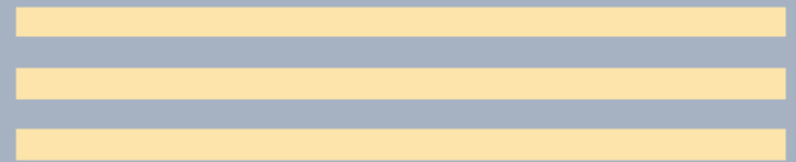
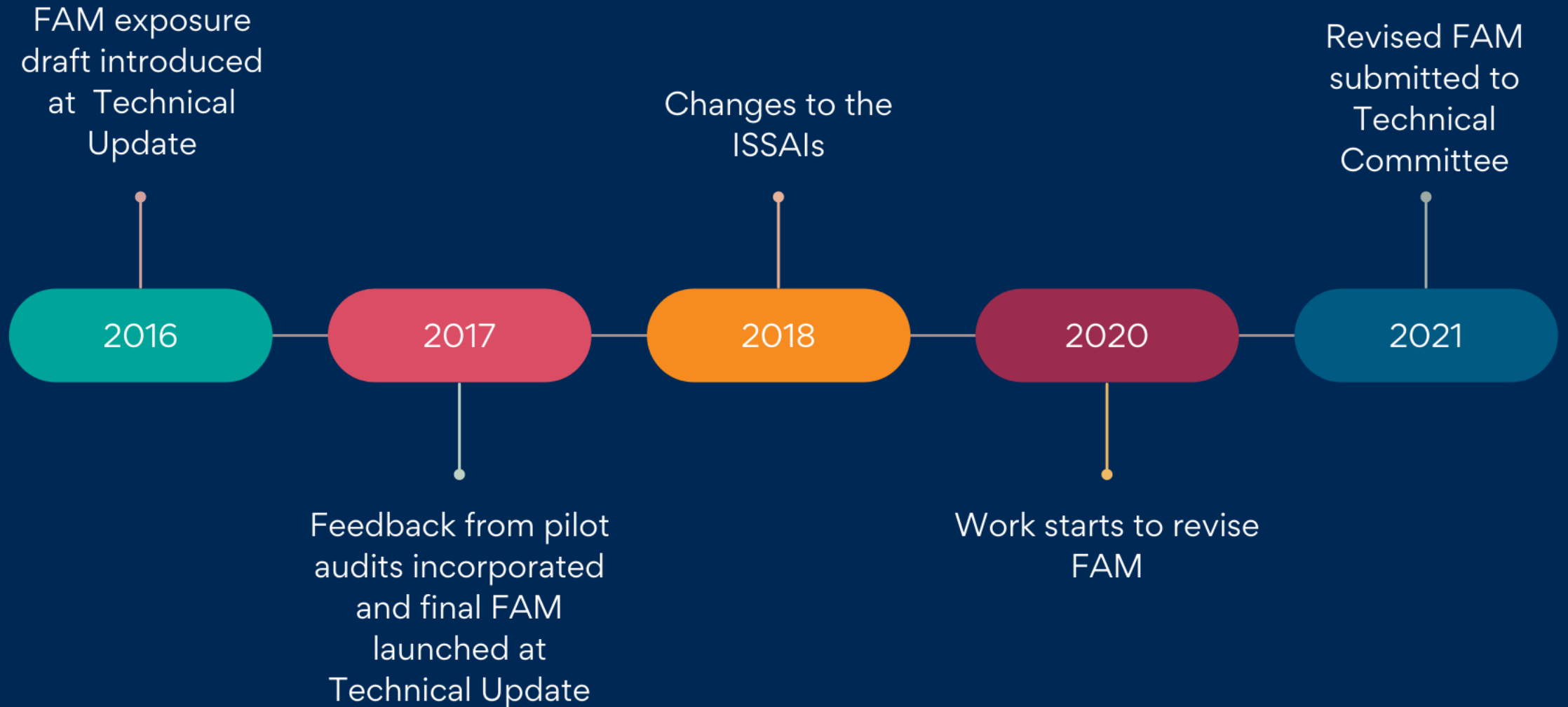


REVISED DRAFT FINANCIAL AUDIT MANUAL

Key changes



FAM JOURNEY



Why the revision?

Comments received from the region that required further clarification

Changes in the ISSAIs

Make the manual more practical



Changes

- New INTOSAI Framework of Professional Pronouncements (IFPP)
- Revisions of International Standards on Auditing (ISA) affecting the ISSAIs for financial audit
 - ISSAI 200
 - ISA 315

Effective Dates



ISSAI 2315 Identifying and assessing the risk of material misstatement, effective 15 December 2021



ISSAI 200 Fundamental Principles of Financial Audit, effective September 2020)

Revision of the ISSAI's

Effects on FAM:

Revised FAM based on new ISSAI 200 - **Financial Audit Principles**



Revised 2315

- Consistent & effective identification and assessment of risks of material misstatement
- Modernised ISSAI 2315 to meet evolving business needs, including IT, & how auditors use automated tools and techniques, including data analytics, to perform audit procedures
- Focus auditors on exercising professional scepticism throughout the risk identification & assessment process
- Improve the standard's applicability to entities across a wide spectrum of circumstances & complexities

Why the need for change ?

ISSAI 200

The level of details does not correspond to the purpose of the document

Coherence with other ISSAI's

Key changes



More principle based



Improved wording



Revised definitions



Slight changes to the attributes of an acceptable financial reporting framework

Introduction prerequisite & pre-engagement

The Manual is based on new ISSAI 200

Changed the paragraphs on new ISSAI 200 that were referenced in the older version

Adapted the definitions in the new version e.g. financial audit and its objectives

Understanding the entity

Chapter interlinked with the assessment process chapter.
Most changes made because of new ISSAI 2315.

Introduced new definitions and elaborated on components of internal control, specifically on information & communication component.

With the new standard, focus is on IS & how auditors can use automated tools & techniques, including data analytics, to perform audit procedures. (Refer to **UE1 working**)

Specify IS applications (systems) for identified controls - asses if IS risk are related & if general controls address it.

Materiality

- Little change aside from clarifying qualitative factors & adding more guidance on the working paper.

Risk assessment and response

Process for identifying and assessing the risk of material misstatement

Risk on financial statement level – consider if risks affect the risk assessment on assertion level

When assessing risk on assertion level

- Assess inherent risk and control risk separately
- When assessing inherent risk, consider inherent risk factors (complexity, subjectivity, uncertainty, fraud etc.)
- Spectrum for inherent risk
- Clarification of significant risk
- Introduce a requirement to "*stand back*" to evaluate the completeness of the significant classes of transactions, account balances and disclosures at the end of the risk assessment process
- Importance of exercising professional skepticism when performing risk assessment procedures



Risk assessment and response

- Assess control risk **ONLY** if you intend to rely on the operativeness of the internal control (test of controls)
- If no testing of controls, the risk of material misstatement will be the inherent risk level
- Introduce the concepts of "significant classes of transactions, account balances and disclosures" and relevant assertions
- Material accounts – consider if there are any risk not identified in the process

Documentation

- Information used, significant risk, judgements

Performing the Audit

- No major changes aside from revising the level of assurance on the combination approach



Reporting

- Clarity on the key audit matters

Way Forward

1st half of 2022

Pilot audits & feedback comments incorporated

Oct 2022

Approval by AFROSAI-E CEO

FAM submitted to Technical Committee for recommendation of final approval

Sep 2022

FAM launched at Technical Conference

Nov 2022

Thank You





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