Planning an Audit

The sequence from acceptance to fieldwork.

Accounting & Finance

The planning sequence.

1. **Accept or continue**
   Assess integrity, independence and competence to serve.
2. **Understand the entity**
   Business, industry, regulation and control environment.
3. **Set materiality**
   For the statements as a whole and for particular balances.
4. **Assess risks**
   Identify where material misstatement is most likely.
5. **Design the response**
   Controls testing, substantive testing, or both.
6. **Write the audit plan**
   Scope, timing, resources and the team's assignments.

Materiality is often set as a percentage of profit, revenue or assets, then adjusted for risk and the users' needs.