

Response Due Date November 15, 2003

**Proposed Revised International
Standard on Auditing 300
“Planning the Audit”**

Issued for Comment
by the International
Federation of
Accountants



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REQUEST FOR COMMENTS

This exposure draft of the International Auditing and Assurance Standards Board (IAASB) was approved for publication in July 2003. The proposed International Standard on Auditing (ISA) may be modified in light of comments received before being issued in final form. In particular, the final ISA will be conformed to new ISAs issued when the Audit Risk Exposure Draft (Audit Risk ED)¹ is finalized.

Introduction

In light of changes needed to align the guidance on audit planning with the proposed guidance in the Audit Risk ED and to better reflect recent trends in audit practice, the IAASB approved a project to revise ISA 300, “Planning” (Existing ISA 300). This exposure draft of a proposed revised ISA 300, “Planning the Audit” (Proposed ISA 300) establishes standards and provides guidance on the considerations and activities applicable to planning an audit of financial statements.

Proposed Changes

Existing ISA 300 states that obtaining knowledge of the entity’s business is an important part of planning an audit. The Audit Risk ED includes audit procedures (referred to as “risk assessment procedures”) to obtain an understanding of the entity’s business, which have been broadened to encompass a more in-depth understanding of the entity and its environment, including its internal control. As a result of the proposed guidance in the Audit Risk ED, the scope of audit planning in Proposed ISA 300 no longer includes an understanding of the entity and its internal control.

Proposed ISA 300 still includes planning considerations relating to overall strategic audit decisions as well as the planning of detailed audit procedures. Existing ISA 300 discusses the requirement for the auditor to develop an “overall audit plan” and an “audit program.” The IAASB believes these concepts should be revised to be more reflective of recent trends in audit practice related to planning activities and to be better aligned with the proposed guidance in the Audit Risk ED. As a result, Proposed ISA 300 discusses the requirement for the auditor to develop an “overall audit strategy” and an “audit plan.” These new concepts reflect the need for the auditor to make strategic audit decisions and to develop work plans that reflect the design and performance of all audit procedures, including the performance of risk assessment procedures. The audit plan begins by planning risk assessment procedures and once these procedures have been performed it is updated and changed to reflect the further audit procedures needed to respond to the results of the risk assessments.

In addition to the changes discussed above, Proposed ISA 300 includes the following:

- Activities the auditor should perform prior to performing the detailed audit planning activities (referred to in Proposed ISA 300 as “preliminary planning activities”).
- Guidance on matters the auditor should consider in planning the timing and extent of direction, supervision and review of the work of engagement team members.
- Revised documentation requirements.

¹ The Audit Risk ED refers to the exposure draft issued by the IAASB in October 2002 that contains three proposed ISAs and an amendment to ISA 200 “Objective and General Principles Governing an Audit of Financial Statements.” The three proposed ISAs and amendment to ISA 200 deal with the audit procedures performed to assess the risks of material misstatement of the financial statements and the way in which the auditor designs and performs audit procedures to effectively respond to the assessed risks.

REQUEST FOR COMMENT

- Guidance on the special planning considerations for initial audit engagements.
- Guidance from IAPS 1005, “The Special Considerations in the Audit of Small Entities.”

Comments on the Exposure Draft

The IAASB welcomes comments on Proposed ISA 300. In responding to this exposure draft, commentators are requested to refer to the relevant paragraphs within the exposure draft. The responses should include the reasons for the comments, including specific suggestions for any proposed changes to wording. While the IAASB is seeking comments on all matters addressed in Proposed ISA 300, the IAASB is particularly interested in comments on the following issues:

Scope of Proposed ISA 300

The scope of Proposed ISA 300 includes the auditor’s considerations relating to managing the audit engagement, planning considerations relating to overall strategic audit decisions, and planning considerations relating to the design and performance of detailed audit procedures. Is the scope of Proposed ISA 300 appropriate? If not, do commentators believe the scope should be limited to engagement management considerations?

Overall Audit Strategy and Audit Plan

The requirement in Existing ISA 300 to develop an overall audit plan has been changed in Proposed ISA 300 to a requirement to develop an overall audit strategy. Proposed ISA 300 also changes the requirement in Existing ISA 300 from developing an audit program to a requirement to develop an audit plan. These changes were made in order to better align the guidance with the requirements in the Audit Risk ED and to better reflect recent trends in audit practice. Do commentators agree with these changes?

Response Due Date

Comments should be submitted so as to be received by **November 15, 2003**, preferably by e-mail or on computer disk, or in writing. All comments will be considered a matter for the public record. Comments should be addressed to:

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Email responses should be sent to: Edcomments@ifac.org

The approved text of this exposure draft is published in the English language. In order to achieve maximum exposure and feedback, IFAC encourages the reproduction of this publication in any format.

PROPOSED REVISED INTERNATIONAL STANDARD ON AUDITING 300
PLANNING THE AUDIT
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International Standards on Auditing (ISAs) are to be applied, as appropriate, in the audit or review of historical financial information.

ISAs contain basic principles and essential procedures (identified in bold lettering) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provide guidance for their application. It is therefore necessary to consider the whole text of an ISA to understand and apply the basic principles and essential procedures.

The nature of ISAs requires auditors to exercise professional judgment in applying them. In exceptional circumstances, an auditor may judge it necessary to depart from a basic principle or essential procedure of an ISA to achieve more effectively the objective of the audit. When such a situation arises, the auditor should be prepared to justify the departure.

Any limitation of the applicability of a specific ISA is made clear in the ISA.

The Public Sector Perspective (PSP) issued by the Public Sector Committee of the International Federation of Accountants is set out at the end of an ISA. Where no PSP is added, the ISA is applicable in all material respects to the public sector.

Introduction

1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the considerations and activities applicable to planning an audit of financial statements. Proposed ISA 220, “Quality Control for Audit Engagements” (Proposed ISA 220) establishes standards and provides guidance on directing and supervising engagement team members and reviewing their work. Proposed ISA XX, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement” (Proposed ISA XX) establishes standards and provides guidance on obtaining an understanding of the entity and its environment, including its internal control, and on assessing the risks of material misstatement in a financial statement audit. This ISA provides guidance on how the auditor considers the requirements of Proposed ISA 220 and Proposed ISA XX in planning an audit.

Planning the Audit

2. **The auditor should plan the audit so that the engagement will be performed in an effective manner.**
3. Planning an audit involves developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an audit plan, consisting of a detailed approach for the nature, timing and extent of audit procedures to be performed and the rationale for their selection. Adequate planning helps to ensure that appropriate attention is devoted to important areas of the audit, that potential problems are identified on a timely basis and that the engagement is properly organized and managed in order to be performed in an effective and efficient manner. Adequate planning also assists in the proper assignment of work to engagement team members, facilitates the direction and supervision of engagement team members and the review of their work, and assists, where applicable, in coordination of work done by other auditors and experts. The nature and extent of planning activities will vary according to the size and complexity of the entity, the auditor’s previous experience with the entity, and the auditor’s understanding of the entity and its environment, including its internal control.
4. **The auditor should plan the audit with an attitude of professional skepticism.** At all times during the planning of the audit, the auditor maintains an attitude of professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. In exercising an attitude of professional skepticism, the auditor also recognizes that circumstances may arise that result in the need to change the overall strategy for the scope and conduct of the audit and the approach to planned audit procedures.
5. Planning the audit includes the following activities:
 - Performing preliminary planning activities (paragraphs 8-9).
 - Developing the overall audit strategy (paragraphs 10-14).
 - Developing the audit plan (paragraphs 15-18).
 - Considering changes to planning decisions during the course of the audit (paragraphs 19-20).
 - Considering the direction and supervision of engagement team members and the review of their work (paragraphs 21-23).

- Documenting significant matters related to planning activities (paragraphs 24-26).

This ISA is framed in the context of recurring audits and is considered applicable to audits of entities of all sizes. In addition, matters the auditor may consider in initial audit engagements are included in paragraph 27.

6. Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after the completion of the previous audit and continues until the completion of the current engagement. In planning an audit, the auditor considers the timing and sequence of certain planning activities and audit procedures that need to be completed prior to the performance of further audit procedures. For example, the auditor plans the discussion among audit team members,¹ the analytical procedures to be applied as risk assessment procedures, the obtaining of a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework and the performance of risk assessment procedures prior to performing detailed audit procedures at the assertion level for individual classes of transactions, account balances, and disclosures.
7. The auditor may discuss elements of planning (for example, the overall audit strategy or certain audit procedures) with those charged with governance and the entity's management. These discussions may be a part of overall communications or may be made to improve the effectiveness and efficiency of the audit. Discussions with those charged with governance ordinarily include the general approach and overall scope of the audit, including any limitations thereon, or any additional requirements. Discussions with management often occur to facilitate the conduct and management of the audit engagement (for example, to coordinate some of the planned audit procedures with the work of the entity's personnel). Although these discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussions of the overall audit strategy or certain audit procedures occur, care is required in order to not compromise the effectiveness of the audit. For example, the auditor considers whether discussing the nature and timing of detailed audit procedures with management compromises the effectiveness of the audit by making the audit procedures too predictable.

Preliminary Planning Activities

8. **The auditor should perform the following activities prior to performing significant audit planning activities for the current audit engagement:**
 - **Client acceptance or continuance procedures** (see paragraphs 19–22 of Proposed ISA 220 for additional guidance).
 - **Evaluate ethical requirements, including independence, and, for initial audits, communicate with previous auditors** (see the IFAC “Code of Ethics for Professional Accountants” for additional guidance).
 - **Establish an understanding of the scope and terms of the engagement** (see ISA 210, “Terms of Audit Engagements” for additional guidance).

¹ Proposed ISA XX paragraphs 18–22 provide guidance on the audit team's discussion of the susceptibility of the entity to material misstatements of the financial statements. Proposed ISA 240, “The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements” paragraphs 24–27 provide guidance on the emphasis given during this discussion to the susceptibility of the entity's financial statements to material misstatement due to fraud.

The auditor's consideration of client continuance and ethical requirements, including independence, occurs throughout the performance of the engagement. However, the auditor's initial procedures and conclusions on client continuance and initial process to evaluate ethical requirements, including independence, is performed prior to performing significant audit planning activities for the current audit engagement. For continuing engagements, this often occurs shortly after the end of the previous audit.

9. The purpose of performing these preliminary planning activities prior to performing significant activities to plan the audit is to ensure that the auditor has considered any events or circumstances that may affect the auditor's ability to plan and perform the engagement in an effective manner. Performing these preliminary planning activities also minimizes the risk that the auditor plans an engagement for which:
 - The auditor does not maintain the necessary independence or ability to perform the engagement.
 - There are issues with management integrity that may affect the auditor's willingness to accept or continue the engagement.
 - There is a misunderstanding with the client as to the scope or terms of the engagement.

The Overall Audit Strategy

10. **The auditor should develop an overall audit strategy describing the scope and conduct of the audit in order to reduce audit risk to an acceptably low level.**
11. The auditor plans and performs an audit to reduce audit risk to an acceptably low level. The overall audit strategy sets the direction of the audit. The purpose of the overall audit strategy is to develop an effective response to the overall risk of material misstatement at the financial statement level and to sufficiently guide the development of the audit plan to respond to assessed risks of material misstatement at the assertion level for individual classes of transactions, account balances, and disclosures. The auditor considers the results of preliminary planning activities (see paragraphs 8 and 9) and also uses the understanding of the entity and its environment, including its internal control, to develop an effective and efficient overall audit strategy that will appropriately respond to assessed risks and reduce audit risk to an acceptably low level.
12. The overall audit strategy includes specific consideration of planned audit responses to risks identified at the overall financial statement level and at the assertion level (which may be accomplished through the development of the audit plan). The overall audit strategy also includes the overall approach to organizing the conduct and management of the audit engagement (for example, staffing requirements and locations to be included in the audit scope) and the relative emphasis to be placed on tests of controls and substantive procedures. The Appendix to this ISA lists examples of matters the auditor may consider in planning the audit.
13. The auditor may summarize the overall audit strategy in the form of a memorandum that contains the decisions regarding the overall scope, emphasis and conduct of the audit, planned audit responses at the overall financial statement level, along with a summarization of significant matters documented in the audit plan at the assertion level for individual classes of transactions, account balances, and disclosures. The auditor exercises

professional judgment in determining the form and content of the overall audit strategy with the objective being that the overall audit strategy is sufficient to understand the general approach to the scope and conduct of the audit and to communicate significant matters to the engagement team.

14. In audits of small entities, the entire audit may be conducted by a very small audit team. Many audits of small entities involve the audit engagement partner (or sole practitioner) working with one engagement team member (or without any engagement team members). With a smaller team, co-ordination and communication between team members is easier. Developing the overall audit strategy for the audit of a small entity need not be a complex or time-consuming exercise; it varies according to the size of the entity and the complexity of the audit. For example, on some small audits, planning may be carried out at a meeting with the owner-manager of the entity or when the entity's records become available to the auditor for audit. A brief file note prepared at the completion of the previous audit, based on a review of the working papers and highlighting issues identified in the audit just completed, updated and changed in the current period can serve as the basis for planning the audit. Discussion with the owner-manager is a very important part of planning. Such discussions do not need a special meeting; they can often take place as a part of other meetings, conversations or correspondence.

The Audit Plan

15. **The auditor should develop an audit plan in order to implement the overall audit strategy.**
16. The audit plan converts the overall audit strategy developed by the auditor into a comprehensive description of the work to be performed. The audit plan sets forth in detail the planned audit procedures to obtain audit evidence that is sufficient and appropriate to achieve the related audit objective. The audit plan also serves as an outline of the work to be performed by engagement team members and provides a record of the proper planning and execution of the work that can be reviewed and approved prior to the performance of further work.
17. The audit plan includes the details of the nature, timing and extent of planned audit procedures for material classes of transactions, account balances, and disclosures. This involves developing the audit plan for the performance of risk assessment procedures sufficient to plan further audit procedures responsive to the assessed risks at the assertion level. The auditor uses the information obtained from performance of the risk assessment procedures to further develop the audit plan into a comprehensive description of the planned further audit procedures at the assertion level. This includes whether the auditor intends to test the operating effectiveness of controls and the nature, timing and extent of planned substantive procedures. As the auditor performs audit procedures outlined in the audit plan, the audit plan is updated and changed to reflect the further audit procedures considered necessary given the circumstances.
18. The form and extent of detail of the audit plan is a matter of professional judgment and will vary depending on the size and complexity of the entity, materiality, the extent of other documentation, and the experience of engagement team members.

Changes to Planning Decisions During the Course of the Audit

19. **The overall audit strategy and the audit plan should be updated and changed as necessary during the course of the audit.**
20. Planning an audit is continual and iterative process throughout the engagement. As a result of unexpected events, changes in conditions, or the audit evidence obtained from the results of audit procedures, the auditor may need to modify the overall audit strategy and audit plan, and thereby the resulting planned nature, timing and extent of further audit procedures. Information may come to the auditor's attention that differs significantly from the information available when the auditor planned the audit procedures. For example, the auditor may obtain audit evidence through the performance of substantive procedures that contradicts the audit evidence obtained with respect to the testing of the operating effectiveness of controls. In such circumstances, the auditor re-evaluates the planned audit procedures, based on the revised consideration of assessed risks for all or some of the classes of transactions, account balances or disclosures and related assertions.

Direction, Supervision and Review

21. **In planning the audit, the auditor should consider the timing and extent of direction and supervision of engagement team members and review of their work.** The timing and extent of the direction and supervision of engagement team members and review of their work is a matter of professional judgment that varies depending on many factors, including the size and complexity of the entity, the area of audit, the risks of material misstatement, and the qualifications of personnel performing the audit work. Proposed ISA 220 paragraphs 25–32 contain detailed guidance on the direction, supervision and review of audit work.
22. In developing the overall audit strategy, the auditor considers overall responses to the risk of material misstatement at the financial statement level. Such overall responses may affect the knowledge, skill, and ability of personnel assigned significant engagement responsibilities, and may also include the need to provide more direction and supervision of engagement team members and more detailed review of their work. In addition, in developing the audit plan, the auditor also plans the timing and extent of direction and supervision of engagement team members and review of their work based on the assessed risk of material misstatement. As the assessed risk of material misstatement increases, for the area of audit risk, the auditor ordinarily increases the extent and timeliness of direction and supervision of engagement team members and performs a more detailed review of their work.
23. In audits of small entities, an audit may be carried out entirely by the audit engagement partner (who may be a sole practitioner). In such situations, questions of direction and supervision of engagement team members and review of their work do not arise as the audit engagement partner, having personally conducted all significant aspects of the work, is aware of all material issues. The audit engagement partner (or sole practitioner) nevertheless needs to be satisfied that the audit has been conducted in accordance with ISAs. Developing or obtaining a suitably designed form of audit completion checklist may provide a useful tool for testing the completeness and adequacy of the process followed in an audit. Forming an objective view on the appropriateness of the judgments made in the course of the audit can present practical problems when the same individual also performed the entire audit. When particularly complex or unusual issues are involved, and the audit is performed by a sole practitioner, it may be desirable to consult with other suitably-experienced auditors or the auditor's professional body, on a confidential basis.

Documentation

24. **The auditor should document the overall audit strategy and the audit plan, including reasons for significant changes made during the audit engagement.**
25. The auditor's documentation of the overall audit strategy and audit plan is sufficient to demonstrate that the auditor made the key decisions considered necessary to properly plan the audit. The auditor's documentation of reasons for significant changes to the overall audit strategy and audit plan includes the auditor's response to the events, conditions, or results of audit procedures that resulted in such changes. Changes to the planned audit procedures are documented so that there is an accurate record of the nature, timing and extent of audit procedures performed. A record of the changes to the overall audit strategy may be necessary to explain the overall strategy finally adopted for the audit.
26. The manner in which these matters are documented is for the auditor to determine based on professional judgment. The form and extent of documentation depends on the size and complexity of the entity and the circumstances of the specific audit engagement. For example, in audits of smaller, less complex entities, the documentation may not need to be extensive. The specific audit methodology and technology used in the course of the audit also affects the form and extent of documentation (for example, the overall audit strategy and audit plan may be adequately documented as an integrated process without the need for separate documentation of each).

Considerations in Initial Audit Engagements

27. The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For initial audits, matters the auditor may consider in developing the overall audit strategy and audit plan include the following:
 - Arrangements to be made with the previous auditor, for example, to review the previous auditor's working papers to obtain an understanding of the entity or to inquire of previous auditors as to their knowledge of related parties.
 - Any major issues (including the application of accounting principles or of auditing and reporting standards) discussed with management in connection with the initial selection as auditors, the communication of these matters to those charged with governance and how these matters affect the overall audit strategy and audit plan.
 - Obtaining an initial understanding of the entity and its environment, including its internal control, sufficient to assess risks of material misstatement in order to plan the audit (for example, obtaining an understanding of the accounting policies used by the entity).
 - The planned audit procedures to obtain sufficient appropriate audit evidence regarding opening balances (see paragraph 2 of ISA 510, "Initial Audit Engagements").
 - The assignment of firm personnel with more experience or knowledge, skill and ability to respond to audit risk.
 - The extent of direction, supervision and review necessary given the level of audit risk.

- Other procedures required by the firm's system of quality control for initial audit engagements (for example, the firm's system of quality control may require the involvement of another partner or senior individual to review the overall audit strategy prior to commencing significant audit procedures or to review reports prior to their issuance).

Effective Date

28. This ISA is effective for audits of financial statements for periods beginning on or after January 1, 2005.

Public Sector Perspective

1. *This ISA is applicable in all material respects to audits of public sector entities.*
2. *Some of the terms used in this ISA such as "engagement partner" and "firm" should be read as referring to their public sector equivalents.*
3. *Paragraph 8 of this ISA refers to ISA 210, "Terms of Audit Engagements" and Proposed ISA 220, "Quality Control for Audit Engagements." The Public Sector Perspectives to those ISAs contain a discussion of their applicability to audits of public sector entities, and are therefore relevant to the application of this ISA in the public sector.*

Examples of Matters the Auditor May Consider in Planning the Audit

This appendix provides examples of matters the auditor may consider in planning the audit. Some of these matters may be considered when developing the overall audit strategy and the audit plan whereas others may only be relevant to developing the overall audit strategy. The examples provided cover a broad range of matters applicable to many engagements; however, not all matters are relevant to every engagement and the list is not necessarily complete. In addition, the auditor may consider these matters in an order different from that shown below.

Organizing the Conduct and Managing the Audit Engagement

The auditor may consider the following matters when organizing the conduct and managing the audit engagement:

- The expected scope of the audit work, including the number of locations to be included.
- The expected use of audit evidence obtained in prior audits, for example, audit evidence related to risk assessment procedures and tests of controls.
- The effect of information technology on the audit procedures, including the availability of data and the expected use of computer-assisted audit techniques.
- The expected timing of the audit work, including the expected issuance date of the auditor's report and any other dates for reports to other auditors.
- Audit procedures that need to be performed at or before the period end, taking into account the availability of audit evidence to be obtained and the effectiveness of performing such procedures at that date.
- The coordination of the expected scope and timing of the audit work with any reviews of interim financial information and the effect on the audit of the information obtained during such reviews.
- The selection of the engagement team and the establishment and coordination of staffing requirements, including the expected scope and timing of communications among engagement team members.
- Any significant changes in the composition of the engagement team, including both changes from the previous audit and changes during the current audit.
- The assignment of an engagement quality control reviewer, where necessary.
- The discussion of matters that may affect the audit with firm personnel responsible for performing nonaudit services to the entity.
- Engagement budgeting.
- Other matters requiring special attention, for example, the existence of related parties, the use of work from internal audit, and the entity's use of service organizations.

Organizing the Nature and Timing of Expected Communications with the Entity

The auditor may consider the following matters when organizing the nature and timing of expected communications with the entity:

- The organization of meetings with management and those charged with governance to discuss the nature, scope and timing of the audit work.
- The discussion with management and those charged with governance regarding the expected type and timing of reports to be issued and other communications, both written and oral, including management letters and communications to those charged with governance.
- The discussion with management regarding the expected communications on the status of audit work throughout the engagement and the expected deliverables resulting from the audit procedures.
- The scheduling of meetings with those charged with governance to discuss audit matters.
- Whether there are any other expected communications with third parties, including any statutory or contractual reporting responsibilities arising from the audit.

Determining the Timing and Extent of Involvement of Experts, Client Personnel and Other Third Parties

The auditor may consider the following matters in determining the timing and extent of involvement of experts, client personnel and other third parties, as applicable:

- Arranging the involvement of experts, both firm and external.
- Arranging the involvement of internal auditors.
- Arranging the involvement of group auditors in the audit of components of the entity.
- Arranging the involvement of other auditors in the audit of components of the entity.
- The availability of client personnel and data.
- Coordinating the assistance of client personnel in data preparation.
- The nature of the entity's use of service organizations.

Considering the Relationship of the Performance of Risk Assessment Procedures to Planning Further Audit Procedures

The auditor considers the relationship of risk assessment procedures with the planning of further audit procedures to ensure the auditor has a sufficient understanding of the entity to plan audit procedures at the assertion level for classes of transactions, account balances, and disclosures that are responsive to the risks of material misstatement. Such matters the auditor may consider include the following:

- The timing of risk assessment procedures and how this affects planning the audit.
- The extent of understanding of the entity and its environment, including its internal control necessary to develop the audit plan for classes of transactions, account balances, and disclosures.
- The need to re-evaluate the overall audit strategy and audit plan in response to audit evidence obtained through the performance of risk assessment procedures.

Materiality

The auditor may consider the following matters related to materiality:

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- Setting materiality for planning purposes.
- The qualitative factors for planning materiality for certain classes of transactions, account balances and disclosures.
- Setting and communicating materiality for group or other auditors.
- Reconsidering materiality as audit procedures are performed during the course of the audit.

Direction, Supervision and Review

The auditor considers matters required by the firm's system of quality control in planning the timing and extent of direction and supervision of engagement team members and review of their work. Such matters that the auditor may consider include the following:

- The impact of the assessed risk of material misstatement at the overall financial statement level on direction, supervision and review.
- The composition of the audit engagement team necessary to accomplish the proper direction, supervision and review, including the need to involve experts.
- The assignment of audit work to engagement team members, including the assignment of responsibility for planning the audit.
- The manner in which the auditor communicates to engagement team members their responsibilities and the objectives of the audit procedures they are to perform.
- The manner in which the auditor emphasizes to engagement team members the need to maintain a questioning mind and to exercise professional skepticism in gathering and evaluating audit evidence.
- Establishing and communicating to engagement team members the process for the following:
 - Bringing significant audit and accounting issues to the auditor's attention and how those matters will be resolved.
 - Ensuring that appropriate consultations take place on difficult or contentious auditing or accounting matters.
 - Resolving differences of opinion among engagement team personnel.
- Establishing and communicating the scope and timing of the review of the following:
 - Audit work performed by engagement team members, including the need to review the overall audit strategy and audit plan prior to the performance of detailed audit procedures.
 - Audit work performed by group or other auditors.
 - The engagement quality control reviewer, where necessary.
- The manner of documentation necessary to provide evidence that the audit work of engagement team members was adequately directed, supervised and reviewed and that any issues identified were resolved. This may involve the use of programs or checklists to facilitate direction, supervision and review activities and to ensure compliance with the firm's quality control policies and procedures.