INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

ON-THE-JOB TRAINING BLUEPRINT

CATEGORY

Audit

MODULE

Group Audit - Planning

Commissioned by:

INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

singapore workforce development agency

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ON-THE-JOB TRAINING CURRICULUM

MODULE GROUP AUDIT - PLANNING				
No.	**Main Tasks[1]**	**OJT Hours[2]**	**Skills & Knowledge**	**Training Guidelines**
1	Evaluate engagement acceptance and continuance on a group basis	2 - 10	**<u>Authoritative materials/requirements</u>** **Financial Reporting Standards:** FRS 1 Presentation of Financial Statements FRS 27 Separate Financial Statements FRS 28 Investments in Associates and Joint Ventures FRS 103 Business Combinations FRS 110 Consolidated Financial Statements FRS 111 Joint Arrangements FRS 112 Disclosure of Interests in Other Entities **Singapore Standards on Auditing:** SSA 220 Quality Control for an Audit of Financial Statements SSA 230 Audit Documentation SSA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements SSA 260 Communication with Those Charged with Governance SSA 265 Communicating Deficiencies in Internal Control to those Charged with Governance and Management SSA 300 Planning an Audit of Financial statements	SSA 600 requires the group engagement partner to be responsible for the direction, supervision and performance of the group audit engagement. It is strongly recommended that the client planning meeting and a group engagement team briefing with the group engagement partner be held before the commencement of the group audit planning work. The OJT can be conducted in several phases which allows the staff to prepare the planning for review in phases. Depending on the client's group structure and the extent of involvement of other auditors, if any, the trainer should encourage
2	Determine group and component materiality	1 - 3		
3	Develop group audit strategy	4 - 10		

1 Tasks involving areas of high risk of material misstatements should be carried out by experienced staff or junior staff under close supervision.

2 OJT Hours refer to the recommended on-the-job training time required for a learner to acquire the skills, knowledge and practice to be competent in the respective Tasks and are limited to the time spent with the supervisor which include briefing, explanation, coaching and supervision. These numbers serve as a gauge and may vary from person to person, depending on the coaching ability of the supervisor and/or learning ability of the learner.

MODULE

GROUP AUDIT - PLANNING

No.	Main Tasks[1]	OJT Hours[2]	Skills & Knowledge	Training Guidelines
4	Issue group audit instructions	4 - 10	SSA 315 Identifying and Assessing The Risks of Material Misstatements through Understanding The Entity And Its Environment SSA 320 Materiality in Planning and Performing an Audit SSA 330 The Auditor's Responses To Assessed Risks SSA 500 Audit Evidence SSA 600 Specific Considerations – Audits of Group Financial Statements (Including the Work of Components Auditors) SSA 700 Forming an Opinion and Reporting on Financial Statements SSA 705 Modifications to the Opinion in the Independent Auditor's Report SSA 706 Emphasis of Matter Paragraphs in the Independent Auditor's Report **<u>Additional materials (non-authoritative)</u>** AGS 10 Joint Audits **<u>Skills</u>** • Professional scepticism for identifying and assessing fraud risk and risks of material misstatements. • Planning and communicating the group audit timeline and following up to ensure timely completion. • Problem solving for issues highlighted by component auditors throughout the engagement.	the staff to learn how to identify significant risk areas and develop audit strategy to address these areas. Remind staff to read prior year's audit working papers and audit planning for the group and note down the following at the group level: • Performance materiality • Risk of material misstatements • Understanding client's business • Prior year's corrected and uncorrected misstatements • Prior year's management letter and recommendations Ascertain the experience level of the staff and whether the staff understands the planning for a group. Ask questions during the briefing to make sure the staff understands the instructions and objectives of each audit procedure.
5	Review deliverables from the component auditors and communicate audit strategy and timeline with those charged with governance (TCWG)	2 - 5		

No.	Main Tasks	Task Elements	Key Points	Task Standards
3	Develop group audit strategy	1. Prepare an analysis of components, indicating those that are significant and non-significant components, and the type of work to be performed on each component and its respective component materiality. Indicate the nature, timing and extent of the group engagement team's involvement in the work to be performed by the component auditors.	1. A component can be significant due to financial significance or due to specific circumstances or nature, exposing it to significant risk of material misstatements. The group engagement team may apply a percentage to a chosen benchmark such as group assets, liabilities, cash flows, profit or turnover, as an aid to identify components that are of individual financial significance. Identifying a benchmark and determining a percentage to be applied to it involve the exercise of professional judgement. In computing the respective component's contribution to the group's profit, the auditor is required to consider the total absolute amount of the profit or loss (instead of netting off the losses against the profit) to arrive at the group profit denominator.	• Components have been appropriately analysed as significant and insignificant components. • The scope of the audit for significant components have been properly planned to address risk of material misstatements of the components. • The group audit strategy has been planned to perform work to address the risks identified.
		2. For a component that is significant due to its individual financial significance to the group, confirm that the group engagement team, or component auditors on its behalf, has performed an audit of the financial information of the	2. If the component auditors are also carrying out the audit for statutory filing purposes, the group engagement team needs to make sure that the materiality used for the audit of the components for the group audit purposes are not	

No.	Main Tasks	Task Elements	Key Points	Task Standards
		component using the assigned component materiality.	higher than the assigned component materiality.	
		3. Where a component is significant due to a significant risk of material misstatement in the group financial statements, carry out at least one of the following procedures: (a) perform an audit of the component using component materiality; (b) audit one or more account balances, classes of transactions or disclosures relating to the significant risks; or (c) carry out specific audit procedures on the significant risk areas.	3. The decision on the selection of the procedure is a matter of professional judgement so as to respond to the significant risk. For (b), where the group engagement team requests component auditors to perform an audit of one or more specific account balances, classes of transactions or disclosures, the communication of the group engagement team takes account of the fact that many financial statement items are interrelated. For (c), the group engagement team may design audit procedures and request component auditors to perform the specified audit procedures.	
		4. For components that are not significant, perform analytical procedures at group level.	4. Depending on the circumstances of the engagement, the financial information of the components may be aggregated at various levels for purposes of the analytical procedures.	
		5. If sufficient appropriate audit evidence cannot be obtained through (i) the audit of significant components, (ii) a review of the design and implementation of the	5. Consider the following factors in the determination on how many components to select, which components to select and the type of work to be performed:	

No.	Main Tasks	Task Elements	Key Points	Task Standards
		group-wide controls and (iii) the analytical procedures performed at group level, the group engagement team shall select the insignificant components (which are individually immaterial but are material in aggregate) and perform one or more additional procedures on selected insignificant components as follows: • Audit using component materiality. • Audit one or more account balances, classes of transactions or disclosures. • Review the component financial statements using component materiality. • Complete other specified procedures. Components selected for this should vary over a period of time.	• the extent of audit evidence expected to be obtained on the financial information of the significant components; • whether the components have been newly formed or acquired; • whether significant changes have taken place in the components; • whether the internal audit function has performed work at the components and any effect of that work on the group audit; • whether the components apply common systems and processes; • the operating effectiveness of group-wide controls; • abnormal fluctuations identified by analytical procedures performed at group level. The individual financial significance of, or the risk posed by, the component in comparison with other components within this category; or • whether the components are subject to audit requirements by statute, regulation or for another reason.	
		6. Obtain an understanding of the control design over the consolidation process. If the control design meets the control objectives and the engagement team plans to	6. Consider whether to involve the component auditors in reviewing the designs of controls and testing of the operating effectiveness of the controls over the consolidation	

No.	Main Tasks	Task Elements	Key Points	Task Standards
		place reliance on the controls, plan tests on the operating effectiveness of controls over the consolidation process. If the control design does not meet the control objective, the engagement team shall determine the nature, timing and extent of the substantive procedures required.	process. Reflect these in the group audit instructions and request component auditors to provide their conclusion of the work performed in their deliverables.	
4	Issue group audit instructions	1. Where it is planned to rely on the work of component auditors, prepare and send group audit instructions. 2. The nature, timing and extent of the involvement in the work of the auditors of significant components are affected by the group engagement team's understanding of the component auditors, but at a minimum shall include: • discussing with the component auditors or component management those of the components' business activities	1. Group audit instructions should be sent out on a timely basis to allow sufficient time for the component auditors to understand the reporting requirements and to incorporate the requirements as part of their audit planning and to be able to communicate any other audit issues to the group engagement team prior to the year-end. 2. Forms of involvement in the work of component auditors may, include one or more of the following: • meeting with the component management or the component auditors to obtain an understanding of the components and their environments; • reviewing the component auditors' overall audit strategy and audit plans;	• The involvement in the work of the component auditors is clearly documented in the group audit instructions. Group audit instructions is sent out on a timely manner.