



GAP
Learning

AUDIT APPROACH





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**WHAT ARE YOU
REQUIRED TO
DISCUSS WHEN A
QUESTION ASKS
FOR THE AUDIT
APPROACH THAT
THE AUDITORS
SHOULD TAKE?**



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YOUR ANSWER SHOULD COVER:

- 1. NATURE**
- 2. TIMING**
- 3. EXTENT**

OF THE AUDIT PROCEDURES PERFORMED



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NATURE:

1. SHOULD THE AUDITORS FOLLOW A FULLY SUBSTANTIVE APPROACH OR A COMBINED AUDIT APPROACH (TEST OF CONTROL AND SUBSTANTIVE TESTING)?

eg. If the client has a weak control environment= We cannot rely on their controls and the auditors should take a fully substantive approach

Nature



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BASE YOUR ANSWER ON:

1. **NECESSITY OF PROCEDURES**
2. **DESIRABILITY OF PROCEDURES**
3. **POSSIBILITY OF IMPLEMENTATION**

Nature

Necessity



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EXAMPLE- WE ARE CONSIDERING WHETHER WE SHOULD TEST CONTROLS OF A CLIENT

- 1. THE CLIENT HAS RECENTLY IMPLEMENTED A NEW AUTOMATED PROCESS SURROUNDING REVENUE, THEREFORE IT IS NECESSARY TO TEST CONTROLS, AS THERE IS A FRAUD RISK**

Nature

POSSIBILITY



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EXAMPLE- WE ARE CONSIDERING WHETHER WE SHOULD TEST CONTROLS OF A CLIENT

- 1. THE CLIENT HAS RECENTLY IMPLEMENTED A NEW AUTOMATED PROCESS SURROUNDING REVENUE AND THE AUDITORS PLAN TO MAKE USE OF I.T EXPERTS TO TEST THE CONTROLS, THEREFORE IT IS POSSIBLE TO PERFORM TEST OF CONTROLS**

Nature

DESIRABILITY



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EXAMPLE- WE ARE CONSIDERING WHETHER WE SHOULD TEST CONTROLS OF A CLIENT

- 1. THE CLIENT HAS RECENTLY IMPLEMENTED A NEW AUTOMATED PROCESS SURROUNDING REVENUE. IT WOULD BE DESIRABLE TO BE ABLE TO RELY ON THE CLIENT CONTROLS AS RELIANCE ON THE SYSTEM WOULD RESULT IN TIME SAVINGS FOR THE AUDITORS.**



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TIMING:

1. WILL THE PROCEDURES BE PERFORMED AT YEAR END ONLY OR FROM INTERIM?

eg. If there is a high risk, we likely select a large sample, therefore testing would need to start at interim



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EXTENT:

**1. SIZE OF THE SAMPLE
SELECTED,
MATERIALITY**

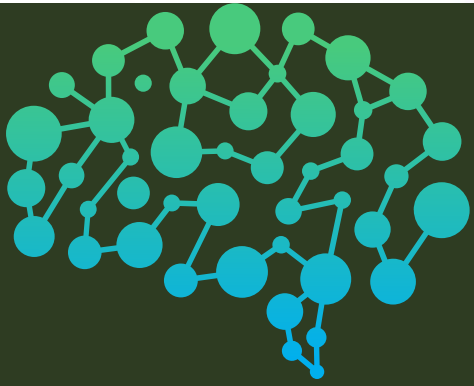
eg. Higher risk means a
larger sample is used to
select transactions for
testing



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**THEREFORE YOUR
ANSWER ON AUDIT
APPROACH IS BASED ON
THE RISK OF THE CLIENT!**

**LET THE
RISK GUIDE
YOU**



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QUESTIONS?
DROP THEM IN THE
COMMENTS

