

RISK	PROCEDURES
<p>REVENUE</p> <p>Numbers (AP)</p> <p>Overstatement: Increase in revenue > increase in COS GPM increase Increase in price per unit/volume Increase in revenue per employee</p> <p>Scenario</p> <p>Cash received before/after goods/services provided: risk of incorrect revenue recognition</p> <p>Goods/services provided over time: risk of incorrect revenue recognition</p>	<p>Enquire with management to establish commercial reasons why Review budgets/forecasts for the year to ascertain if revenue higher than expected Obtain breakdown by region/product/service to identify anomalies General procedures for sales system (bottom of page):</p> <ul style="list-style-type: none"> ▪ Inspect delivery note to see if delivery to customer was in current period ▪ Trace revenue transactions back to invoice/despatch note/sales order ▪ Vouch revenue receipts to bank statements ▪ Data analytics for three-way match between invoice/despatch note/sales order ▪ Inspect goods returns/customer correspondence and trace credit note to debit record in revenue ▪ Inspect post year end cash payments to customers for refunds and compare to returns provision at year end ▪ Reconcile returned goods to inventory records ▪ Use the Cascade-Revenue module to identify notable or unusual transactions <p>Inspect contract with customer to establish performance obligations Inspect correspondence with customer to establish goods/services provided Recalculate revenue to be recognised/deferred(accrued) income</p> <p>Inspect contract/correspondence with customer to establish work performed Recalculate revenue to be recognised/deferred(accrued) income</p>
<p>RECEIVABLES</p> <p>Overstatement:</p> <p>Numbers (AP)</p> <p>High compared to increase in revenue Receivables days increase Receivables days > credit terms</p> <p>Scenario</p> <p>Customer dispute / distress</p>	<p>Enquire with management to establish commercial reasons why Data analytics to identify all aged amounts Analyse management bad debt allowance calculation and reperform Obtain customer confirmations of balances and reconcile with receivables Inspect correspondence to assess if overdue balances will be paid Inspect credit policy/sales contracts Inspect post year end transactions to see if payment made Inspect credit notes raised post year end Data analytics for three-way match between invoice/despatch note/sales order Use the Cascade-Revenue module to identify notable or unusual transactions</p> <p>Inspect correspondence to assess if balance will be paid Inspect FS of customer/recent press reports to see if customer a going concern Obtain customer confirmation of balance Inspect credit policy/sales contracts to assess legal position Trace balance back to invoice/despatch note/sales order Inspect post year end transactions to see if payment made</p>

Sales System at Client Business

Process	Internal Controls
Customer places sales order and goods despatched	Agree goods to be despatched to sales order Despatch notes numbered
Goods delivered	Goods signed for by customer; Delivery note issued to customer
Sales invoice sent	Agree to sales order/despatch note/delivery note/price lists Regular review of despatch notes not matched by invoice
Payment from customer	Match cash receipts to invoice; segregation of duties; follow up overdue amounts; authorisation for bad debt write off
Credit note issued to customer for goods returned	Check goods returned; authorisation of credit notes; provision for returns

MASTER PLAN

TOPIC	VIDEO	QUESTIONS	ICAEW Workbook
Revenue	Audit Risks and Procedures: Non-Data Analytics Software Questions (view here)	M22 Q102 Family Animal Stores S21 Q94 Proxima D20 Q90 Arterial Haulage M20 Q82 Picquery [REDACTED]	Ch 7-10
Receivables		[REDACTED]	
COS		[REDACTED]	
Payables		[REDACTED]	
Assets		[REDACTED]	
Inventory		[REDACTED]	
Employee costs		M20 Q82 Picquery [REDACTED]	
Provisions		D21 Q98 Woodhams Mitchell D19 Q78 SALT [REDACTED]	
Related Parties		S19 Q74 Tushman	
Going Concern		[REDACTED] M20 Q82 Picquery [REDACTED]	

Key

Small topic

Medium topic

Large topic

Independent Auditor's Report to Shareholders of ABC Plc

Opinion

In our opinion the FS of ABC Plc:

- Give a true and fair view
- Have been properly prepared in accordance with IFRS/Companies Act

Except for the **material misstatement/scope limitation** described above (qualified opinion),
in our opinion the FS of ABC Plc:

- Give a true and fair view
- Have been properly prepared in accordance with IFRS/Companies Act

Due to the **pervasive misstatement** described above,

in our opinion the FS of ABC Plc:

- **Do not** give a true and fair view (**adverse opinion**)
- Have **not** been properly prepared in accordance with IFRS/Companies Act

We do not express an opinion on the FS (disclaimer opinion)

Emphasis of Matter / Other Matters

EoM: Draw attention to item included in FS: provision, subsequent event, break-up basis used

OM: Draw attention to item not included in FS: no PY audit, different PY auditor

Audit opinion is unmodified because no material misstatement

Basis for (Qualified/Adverse) Opinion / Basis for Disclaimer of Opinion

ISAs, auditor independence/ethical compliance, reference to misstatement/limitation on scope

Due to the **inability to obtain audit evidence** described above, we do not express an opinion on whether

the FS of ABC Plc:

- Give a true and fair view
- Have been properly prepared in accordance with IFRS/Companies Act

Going Concern (ISA 570)

Heading: Conclusions relating to going concern (no uncertainty and going concern basis appropriate)

Heading: Material uncertainty relating to going concern (uncertainty adequately disclosed)

Draw attention to note which explains uncertainty

Audit opinion is unmodified because no misstatement

No heading:

- **material uncertainty not disclosed (qualified/adverse opinion)**
- **not a going concern and prepared on going concern basis (adverse opinion)**
- not a going concern and not prepared on going concern basis (EoM paragraph)

Key Audit Matters (Listed Company) (ISA 701)

Matters most significant during audit:



Responsibilities

Directors

- Prepare FS and assess going concern basis
- Prepare Director's/Strategic Report and other information
- Manage business:
 - Internal controls to safeguard assets and prevent fraud
 - Identify risks and develop mitigation strategies (including sustainability risks)
 - Comply with laws and regulations (including sustainability regulations)

Auditors

- Opinion on whether FS are free from material misstatement and give a true and fair view
- Opinion on whether Director's/Strategic Report are consistent with FS
- Reasonable level of assurance
- Link to FRC website on audit responsibilities

Other Information (Director's/Strategic Report, Chairman's Statement, Sustainability Information)

Directors are responsible for preparing other information

Audit opinion is on FS and does not cover other information

Auditor reports if other information is materiality inconsistent with FS/information obtained during the audit

[REDACTED] (Companies Act)
[REDACTED] (listed companies)

Matters to Report by Exception

We have nothing to report in respect of the following:

We have not received all information for our audit (limitation on scope/disclaimer)

Adequate accounting records have not been kept (limitation on scope/disclaimer)

[REDACTED]
[REDACTED]
[REDACTED] (listed companies)

Disclaimer

Report is made solely for shareholders

Auditor does not accept responsibility to any other users of FS

Key

Black text is the unmodified report/opinion

Coloured text is modification to report/opinion