

Audit Process reflecting the proposal

Understanding of the entity and its environment
(Internal control and business risk)

Assertion level

Preliminary assessment of the risks of material misstatement

Consideration of fraud risk factors and appropriate identification of risks of fraud

Audit planning

(Planning audit procedures responsive to the assessed risk [performing the tests of controls and substantive procedures])

Modification of the audit plan

Performance of the audit procedure to address the assessed risk (performing the test of control and substantive procedures)

Audit procedures to address risks of fraud

Circumstances that indicate the possibility of a material misstatement due to fraud

Make inquiries of and ask for explanation from management and perform additional audit procedures

Financial statement level

Consideration of the fraud risk factors and appropriate identification of risks of fraud at the financial statement level

[Overall responses]

- Assignment of more engagement team members
- Use of an expert
- Increase in audit hours
- Incorporation of elements of unpredictability in the selection of audit procedures

Performance of the additional audit procedures that the auditor determined necessary

If sufficient appropriate audit evidence was obtained

Inclusion of conclusion and rationale in the audit documentation

If the management's explanations, together with the audit evidence obtained relevant thereto, are considered reasonable

Suspicion of a material misstatement due to fraud

Modification of the audit plan to include audit procedures that are specifically responsive to the types of possible fraud (including sufficient investigation of the suspicion of material misstatement due to fraud)

- Performance of the audit procedures that are specifically responsive to the types of possible fraud
- Engagement quality control review in regard to the auditor's responses to the suspicion of material misstatement due to fraud