

PLANNING AN AUDIT OF FINANCIAL STATEMENTS: CAS 300

- The engagement **partner and other key members** of the engagement team should be involved in planning the audit

Preliminary engagement activities

- The auditor does following at the **beginning of the current audit engagement**:
 - Perform procedures regarding the **continuance of the client relationship** and the specific audit engagement (see CAS 220)
 - Evaluate compliance with relevant **ethical requirements, including independence** (see CAS 220)
 - Establishing an understanding of the **terms of the engagement** (see CAS 210)

Planning activities

- Establish an **overall audit strategy** that sets the **scope, timing and direction of the audit**, and that guides the development of the audit plan
- In establishing the **overall audit strategy**, the auditor should:
 - 1) Identify the characteristics of the engagement
 - 2) Determine the **reporting objectives** of the engagement to **plan the timing** of the audit and the **nature of the communications** required
 - 3) Consider the **factors that are significant** in directing the engagement team's efforts
 - 4) Consider the **results of preliminary engagement activities** and, whether knowledge gained on **other engagements** performed by the engagement partner for the entity is relevant
 - 5) Determine the nature, timing and extent of **resources needed** to perform the engagement
 - Use of **experienced team members** for high risk areas
 - The involvement of **experts**
 - **# of team members** assigned to observe the inventory count at material locations
 - When resources are to be deployed; at an **interim date or key cut-off dates**
- Once the overall audit strategy has been established, an **audit plan** can be developed to address the matters identified in the overall audit strategy
- Develop an **audit plan** that includes a description of:
 - 1) The nature, timing and extent of planned **risk assessment procedures** (CAS 315)
 - 2) The nature, timing and extent of planned further **audit procedures at the assertion level** (CAS 330)
 - 3) **Other planned audit procedures** required to be carried out to comply with CASs
- Update and change the overall audit strategy and the audit plan as necessary during the course of the audit
- Plan the **nature, timing and extent of direction** and **supervision** of engagement team members and the **review** of their work
 - i.e. more risk of material misstatement = more supervision and review of work

Documentation

- Document the **overall audit strategy, audit plan**, and any **significant changes** made to the overall audit strategy or the audit plan, and the reasons for the changes

Additional Considerations in Initial Audit Engagements

- Perform **acceptance of client and engagement procedures**
- Communicate with the **predecessor auditor**, where there has been a change of auditors