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Agenda Item

8

Committee: IAASB

Meeting Location: New York

Meeting Date: February 16-18, 2004

Planning the Audit

Objectives of Agenda Item

To discuss the issues raised in the comments received on exposure, review the proposed changes to the exposure draft and agree on the direction of the standard.

Background

The exposure draft was approved in July 2003 and the comment period ended on November 15, 2003. Twenty-five comment letters were received. A listing of the commentators is included in the Appendix.

Issues

1. Scope of the Proposed ISA

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. Commentators were asked whether the scope of Proposed ISA is appropriate and if not, whether they believe the scope should be limited to engagement management considerations.

Thirteen commentators agreed with the scope of the exposure draft, noting that the proposed standard requires a more strategic approach to planning and consideration of activities that should already be included in the planning process; provides useful guidance regarding planning activities other than those covered in the Audit Risk Standards; and provides for the appropriate amount of professional judgment in implementing its requirements.

Nine commentators disagreed with the scope of the exposure draft, expressing concerns that the proposed standard is not properly integrated, or overlaps with, the Audit Risk Standards and the Quality Control Standard and may result in duplication of documentation.

Of these nine commentators, five commentators believed that the scope of the proposed ISA should be limited to engagement management considerations and three commentators expressed reservations about the need for a separate planning standard.

Changes were made to the exposure draft to better integrate the requirements of the proposed standard with the Audit Risk Standards and clarify the relationship between the standards.

Does the Board agree with the proposed changes and the overall direction of the standard?

2. Overall audit strategy and audit plan

Proposed ISA 300 includes a requirement to develop an overall audit strategy and an audit plan. These changes were made in order to better align the guidance with the requirements in the Audit Risk standards and to better reflect recent trends in audit practice. Commentators were asked if they agreed with these changes.

Nine commentators agreed with the proposed changes to audit strategy and audit plan, noting that it better reflects the current terminology used by those performing audits.

Ten commentators disagreed with the proposed changes, suggesting that the distinction between the audit strategy and the audit plan is somewhat artificial and out of step with both the risk assessment approach reflected in the new Audit Risk Standards.

The concepts have been retained in the proposed standard and linked to Audit Risk Standards.

Does the Board agree with the proposed changes?

3. Planning – a continual and iterative process

Seven commentators noted that the proposed standard does not adequately reflect planning as a continual and iterative process but rather adopts too much of a traditional, linear approach.

Changes were made throughout the document to emphasize that planning is a continual and iterative process.

Does the Board agree with the proposed changes?

4. Preliminary planning activities

Comments were received questioning the appropriateness of including in preliminary planning activities those activities that are not specifically related to planning because they are carried out before planning.

These activities are now referred to as “preliminary engagement activities”.

Does the Board agree with the need to mention these activities in the proposed standard and to refer to them as “preliminary engagement activities”?

Material Presented

Agenda Item 8-A Proposed Revised ISA 300, “Planning the Audit” (Mark-up)
(Pages 289 – 304)

Agenda Item 8-B Proposed Revised ISA 300, “Planning the Audit” (Clean)
(Pages 305 – 316)

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