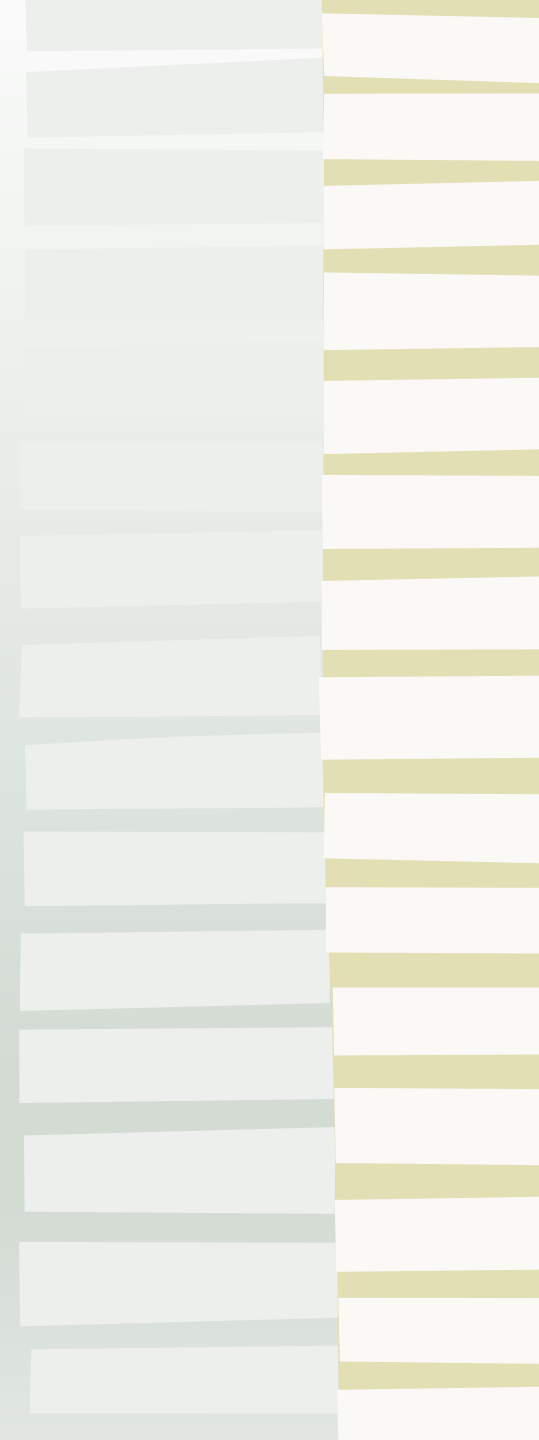


NFRA- Audit Practice Toolkit  
Key take aways from sample  
Audit Strategy Memorandum (ASM)



# NFRA's ASM Publication – a brief introduction

## Background about the publication

As part of NFRA's outreach programme, it has published its set of 'Audit Practice Toolkit' on Audit Strategy Memorandum.

## Purpose of the Audit Strategy Memorandum (ASM)

- The ASM offers a sample framework for risk-based auditing, materiality, and engagement planning aligning with Standards on Auditing.
- This ASM promotes professional skepticism, ethical compliance, and effective communication to improve audit quality and transparency.
- Intended as an educational tool.



## Contents of the ASM

- Professional Standards' Requirements
- Audit Strategy vs Audit Plan
- Illustrated Audit Strategy Memorandum for a Company



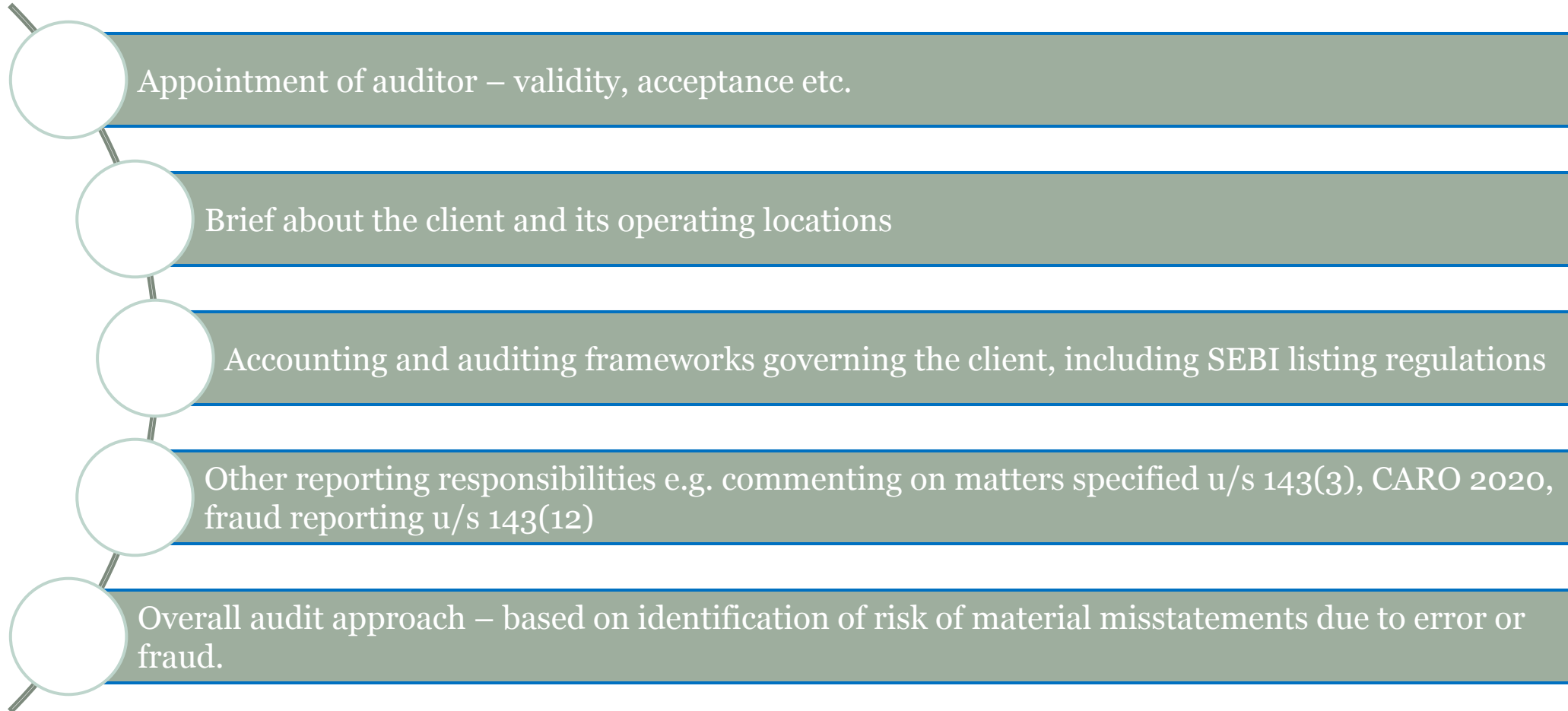
# Audit Strategy vs Audit plan

Audit Strategy Memorandum (typical contents)	Audit Planning Document
<ul style="list-style-type: none"><li>• Introduction and scope of engagement</li><li>• Planning meetings with client and Engagement Team</li><li>• Overview of business and industry environment (including laws and regulations)</li><li>• Analysis of financial performance</li><li>• Overview of internal control systems including IT systems</li><li>• Significant accounting and auditing matters</li><li>• Involvement of internal auditor, IS auditor and other specialists</li><li>• Materiality determination</li><li>• Audit of Consolidated Financial Statements -Special considerations</li><li>• Preliminary overall audit strategy</li><li>• Engagement team planning and time-table</li></ul>	<ul style="list-style-type: none"><li>• Detailed risk assessment procedures per SA 315 at assertion/FSLI/class of transactions/disclosure level</li><li>• Detailed analytical procedures</li><li>• Development of audit programs per SA 330 (tests of controls and substantive procedures) such as Sampling plans, confirmations, cut-off, Component-level plans aligned to group materiality and risks</li></ul>

# Audit Strategy vs Audit plan - continued

<b>'Audit strategy' for revenue – An example</b>	<b>'Audit plan' for revenue – An example</b>
<p><i>Based on understanding industry, environment and overall analysis of financial performance, revenue of respective division of automobile company has shown significant growth while the revenue growth of the industry has been flat.</i></p> <p><i>In this scenario, audit resources need to focus on revenue recognition and measurement aspects of respective division of the Entity.</i></p>	<ul style="list-style-type: none"><li>• Perform a detailed evaluation of internal control systems including IT Platforms and walkthrough of sales processing in respective division;</li><li>• Perform risk assessment procedures at an assertion level;</li><li>• Develop a plan for Test of controls including procedures such as testing system access logs with IT expert;</li><li>• Substantive tests - such as sampling methods, confirmation of balances for selected customers as per the sampling method;</li><li>• Perform anti-fraud procedures i.e. duplicate invoices.</li></ul>

# I- Introduction and Scope of the engagement



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# I- Introduction and Scope of the engagement

Area	Illustrative matters that can be discussed and documented
Appointment and engagement background	M/s XY & Co has been appointed in the AGM held on xxx and our appointment is valid till 20xx. This is the third year on the audit.
Scope of the engagement	Audit of standalone (SFS) and consolidated financials (CFS) under the Companies Act, review of quarterly/annual results under LODR; Audit of IFC. We are the auditor of one subsidiary and other subsidiaries are audited by other firms.
Applicable Framework	<ul style="list-style-type: none"> <li>• SFS and CFS are prepared under Ind AS. Certain overseas subsidiaries have adopted IFRS/local GAAP. These subsidiaries will submit group reporting package which is based on Ind AS.</li> <li>• LODR format for SEBI results.</li> </ul>
Additional responsibilities	Under Companies Act: includes commenting on books of account, CARO, other matters under Companies (Audit and Auditors) Rules, 2014, Fraud reporting. SEBI LODR – separate format for reporting limited review results.
Overall audit approach	Risk-based approach focusing on areas with higher risk of material misstatement due to error or fraud, combining tests of controls and substantive procedures.

# II- Planning meetings

## a. Within the engagement team

### **Sharing knowledge of the entity and the scope of the engagement with engagement team**

1. Experienced members to share understanding of the entity
2. Significant information obtained during Client acceptance and continuance process and / or from other engagements
3. Overview of reporting

### **Engagement team's collective responsibility for contributing to managing and achieving audit**

#### **Quality**

1. Quality messages
2. Importance of asking questions without fear of reprisal

### **Importance of professional ethics, values and attitudes of the engagement team and Exercising Professional skepticism throughout the audit**

### **Materiality**

#### **Overall preliminary risk assessment and audit strategy**

### **Team Responsibilities**

1. Partner, Manager & Quality Control Reviewer
2. Experts e.g. IT

### **Timelines**

Interim and year-end audit plan

*Details of the meeting – date, venue, participants, etc. should be part of the memo.*

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# II- Planning meetings

## b. With the Client management

### **Business environment update**

1. Significant changes in operations
2. Regulatory aspects e.g. environmental or legal obligations

### **Other key matters**

1. Inquiries about compliance with laws and regulations
2. Internal audit system and Risk management system
3. Updates on IT systems implementation/changes

### **Financial performance**

1. Standalone
2. Consolidated
3. Actuals vs Budgets

### **Audit plan agreed**

1. Time plans
2. Meetings with business heads
3. Key meetings e.g. with Audit Committee
4. Status meetings

*Details of the meeting – date, venue, participants, etc. should be part of the memo.*

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# II- Planning meetings

## a. Within the engagement team

**Team Planning Meeting** (*Objective: To plan and perform direction and supervision of the engagement team, plan for the review of their work, and discuss significant judgments related to the audit strategy and plan*)

Date(s) of meeting(s):	DD_MM_YY, DD_MM_YY
Attendees:	Ms. xx - Engagement Leader (EL) Mr. xx – Engagement Quality Control Reviewer (EQR) Ms. XX – Manager xx, xx – Team Members xx, xx. – Auditor's experts

### Key Matters discussed

1.	<p><b>Sharing knowledge of the entity and the scope of the engagement with engagement team members</b></p> <ul style="list-style-type: none"> <li>• Sharing our understanding of the entity including the entity's organizational structure, ownership and governance including significant changes since the prior year.</li> <li>• Results of our initial meeting(s) with management and client personnel, including significant changes in the entity's system of internal control or other significant changes.</li> </ul>
2.	<p><b>Engagement team's collective responsibility for contributing to managing and achieving audit quality, and the importance of open and robust communication and raising concerns without fear of reprisal</b></p> <ul style="list-style-type: none"> <li>• Quality messages communicated by the member firm (e.g., whether matters relating to recent inspection findings are relevant to the engagement).</li> <li>• The importance of asking questions and raising concerns/ threats to the achievement of quality to the engagement leader and/or team manager without fear of reprisal</li> </ul>
3.	<p><b>Importance of professional ethics, values and attitudes to the engagement team</b></p> <ul style="list-style-type: none"> <li>• The importance of complying with the Firm's Code of Conduct.</li> <li>• The independence rules relevant to the engagement and the importance of compliance with them and maintaining personal independence.</li> </ul>
4.	<p><b>Exercising professional skepticism throughout the engagement</b></p> <ul style="list-style-type: none"> <li>• Maintaining a questioning mind and being aware of unconscious or conscious biases in exercising professional skepticism when gathering and evaluating audit evidence.</li> </ul>
5.	<p><b>Materiality</b></p> <ul style="list-style-type: none"> <li>• Overall materiality, performance materiality and de minimis SUM, Specific and/or component materiality (if applicable).</li> </ul>
6.	<p><b>Audit strategy and preliminary audit plan</b></p> <ul style="list-style-type: none"> <li>• Preliminary audit plan</li> </ul>
7.	<p><b>Planned engagement resources, including allocating supervision/coaching and review responsibilities</b></p> <ul style="list-style-type: none"> <li>• Agree roles and responsibilities</li> </ul>

# II- Planning meetings

## b. With the client Management

### Planning Meeting with Client Management

Date(s) of meeting(s):	DD_MM_YY, DD_MM_YY	
Attendees:	From Auditor's side: Ms. xx - Engagement Leader (EL) Mr.xx – Engagement Quality Control Reviewer (EQR) Ms. XX – Manager	From Client's side: Mr. XX, CFO Mr. XX – Head of Finance Mr. xx – Internal audit Head/ Others

Key Matters discussed	
1.	<b>Business environment update</b> <ul style="list-style-type: none"> <li>Changes to operations within the Company</li> <li>Strategic/ operational initiatives, if any</li> </ul>
2.	<b>Regulatory matters, as applicable</b> <ul style="list-style-type: none"> <li>Any non-compliances identified by Management; Any inspections or notices received.</li> </ul>
3.	<b>Internal Audit and Risk Management system</b> <ul style="list-style-type: none"> <li>Key observations</li> <li>New risks identified, if any and mitigation plans</li> </ul>
4.	<b>Updates on IT systems</b> <ul style="list-style-type: none"> <li>Changes to ERP.</li> <li>Audit plan for systems</li> </ul>
5.	<b>Financial Performance</b> <ul style="list-style-type: none"> <li>Standalone and Consolidated financial statements</li> <li>Actuals vs Budgets</li> </ul>
6.	<b>Actions agreed</b> <ul style="list-style-type: none"> <li>Time plans – Interim and final Audit, Meeting plan, Weekly status meetings</li> </ul>

# III- Overview of business and industry environment (including laws and regulations)

## **Market/industry profile**

Capital intensive, supply-chain dependencies, segment mix, and geographic footprint.

## **Significant market changes / volatility**

Input cost fluctuations, geopolitics/trade, regulatory/policy shifts, and demand variability.

## **Competitive landscape**

Incumbents vs. new entrants, pricing pressure, product differentiation, and channel dynamics

## **Technological developments**

Digitalization, automation, emerging technologies, and R&D investment cycles

## **Peer comparison**

Comparative margins, growth, geographic mix, operational efficiency using public disclosures

## **Market position of the entity**

Market share, brand strength, distribution reach, export footprint, and strategic initiatives

## **Laws and regulations**

Securities/listing, direct/indirect taxes, new labour codes, environmental obligations, data protection/privacy, sector norms

## **Specific industry risks**

Supply chain resilience, foreign exchange exposure, ESG/climate, cyber/data, regulatory change, litigation

## **Communication with TCWG**

Planned two-way communication with TCWG/Audit Committee per SA 260/265; cadence and key topics

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### III- Overview of business and industry environment (including laws and regulations)

Matters to consider	Documentation of understanding, including sources of such information	Impact on the audit
Industry factors, market changes and macro-economic conditions	The industry is capital-intensive, heavily dependent on supply chains for key raw materials such as steel and semiconductors, and are influenced by factors such as consumer behavior, financing availability, fuel prices, and government policies.	Prices of steel have increased sharply and may impact margins.
Competition	The sector is very competitive. The client competes with domestic leaders such as DEF, GHI as well as with international players like JKL and MNO. Also, there are newer entrants such as BYD. Key competitive pressures include price wars and aggressive discounts.	The Company may be under pressure to reduce prices of competitive segments and also to increase market share.
Regulatory factors- Laws and regulations	<p>The industry is regulated in various areas ranging from taxation to environmental obligations which have a direct material effect on the financial statements. Following are the key laws and regulations:</p> <ul style="list-style-type: none"> <li>• Income tax Act, 1961 including transfer pricing regulations</li> <li>• GST Act</li> <li>• The Digital Personal Data Protection Act, 2023</li> </ul>	Reduction in GST rates is expected to boost sales in the last quarter of the financial year The Company faces intense scrutiny due to its environmental footprint and there are obligations related to recycling parts Involvement of experts
Other factors such as technology, accounting policies	<ul style="list-style-type: none"> <li>• The Company has invested in a new line which is a relatively new technology</li> <li>• The Company has adopted Ind AS 118 during the year.</li> </ul>	Capitalisation related risks. Disclosure related risks

# IV- Overall analysis review of financial performance

Objective of the analytical review is to identify high-risk areas, detect anomalies and assess trends before fieldwork, as part of detailed audit planning.

- **Sources and period covered**

Annual/quarterly results and internal MIS (if robust); focus on current year vs prior periods and forecast

- **Profit and loss trends**

Revenue trajectory and mix; cost of materials/COGS; depreciation and other expenses; exceptional items; operating margins. Product-wise can be performed during audit planning phase.

- **Balance sheet movements**

Net worth; PPE; intangibles and under development; investments; borrowings; provisions/reserves.

- **Working capital and Ratios**

Inventory, receivables, payables; turnover ratios and changes in cycle/efficiency.

- **Segment perspective (if applicable)**

Segment revenues/costs; intra/inter-segment eliminations; contribution to consolidated results

- **Budget/forecast vs actuals**

Variance analysis to identify areas requiring deeper procedures or management challenge

- **Key findings from analytical review**

- Analysis of FSLIs with movements above threshold
- Areas that require attention/focus (e.g., revenue cut-off, capitalization vs expense, impairment, provisions)

*To be performed at a standalone and consolidated FS level.*

[\*Click here for sample workpaper\*](#)

## IV- Overall analysis review of financial performance

<b>Analytical Review</b>					
<b>Current year expectations</b>	<p>The Company generates the following streams of revenue:  i) Revenue from sale of products ii) Revenue from services iii) Other ancillary revenue</p> <p>A decline of 4.5% is projected . Our preliminary discussion with ABC's Senior Management indicates that the trend is in line with Indian automobile industry which has reportedly entered consolidation phase following years of high growth. All accounts related to the key activity (Trade receivables, Inventories) are also expected to decrease in the same proportion. ABC had initiated a special drive of operational efficiency to improve operating margin, hence Cost of materials are expected to decrease at a much higher percentage. All other accounts are expected to remain consistent with the prior period as the Company is otherwise operating in a relatively stable environment, there were no major changes identified in the planning documentation and during discussions with management other than those mentioned above.</p>				
<b>Source of data used for analytics</b>	MIS for Current period; Audited results for Prior period.				
<b>Threshold(s)</b>	Analysis of financial statement line items (FSLI) above the threshold will be performed as part of detailed audit planning phase				
	<b>Current period</b>	<b>Prior period</b>	<b>Variance</b>		
	<b>(in Crores)</b>	<b>(in Crores)</b>	<b>(Amount)</b>	<b>(%)</b>	<b>Explanation and impact on audit, if any</b>
<b>Balance Sheet</b>					
<b>Assets</b>					
Property, plant and equipment	11,500	11,700	(200)	(1.7%)	No significant variation, as expected
<b>Statement of P&amp;L</b>					
<b>Revenue</b>					
Revenue	70,000	73,300	(3,300)	(4.5%)	Revenue has declined but it is not significant. However, revenue trend had been fluctuating over last couple of years and needs our attention during detailed risk assessment phase.
Cost of materials	40,000	45,000	(5,000)	(11.1%)	There is significant decrease in the cost of materials consumed which has led to substantial increase in PBT. Reportedly, ABC had initiated a special drive of operational efficiency to improve operating margin. This area needs particular focus during audit.

# V- Overview of internal control systems including IT platforms

As part of the audit, we are also required to evaluate the adequacy and operating effectiveness of internal controls with reference to financial reporting (ICFR) alongside the financial statement audit, adopting a dual approach.

- ❑ We will assess and classify control deficiencies (individually or in combination) as significant deficiencies or material weaknesses as of the balance sheet date and communicate them to management and those charged with governance. For the ICFR opinion, severity will be determined using qualitative and quantitative analysis, informed by applicable guidance and audit sampling practices.
- ❑ If there are significant changes during the year (including IT), we will not be able to rely on prior-year documentation and will need to perform a comprehensive evaluation of the control environment and control risk for the current year audit.

## Evaluate the Company's Control environment



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# V- Overview of internal control systems including IT platforms (contd..)

**Company's IT platforms: Cover aspects such as:**

- Core finance module – General ledger reporting application;
- Other applications used for specific areas e.g. Sales, Production, Payroll;
- Automated interfaces between systems; Key reports.

Consider systems changes/ migration/ workflow changes during the year.

# V- Overview of internal control systems including IT platforms (contd..)

## Risk Assessment at FS level

- Use a risk assessment matrix (inherent risk x control risk) to determine risk of material misstatement; identify significant risks and presumed fraud risks per applicable standards. Example-

Inherent Risk (also considering likelihood and magnitude)	Control Risk	RoMM
High	High	High
High	Medium	High
High	Low	Moderate

- Inherent risk and Control risk assessment matrix (3x3) is as depicted below

Likelihood (Probability)	Severity (Magnitude)		
	Low	Medium	High
High	Medium	High	High
Medium	Low	Medium	High
Low	Low	Low	Medium

- Additionally, audit team may be classifying certain accounts or class of accounts as ‘Significant Risk’ or ‘Fraud Risk’ based on the criteria given in SA 315 or SA 240. Engagement teams will have to elaborate this, depending on facts and circumstances of the client engagement as part of detailed Audit Planning phase.

# V- Overview of internal control systems including IT platforms

Component	Audit team's observations/ remarks (examples)	Evidence/Source	Assessment
Control Environment	Audit Committee comprises 5 members, 2/3 are Independent Directors with proven expertise in financial reporting, internal controls and risk management.		
Risk Assessment	Risk Management Division which is a recent addition in the Company and reports to the Risk Management Committee of the Board.		
Control Activities	Comprehensive internal control and risk management system with well documented policies and process manual.		
Information & Communication	Budget and MIS to monitor the financial and non-financial targets.		
Monitoring Activities	<p>ABC control policies and processes are periodically revalidated through well-established control &amp; risk assessment framework by the Internal Audit Division and Risk Management Division.</p> <p>Internal Audit Division comprising professionals with domain knowledge in Financial, IT and Production &amp; Sales Management. This division functionally reports to the Audit Committee with administration reporting to the Chief Executive Officer (CEO).</p>		

Ref. No.	IT dependency Name	Type (Automated Control, Report, Calculation, Segregation of Duties or Restricted Access, Interfaces)	Nature of the IT dependency (Standard/ Customized)	Description	Associated Process	Associated Applications
R1	SAP Automated Control for 3-way match	Automated Controls	Standard		Purchasing/Payables	SAP (Version xx)

# VI- Significant accounting and auditing matters

## Financial Statements

- > Changes in estimates
- > Business updates e.g. demerger, combinations

## Accounting developments

- > MCA notifications
- > Press releases of NFRA/ICAI notifications
- > Other regulations e.g. FEMA
- > Global changes e.g. Pillar 2 reforms

Management discussions  
Stock exchange disclosures

## Other risk inherent to the industry

- > ESG
- > Revenue models
- > Valuation

## Auditing Developments

- > Refinement of the understanding of SA 315/ICAI releases
- > NFRA Circulars e.g. Fraud reporting and Group audit related

# VII- Involvement of internal auditor, IS auditor and other specialists

## **Internal audit department (IAD)**

- Evaluate IAD's scope and responsibility
- Review findings on controls and other areas
- Assess whether the internal audit system is commensurate with the entity's size and complexity for reporting purposes.

## **Information Systems (IS) auditors**

Consider factors such as automation, changes in system such as migration, segregation of duties, interfaces etc. to involve IS auditors in the audit. Broad scope should include:

- ✓ Evaluate design and operating effectiveness of General IT Controls;
- ✓ Test of application controls
- ✓ System generated/ IT dependent reports

## **Risk Management department (RMD)**

- Evaluate RMD's role in areas having a bearing on the financial statements.

## **Specialists and Experts other than IS - Management / Auditors' experts**

- Actuaries
- Valuation e.g. for fair value measurements
- Income Tax including Transfer pricing
- Others e.g. Environmental law experts

[\*Click here for sample workpaper\*](#)

# VII- Involvement of internal auditor, IS auditor and other specialists

Purpose: To document the involvement of experts (internal or external) in the audit engagement, including rationale, scope, competence and independence.

Reporting Framework: [Ind AS / IFRS / US GAAP / Local GAAP]

1. Area Requiring Expert: \_\_\_\_\_ (e.g., valuation, actuarial, tax, IT)

2. Expert Details

Expert Name	Firm/Organization	Role (Internal/External)	Contact

3. Rationale for involvement:

Explain why an expert was necessary (complexity, specialized knowledge, regulatory requirement).

4. Scope of Work

Describe the nature, timing, and extent of work performed by the expert.

5. Competence & Capabilities Assessment

Summarize qualifications, experience, and reputation of the expert.

6. Independence Assessment

Document evaluation of independence and objectivity of the expert.

# VIII- Materiality

Set materiality for the financial statements as a whole (Overall Materiality, OM) and Performance Materiality (PM) per SA 320; define a Clearly Trivial Threshold (CTT).

## Benchmark

Choose benchmarks most relevant to users (e.g., revenue, profit before tax), considering listing status, profitability, borrowings, volatility, and stakeholder focus.

## OM

Derived as a percentage of Benchmark; Exercise professional judgment.

Revenue-based OM: typically 0.5–1%;

PBT-based OM: typically 5–8%;

## PM

Typically 50–75% of OM

Consider factors such as control environment, risk profile, etc.

## CTT

Global best practices indicate 0-5% of OM

## Consolidated Financial Statements

- Set OM, PM, and CTT at the consolidated level; determine component materiality based on the relative size, risk profile, and contribution to the group.
- Component auditors apply the lower of group-allocated materiality or their SFS materiality; align with group audit instructions.
- Document rationale

*Revisit OM/PM/CTT as the audit progresses; reassess prior to evaluating uncorrected misstatements per SA 450.*

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## VIII- Materiality – planning stage

### Overall Materiality (OM)

Benchmark	Benchmark Amount	Acceptable range	Calculated Materiality	Basis for determination (examples)
Revenue	XX crore	0.5%-1%	XX crore	Stakeholder focus Regulatory sensitivity

### Performance Materiality (PM)

Overall Materiality	% of Overall	Performance Materiality calculated	Factors Considered	Aggregation Risk Notes	Control effectiveness
XX crores	50%-75%	XX crores	Debt-free entity	Multiple significant risks	Historically effective, however, changes in IT systems noted during the year

### Clearly trivial threshold (CTT)

Basis	% Applied	Amount	Rationale
% of OM	0-5%	xxxx	History of fewer misstatements.

# IX- Consolidated financial statements -Special considerations

**Principal auditor responsibilities under SA 600, NFRA Circular and SEBI requirements to obtain sufficient appropriate evidence for the group audit opinion.**

## **Scoping of components**

Consider coverage as auditor of respective entities - determine component coverage by size, risk, and uniqueness; meet audited coverage requirements for revenue, assets, and profits.

## **Component significance and scope**

Classify components as full-scope, targeted procedures, or limited/no scope based on materiality and ROMM

## **Group and component materiality**

Set group OM/PM/CTT; allocate component materiality by size/risk; component auditors use the lower of group allocation or their SFS materiality

## **Two-way communication protocols**

Structured, timely communication with component auditors and component management/TCWG

## **Group audit instructions**

Independence confirmations; alignment to Ind AS; SA and ethics compliance; elimination of intra-group transactions; related party procedures

## **Oversight and involvement**

Participate in component risk identification; review working papers; request additional procedures; site visits where needed; attend closing meetings

## **Highlighted risk areas**

Intangibles capitalization/impairment; warranty provisions; related party and intra-group transactions; acquisition accounting (Ind AS 103); deferred tax considerations

## **Documentation and evaluation**

Document scope, instructions, materiality, reviews, and conclusions;  
Assess sufficiency and appropriateness of component evidence for the consolidated opinion

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# IX- Consolidated financial statements -Special considerations

## Preliminary Audit strategy and scoping of components

Component, including location and nature (subsidiary/associate)	Statutory Audit Required and GAAP	Component Auditor information, including prior experience	Financial Significance (e.g., % of Group Revenue/Assets/PBT)	Other factors (e.g., fraud risks, complex estimates)	Type of scoping (full scope/ specified scope/ other procedures)
Indian subsidiary 1	Ind AS	Network firm	20% of group's revenue	Significant risk – revenue	Full scope
European subsidiary	IFRS	Europe based firm	25% of revenue and 35% of assets	Significant risk – revenue; estimates e.g. intangibles	Full scope

# X- Preliminary overall audit strategy

Based on preliminary results of the overall risk assessment analytical procedures, review of industry environment and initial meetings with client management and client personnel, summarise the areas identified as the key focus areas for audit.

During detailed audit planning phase, these initial assessments will be reviewed further.

## Standalone financials (SFS)

### *Examples*

- Significant decrease in COGS though there is no material change in Revenue
- Substantial increase in Warranty Provision
- Employee benefit plan restructuring

## Consolidated financials (CFS)

### *Examples*

- Intangible assets under development increase in Subsidiary
- Substantial increase in Warranty Provision in subsidiaries
- Business restructuring and business combinations

## Both CFS and SFS

### *Examples*

- Revenue recognition and cut-off
- Warranty
- IT General Controls (change in IT systems)
- Impairment
- Management Override of Control

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# X- Preliminary overall audit strategy

Significant FSLI	Risks	Risk factors identified	Assertions	Significant Risk (Yes/No)
Revenue and Accounts Receivable	Cut-off of revenue recognition	High volume and high value; carried out through multiple channels (e.g. direct sales, dealerships, financing schemes) and is linked to sales targets, bonuses,  Dealer incentives can also create pressure to recognize revenue prematurely or inflate numbers.	CO	Yes
Provision for warranty	Method (including any model), significant assumptions and data used to estimate the accruals for warranty are not complete or accurate.	Substantial increase in warranty provisions although revenue numbers are generally flat. Management may intentionally understate provisions to inflate profits or meet market expectations, particularly at year-end.	C, A, CO, V	Yes
Inventory obsolescence – spare parts	Same as warranty	Complex method involved; Change in methodology	V	No
Management override of control	Management is in a unique situation to perpetrate fraud and hence may result in override of controls	Inherent risk	All assertions	Yes

# XI - Engagement Team Planning and Timetable

## 1. Engagement overview

Client, Period of audit, framework, Key team members, Scope (including component audit) etc.

## 2. Team structure and roles

Role	Name	Responsibilities
<i>Audit Supervisor</i>	CA. XXX	<i>Supervising team, coordination with client, etc.</i>

## 3. Location-wise Estimated Hours

	Current year estimate (hours)	Last year actual (hours)
<i>SFS:</i>		
<i>Location xx **</i>	<i>300</i>	<i>350</i>
<i>Location yy **</i>	<i>400</i>	<i>450</i>
<b><i>Total</i></b>	<b><i><u>XXX</u></i></b>	<b><i><u>XXX</u></i></b>
<i>CFS:</i>		
<i>Component xx **</i>	<i>500</i>	<i>650</i>
<i>Component xx</i>	<i>700</i>	<i>700</i>
<b><i>Total</i></b>	<b><i><u>XXX</u></i></b>	<b><i><u>XXX</u></i></b>

[\*\* document rationale for changes]

# XI - Engagement Team Planning and Timetable (contd..)

## 4. Key planning activities and timeline

<i>Phase</i>	<i>Activity</i>	<i>Responsible</i>	<i>Target date</i>
<i>Pre-engagement</i>	<i>Engagement acceptance, independence confirmation, client onboarding, including Engagement letter</i>	<i>Engagement Partner / Managers</i>	
<i>Planning</i>	<i>Understanding business, risk assessment, materiality determination, Group audit, etc.</i>	<i>Engagement Partner / Managers / Audit Supervisor</i>	
<i>Interim Audit</i>	<i>Testing controls, walkthroughs</i>	<i>Engagement Team</i>	
<i>Final Audit</i>	<i>Substantive testing of balances &amp; disclosures</i>	<i>Engagement Team</i>	
<i>Completion &amp; Reporting</i>	<i>Final Audit Report discussion with Audit Committee/ TCGW</i>	<i>Engagement Partner</i>	

THANK YOU

