

EXPOSURE DRAFT

ED 15/05

October 2005

Proposed Auditing Standard: Planning an Audit of a Financial Report (Re-issuance of AUS 302)

Prepared and Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

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PREFACE

Reasons for Issuing ED 15/05

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard (AUS 302) *Planning an Audit of a Financial Report* due to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (the CLERP 9 Act) established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001*, as from 1 July 2004. Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards will be legislative instruments under the *Legislative Instruments Act 2003*.

ED 15/05 conforms with revised ISA 300 “Planning an Audit of Financial Statements” issued in June 2004 by the International Auditing and Assurance Standards Board of the International Federation of Accountants.

Main Proposals

This proposed Auditing Standard:

- (a) requires the auditor to plan the audit so that the engagement will be performed in an effective manner — the auditor’s planning activities include establishing the overall audit strategy for the audit;
- (b) describes the preliminary engagement activities to be performed by the auditor at the beginning of the current audit engagement; and
- (c) outlines additional matters the auditor may consider in initial audit engagements.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 July 2006.

Main changes from existing AUS 302

The main differences between this proposed Auditing Standard and the auditing standard issued by the former Auditing & Assurance Standards Board of the Australian Accounting Research Foundation that it supersedes, AUS 302 *Planning an Audit of a Financial Report* (October 1995), is that in this proposed Auditing Standard:

1. the word 'shall', in the **bold-type** paragraphs, is the terminology used to describe an auditor's mandatory requirements, whereas an auditor's degree of responsibility was previously described by the word 'should';
2. the explanatory paragraphs provide guidance and illustrative examples to assist the auditor in fulfilling the mandatory requirements, whereas previously some obligations were implied within certain explanatory paragraphs. Accordingly, such paragraphs have been redrafted to clarify that the matter forms part of the explanatory guidance;
3. requires the auditor to perform various preliminary engagement activities at the commencement of the audit engagement that include evaluating the auditor's independence (paragraph 9);
4. an overall audit strategy is to be established, setting out the scope, timing and direction of the audit as a guide to the development of the more detailed audit plan (paragraph 12); and
5. the auditor is required to plan the nature, timing and extent of direction and supervision of the audit engagement team members and review of their work (paragraph 23).

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard (AUS 302) *Planning an Audit of a Financial Report* by 15 December 2005. The AUASB would prefer that respondents express a clear overall opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on any matter. The AUASB regards both critical and supportive comments as essential to a balanced review of the proposed Auditing Standard.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes Auditing Standard << >> *Planning an Audit of a Financial Report* as set out in paragraphs 1 to 33 and Appendix 1, pursuant to section 227B of the *Australian Securities and Investment Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

The mandatory requirements of this Auditing Standard are set out in **bold-type** paragraphs.

AUDITING STANDARD

Planning an Audit of a Financial Report

Application

1. **This Auditing Standard applies to:**
 - (d) **an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and**
 - (e) **an audit of a financial report for any other purpose.**
2. This Auditing Standard also applies, as appropriate, to an audit of other financial information.

Operative Date

3. **This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.**

Introduction

4. The purpose of this Auditing Standard is to establish standards and provide guidance on the considerations and activities applicable to planning an audit of a financial report. This Auditing Standard is framed in the context of recurring audits. In addition, matters that the auditor is required to perform in initial audit engagements are included in paragraph 31.
5. **The auditor shall plan the audit so that the engagement will be performed in an effective manner.**
6. Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan, in order to reduce audit risk to an acceptably low level. Planning involves the engagement partner and other key members of the engagement team to benefit from their experience and insight and to enhance the effectiveness and efficiency of the planning process.
7. Adequate planning helps to ensure that appropriate attention is devoted to important areas of the audit, that potential problems are identified and resolved on a timely basis and that the audit engagement is properly organised and managed in order to be

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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 auditors of components 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 changes in circumstances that occur during the audit engagement.

8. Planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement. However, in planning an audit, the auditor ordinarily considers the timing 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 engagement team members;¹
- analytical procedures to be applied as risk assessment procedures;
- obtaining of a general understanding of the legal and regulatory framework applicable to the entity and how the entity is complying with that framework;
- determination of materiality; and
- involvement of experts and the performance of other risk assessment procedures prior to identifying and assessing the risks of material misstatement and performing further audit procedures at the assertion level for classes of transactions, account balances, and disclosures that are responsive to those risks.

Preliminary Engagement Activities

9. **The auditor shall perform the following activities at the beginning of the current audit engagement:**

¹ AUS 402 "Understanding the Entity and its Environment and Assessing the Risks of Material Misstatements" and AUS 210 "The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report" provide further guidance on discussions with the engagement team.

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- **perform procedures regarding the continuance of the client relationship and the specific audit engagement;**
 - **evaluate compliance with relevant ethical requirements relating to the audit engagement, including independence; and**
 - **establish an understanding of the terms of the engagement.**
10. The auditor's consideration of client continuance and relevant ethical requirements relating to the audit engagement², including independence, occurs throughout the performance of the audit engagement as conditions and changes in circumstances occur. However, pursuant to paragraph 9 of this Auditing Standard, the auditor's initial procedures on both client continuance and evaluation of compliance with relevant ethical requirements relating to the audit engagement (including independence) are required to be performed prior to performing other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.
11. The purpose of performing these preliminary engagement activities is to help ensure that the auditor has considered any events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement to reduce audit risk to an acceptably low level. Performing these preliminary engagement activities helps to ensure that the auditor plans an audit engagement for which:
- the auditor maintains the necessary independence and ability to perform the engagement;
 - there are no issues with management integrity that may affect the auditor's willingness to continue the engagement; and
 - there is no misunderstanding with the client as to the terms of the engagement.

² In Australia, the relevant ethical requirements relating to audit engagements are the following codes of conduct of the professional accounting bodies, as issued from time to time:

- CPA Australia and The Institute of Chartered accountants in Australia, *Joint Code of Professional Conduct*; and
- National Institute of Accountants, *Pronouncements of the Board of Directors – Code of Ethics*.

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See Auditing Standard AUS 206, “Quality Control for Audits of a Financial Report” and Auditing Standard AUS 204, “Terms of Audit Engagements”, for additional guidance.

Planning Activities

The Overall Audit Strategy

- 12. The auditor shall establish the overall audit strategy for the audit.**
13. The overall audit strategy sets the scope, timing and direction of the audit, and guides the development of the more detailed audit plan. The establishment of the audit strategy ordinarily involves:
 - (a) determining the characteristics of the engagement that define its scope, such as the financial reporting framework used, industry-specific reporting requirements and the locations of the components of the entity;
 - (b) ascertaining the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required, such as deadlines for interim and final reporting, and key dates for expected communications with management and those charged with governance; and
 - (c) considering the important factors that will determine the focus of the engagement team’s efforts, such as determination of appropriate materiality levels, preliminary identification of areas where there may be higher risks of material misstatement, preliminary identification of material components and account balances, evaluation of whether the auditor may plan to obtain evidence regarding the effectiveness of internal control, and identification of recent significant entity-specific, industry, financial reporting or other relevant developments.
14. In developing the audit strategy, pursuant to paragraph 12 of this Auditing Standard, the auditor is required to consider the results of preliminary engagement activities and, where practicable, experience gained on other engagements performed for the entity. Appendix 1 lists examples of matters the auditor may consider in establishing the overall audit strategy for an engagement.
15. The process of developing the audit strategy helps the auditor to ascertain the nature, timing and extent of resources necessary to

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perform the engagement. The audit strategy sets out clearly, in response to the matters identified in paragraph 13, and subject to the completion of the auditor's risk assessment procedures:

- (a) the resources to deploy for specific audit areas, such as the use of appropriately experienced team members for high risk areas or the involvement of experts on complex matters;
 - (b) the amount of resources to allocate to specific audit areas, such as the number of team members assigned to observe the inventory count at material locations, the extent of review of other auditors' work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
 - (c) when these resources are deployed, such as whether at an interim audit stage or at key cut-off dates; and
 - (d) how such resources are managed, directed and supervised, such as when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site), and whether to complete engagement quality control reviews.
16. Once the audit strategy has been established, the auditor is able to start the development of a more detailed audit plan to address the various matters identified in the audit strategy, taking into account the need to achieve the audit objectives through the efficient use of the auditor's resources. Although the auditor ordinarily establishes the audit strategy before developing the detailed audit plan, the two planning activities are not necessarily discrete or sequential processes but are closely inter-related since changes in one may result in consequential changes to the other. Paragraphs 19 and 20 provide further guidance on developing the audit plan.
17. 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 (who may be a 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 are easier. Establishing 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, a brief memorandum prepared at the completion of the previous audit, based on a review of the working papers and highlighting issues

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identified in the audit just completed, updated and changed in the current period based on discussions with the owner-manager, can serve as the basis for planning the current audit engagement.

The Audit Plan

- 18. The auditor shall develop an audit plan for the audit in order to reduce audit risk to an acceptably low level.**
19. The audit plan is more detailed than the audit strategy and includes the nature, timing and extent of audit procedures to be performed by engagement team members in order to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level. Documentation of the audit plan also serves as a record of the proper planning and performance of the audit procedures that can be reviewed and approved prior to the performance of further audit procedures.
20. The audit plan includes:
- a description of the nature, timing and extent of planned risk assessment procedures sufficient to assess the risks of material misstatement, as determined under AUS 402 “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement”;
 - a description of the nature, timing and extent of planned further audit procedures at the assertion level for each material class of transactions, account balance, and disclosure, as determined under AUS 406 “The Auditor’s Procedures in Response to Assessed Risks.” The plan for further audit procedures reflects the auditor’s decision whether to test the operating effectiveness of controls, and the nature, timing and extent of planned substantive procedures; and
 - such other audit procedures required to be carried out for the engagement in order to comply with Auditing Standards (for example, seeking direct communication with the entity’s lawyers).

Planning for these audit procedures takes place over the course of the audit as the audit plan for the engagement develops. For example, planning of the auditor’s risk assessment procedures ordinarily occurs early in the audit process. However, planning of the nature, timing and extent of specific further audit procedures depends on the outcome of those risk assessment procedures. In

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addition, the auditor may begin the execution of further audit procedures for some classes of transactions, account balances and disclosures before completing the more detailed audit plan of all remaining further audit procedures.

Changes to Planning Decisions During the Course of the Audit

21. **The overall audit strategy and the audit plan shall be updated and changed as necessary during the course of the audit.**
22. Planning an audit is a continual and iterative process throughout the audit 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 ordinarily re-evaluates the planned audit procedures, based on the revised consideration of assessed risks at the assertion level for all or some of the classes of transactions, account balances or disclosures.

Direction, Supervision and Review

23. **The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and review of their work.**
24. The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors, including the size and complexity of the entity, the area of audit, the risks of material misstatement, and the capabilities and competence of personnel performing the audit work. AUS 206 contains detailed guidance on the direction, supervision and review of audit work.
25. Pursuant to paragraph 23 of this Auditing Standard, the auditor is required to plan the nature, timing and extent of direction and supervision of engagement team members 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

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detailed review of their work. Similarly, the auditor ordinarily plans the nature, timing and extent of review of the engagement team's work based on the capabilities and competence of the individual team members performing the audit work.

26. 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 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 Auditing Standards. Forming an objective view on the appropriateness of the judgements 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 plan to consult with other suitably experienced auditors or the auditor's professional body.

Documentation

27. **The auditor shall document the overall audit strategy and the audit plan, including any significant changes made during the audit engagement.**
28. Pursuant to paragraph 27, the auditor is required to document:
- (a) the overall audit strategy, which records the key decisions considered necessary to properly plan the audit and to communicate significant matters to the engagement team. For example, the auditor may summarise the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit;
 - (b) the audit plan in sufficient detail to demonstrate the planned nature, timing and extent of risk assessment procedures, and further audit procedures at the assertion level for each material class of transaction, account balance, and disclosure in response to the assessed risks. The auditor may use standard audit programs or audit completion checklists. However, when such standard programs or checklists are used, the auditor appropriately tailors them to reflect the particular engagement circumstances; and

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- (c) any significant changes to the originally planned overall audit strategy and to the detailed audit plan, including the reasons for the significant changes and the auditor's response to the events, conditions, or results of audit procedures that resulted in such changes. For example, the auditor may significantly change the planned overall audit strategy and the audit plan as a result of a material business combination or the identification of a material misstatement of the financial report. A record of the significant changes to the overall audit strategy and the audit plan, and resulting changes to the planned nature, timing and extent of audit procedures, explains the overall strategy and audit plan finally adopted for the audit and demonstrates the appropriate response to significant changes occurring during the audit.
29. The form and extent of documentation depend on such matters as the size and complexity of the entity, materiality, the extent of other documentation, and the circumstances of the specific audit engagement.

Communications With Those Charged With Governance and Management

30. The auditor may discuss elements of planning with those charged with governance and the entity's management. These discussions may be a part of overall communications required to be made to those charged with governance of the entity or may be made to improve the effectiveness and efficiency of the audit. Discussions with those charged with governance ordinarily include the overall audit strategy and timing 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 matters included in the overall audit strategy or audit plan 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 compromise the effectiveness of the audit by making the audit procedures too predictable.

Additional Considerations in Initial Audit Engagements

31. **The auditor shall perform the following activities prior to starting an initial audit:**
- (a) **Perform procedures regarding the acceptance of the client relationship and the specific audit engagement.**
 - (b) **Communicate with the previous auditor, where there has been a change of auditors, in compliance with relevant ethical requirements relating to the audit engagement.**
32. 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, additional matters the auditor may consider in developing the overall audit strategy and audit plan include the following:
- Unless prohibited by law or regulation, arrangements to be made with the previous auditor, for example, to review the previous auditor's audit working papers.
 - 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.
 - The planned audit procedures to obtain sufficient appropriate audit evidence regarding opening balances (see AUS 510 "Initial Engagements – Opening Balances").
 - The assignment of firm personnel with appropriate levels of capabilities and competence to respond to anticipated significant risks.
 - 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

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significant audit procedures or to review reports prior to their issuance).

Conformity with International Standards on Auditing

33. This Auditing Standard conforms with International Standard on Auditing ISA 300, “Planning an Audit of Financial Statements”, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants.

Compliance with this Auditing Standard enables compliance with ISA 300.

APPENDIX 1

EXAMPLES OF MATTERS THE AUDITOR MAY CONSIDER IN ESTABLISHING THE OVERALL AUDIT STRATEGY

The appendix provides examples of matters the auditor may consider in establishing the overall audit strategy. Many of these matters will also influence the auditor's detailed audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required to be performed by other Auditing Standards, not all matters are relevant to every audit engagement and the list is not necessarily complete. In addition, the auditor may consider these matters in an order different from that shown below.

Scope of the Audit Engagement

The auditor may consider the following matters when establishing the scope of the audit engagement:

- The financial reporting framework on which the financial information to be audited has been prepared, including any need for reconciliations to another financial reporting framework.
- Industry-specific reporting requirements such as reports mandated by industry regulators.
- The expected audit coverage, including the number and locations of components to be included.
- The nature of the control relationships between a parent and its components that determine how the group is to be consolidated.
- The extent to which components are audited by other auditors.
- The nature of the business segments to be audited, including the need for specialised knowledge.
- The reporting currency to be used, including any need for currency translation for the financial information audited.
- The need for a statutory audit of standalone financial report in addition to an audit for consolidation purposes.
- The availability of the work of internal auditors and the extent of the auditor's potential reliance on such work.

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- The entity's use of service organisations and how the auditor may obtain evidence concerning the design or operation of controls performed by them.
- 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 coordination of the expected coverage 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 discussion of matters that may affect the audit with firm personnel responsible for performing other services to the entity.
- The availability of client personnel and data.

Reporting Objectives, Timing of the Audit and Communications Required

The auditor may consider the following matters when ascertaining the reporting objectives of the engagement, the timing of the audit and the nature of communications required:

- The entity's timetable for reporting, such as at interim and final stages.
- The organisation of meetings with management and those charged with governance to discuss the nature, extent 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 the auditor's report, 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.

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- Communication with auditors of components regarding the expected types and timing of reports to be issued and other communications in connection with the audit of components.
- The expected nature and timing of communications among engagement team members, including the nature and timing of team meetings and timing of the review of work performed.
- Whether there are any other expected communications with third parties, including any statutory or contractual reporting responsibilities arising from the audit.

Direction of the Audit

The auditor may consider the following matters when setting the direction of the audit:

- With respect to materiality:
 - (i) Setting materiality for planning purposes.
 - (ii) Setting and communicating materiality for auditors of components.
 - (iii) Reconsidering materiality as audit procedures are performed during the course of the audit.
 - (iv) Identifying the material components and account balances.
- Audit areas where there is a higher risk of material misstatement.
- The impact of the assessed risk of material misstatement at the overall financial report level on direction, supervision and review.
- The selection of the engagement team (including, where necessary, the engagement quality control reviewer) and the assignment of audit work to the team members, including the assignment of appropriately experienced team members to areas where there may be higher risks of material misstatement.
- Engagement budgeting, including considering the appropriate amount of time to set aside for areas where there may be higher risks of material misstatement.
- The manner in which the auditor emphasises to engagement team members the need to maintain a questioning mind and to exercise professional scepticism in gathering and evaluating audit evidence.

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- Results of previous audits that involved evaluating the operating effectiveness of internal control, including the nature of identified weaknesses and action taken to address them.
- Evidence of management's commitment to the design and operation of sound internal control, including evidence of appropriate documentation of such internal control.
- Volume of transactions, which may determine whether it is more efficient for the auditor to rely on internal control.
- Importance attached to internal control throughout the entity to the successful operation of the business.
- Significant business developments affecting the entity, including changes in information technology and business processes, changes in key management, and acquisitions, mergers and divestments.
- Significant industry developments such as changes in industry regulations and new reporting requirements.
- Significant changes in the financial reporting framework, such as changes in accounting standards.
- Other significant relevant developments, such as changes in the legal environment affecting the entity.

Table of Proposed Changes from AUS 302 *Planning an Audit of a Financial Report*

Base Standard

ISA 300, "Planning an Audit of Financial Statements," was used as the base standard when re-drafting this proposed Auditing Standard.

Main differences between the Base Standard and the existing AUS 302

The main differences between ISA 300 and the existing AUS 302 are:

1. ISA 300 has the following mandatory requirements which are not in AUS 302:
 - (a) requirement for the auditor to perform various preliminary engagement activities at the commencement of the audit engagement that include evaluating the auditor's independence (paragraph 9);
 - (b) requirement for an overall audit strategy to be established, setting out the scope, timing and direction of the audit as a guide to the development of the more detailed audit plan (paragraph 12); and
 - (c) requirement for the auditor to plan the nature, timing and extent of direction and supervision of the audit engagement team members and review of their work (paragraph 23).

Table of proposed changes from the Base Standard

The table below details the proposed changes from the base standard, ISA 300 (excluding changes to reflect Australian terminology and references to Australian Auditing Standards).

Paragraph No. in Proposed Exposure Draft	Status (Requirement, Guidance, Footnote or Appendix)	Description of Proposed Change(s)
1, 2	Requirement / Guidance	New application paragraphs.
3	Requirement	Re-position operative date paragraph.
5, 9, 12, 18, 21, 23, 27, 31.	Requirement	Replace "should" with "shall".
8, 13, 22, 25	Guidance	Insert "ordinarily" to clarify implied obligation.
10, 14, 25, 28	Guidance	Inserted "'pursuant to...the auditor is required to" to clarify implied obligation.