the analysis and identify alternatives.

Auditors need to be thorough while examining potential alternatives, and they should be vigilant in identifying information that could disconfirm expectations or management's position.

4. Make the decision.

If a supportable judgment process has not been followed, the auditor might need to reconsider the process and the evidence obtained, according to the resource.

5. Review and complete the documentation and rationale for the conclusion.

Documentation should be performed throughout the judgment process, as it enables a more objective and complete assessment,

END OF PRESENTATION

Questions and Answers