

1. Client Acceptance and Continuance

Step 1: Understand the Client (Understand the risks of taking on the client)

Should you or should you not accept the client?

2. Audit planning process (Risk Identification, Assessment & Strategy)

Risk Assessment

Step 2: Understand the client (Business Risk → Material Accounts → IR, Controls)

Step 3: Consider Audit Risk = (IR x CR x DR)

What are the IR / which assertion? (Presentation, balance or transaction)

1. *Existence*
2. *Occurrence*
3. *Completeness*
4. *Cut-off*
5. *Rights and obligations*
6. *Accuracy and classification*
7. *Valuation and Allocation*

Risk Response

Step 4: Set Materiality

Step 5: Develop Audit strategy

- » Lower Assessed Control Risk Approach
- » Predominately Substantive approach

Step 6: Develop Audit Plan & Procedures

- » Tests of controls
- » Substantive procedures
 - Nature, timing & extent
 - What assertions are you testing, how are you testing it? When are you testing? What is your Test sample?

3. Execution

Step 8: Execute Tests of Assertions (Fieldwork)

4. Conclusion and Reporting

Step 9: Make an Opinion

- » What does the evidence tell you?

Step 10: Audit report

- » What audit report is appropriate? Why?