

AUDIT UPDATE

**Audit Process &
Methodology**



AUDIT PROCESS AND METHODOLOGY

The following audit process and methodology is used in a statutory audit to give a comfort to the stakeholder that the financial statements give a true and fair view of the financial position, financial performance and cash flows of the Company. The audit process includes the following:

- **Audit Planning:** Planning involves establishing overall audit strategy for the engagement and developing an audit plan. The nature and extent of planning activities vary according to the size and complexity of the entity, the key engagement team member's previous experience with the entity, and changes in circumstances that occur during the audit engagement.
- **Risk Assessment:** Auditors identify and assess the risks of material misstatement in the financial statements, through understanding the entity and its environment, including the entity's internal control and key business processes. These risk assessment procedures are performed to identify and assess the risk of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.
- **Internal Control Evaluation:** Auditors obtain an understanding of controls that are relevant to an audit by evaluating the design, implementation, and operating effectiveness of those controls.
- **Preliminary Analytical Review:** Auditors shall carry out analytical procedures to identify and assess the risks of material misstatement. Analytical procedures are carried out to identify unusual transactions or events, inconsistencies, material, significant transactions that may assist the auditor in identifying and assessing the risk of material misstatement.
- **Substantive Procedure:** Auditors perform substantive procedure to detect material misstatements at the assertion level. The auditor can perform only substantive analytical procedures or test of details or combination of both to reduce the risk of material misstatement to an acceptably low level. The performance of substantive procedure depends on the materiality and relevant audit assertions.

- **Audit Documentation:** Auditors document and preserve all the planning documents, audit procedures performed, supporting audit evidence, and conclusions reached. This documentation provides a basis for the audit opinion. Audit documentation should be sufficiently detailed to enable another experienced auditor, having no previous connection with the audit, to understand the audit procedures performed, audit evidences obtained and conclusion reached.
- **Reporting:** Auditors express the opinion in an audit report about the true and fair view of the state of affairs, profit or loss, and cash flows of the Company. The audit report may include other matters, Key audit matters, Emphasis of matters, qualified opinion, adverse opinion, or disclaimer of opinion which depends on the evidences obtained, material misstatement, and sufficiency and appropriateness of audit evidences obtained.

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