

# **Session 2 (Day 1)**

## **Engagement performance (ISA 330)**

# 1. Engagement performance

## Objective:

The auditor must obtain **sufficient appropriate audit evidence** regarding the **assessed risks of material misstatement**, through designing and **implementing appropriate responses** to those risks.

## Key features:

- i. Substantive procedures: - tests of detail and substantive analytical procedures at the assertion level.
- ii. Tests of controls: - procedures to evaluate operating effectiveness of controls

# 1.1 Requirements

- (i) Design and implement overall responses to risks at the financial statement level.
- (ii) Design and implement procedures to address risks at the assertion level.
  - Test of controls to determine operating effectiveness and make
  - decide on level of reliance on the controls.
  - Substantive audit procedures for each material class of transactions, account balances and disclosures
  - Substantive procedures related to financial statement close process.
- (iii) Adequacy of presentation and disclosures as per requirements of reporting framework

# 1.1 Requirements (Cont..)

(iv) Evaluate adequacy and appropriateness of audit evidence

Evidence should be **adequate to enable correct opinion**. Where evidence obtained on a material item/assertion is not adequate and no further or alternative evidence is available, the auditor issues a qualified opinion or a disclaimer on the particular item.

## 1.2 Documentation

- i. Document overall responses to assessed ROMM at the financial statement level
- ii. Linkage of the procedures performed to the risks at the assertion level
- iii. Results of audit procedures including conclusions

## 1.3 Prepare a sample work paper (15 mins)

Using the sample FS provided, prepare a sample work paper for one line item, with tests done, results and conclusions.

# Interactive Session



# Emerging Issues on Ethics, Audit Risk and Audit Reporting



# 1. Emerging issues that may influence audit risk and reporting - Brainstorming

Each group to identify current key issues in Kenya/Region under the following areas:

- a) Regulatory landscape
- b) Reporting Frameworks changes
- c) Political & Economic developments
- d) Fraud trends and handling
- e) Information technology risks
- f) Ethical threshold for auditors

## 1.1 Major developments shaping Audit field

- (i) Falling giants – Uchumi; Nakumatt; Chase Bank; Imperial Bank
- (ii) Government – NYS; Eurobond; Health Ministry;
- (iii) Government regulations – Interest rate cap; Marine insurance restrictions; SGR cargo regulations; VAT/WHVAT
- (iv) Economy – Performance/regional trade restrictions
- (v) Reporting Framework & Standards – IFRS 15; IFRS 9; IFRS 16
- (vi) Cybersecurity – Malware; ransom; phishing

## 1.2 Auditor's response

- Meeting the expected standards (IFRS; IPPF; CMA; Ethics)
- To satisfy customer / stakeholder needs (Users of financial statements)
- Continuous professional education
- Consultations and knowledge sharing
- Specialisations and research
- ICPAK Support

# Interactive Session



# Contacts

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