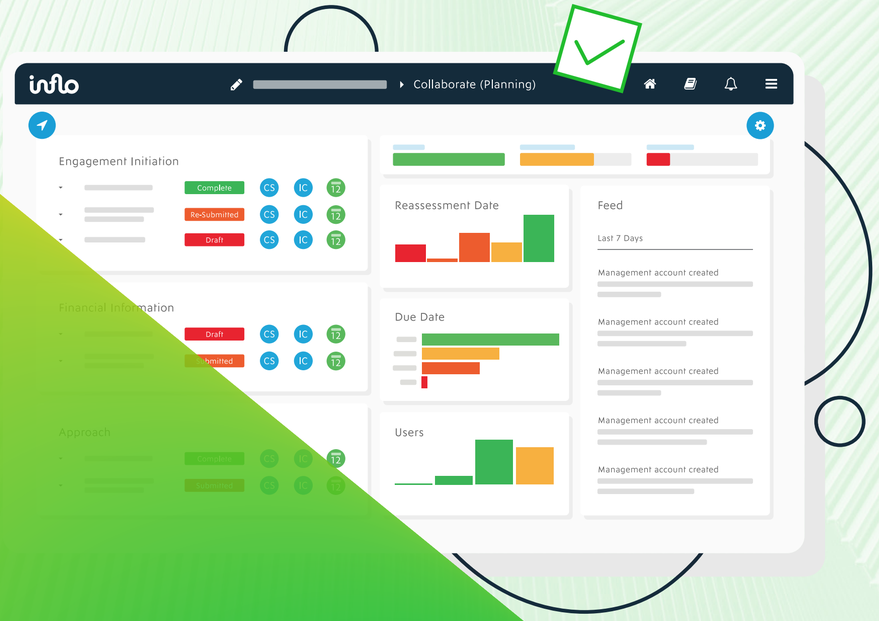


Workpapers

Planning Activities

Inflo Workpapers provides a clear workflow to plan a robust and efficient audit. Taking a data-driven, risk-based audit approach which leverages technology.

Planning a Digital Audit

Benjamin Franklin is credited with saying “failing to plan is planning to fail”.

While he probably wasn’t talking about an audit, these are wise words to auditors.

The Inflo Digital Audit provides a logical workflow of activities, using data to apply a risk-based audit approach.

To maximize the benefit of moving to a Digital Audit approach, auditors should place greater emphasis on planning activities.

We recommend planning earlier and investing additional time in planning.

This leads to a more targeted audit approach and significant efficiency gains overall.

Effort is focused on the highest-risk areas.

Less time is spent auditing lower-risk areas.

Automation replaces traditional manual work.

Audit Data Analytics quickly analyze large populations and extract insights for clients.

It is a game changer for your firm, your people, and your clients.

> “
> Failing to plan is planning to fail

In this guide

In this guide, we explain the overall workflow of planning within the Inflo Digital Audit.

The core activities within each of the 5 phases of planning are outlined.

Additional activities are outlined, including when these are tailored into the engagement.

The guide also highlights Advanced Screens and other Inflo Modules which support planning.

And all linkages between activities across the engagement is explained.

Legend

Linkage **Advanced Screen** **Automation**

This guide is based on the US Audit Inflo Content Pack, applicable to US GAAS engagements. The activities in other content packs may vary. Index numbering are internal to this guide only.

Getting Started

Overview

Configuration sets up the engagement and establishes the methodology content to be used to perform the audit.

Content Pack

We provide a range of methodology Content Packs aligned to various professional standards and industry specialisms. Auditors must select the appropriate Workpapers Content Pack for the engagement.

This means one consistent solution supports all your audits, EBPs, reviews / compilations / preparation engagements.

Content Packs house the methodology content - including Risk Libraries, Workprograms, Advanced Screens, guidance, and other important elements required to perform an audit.

Entity Risk Level

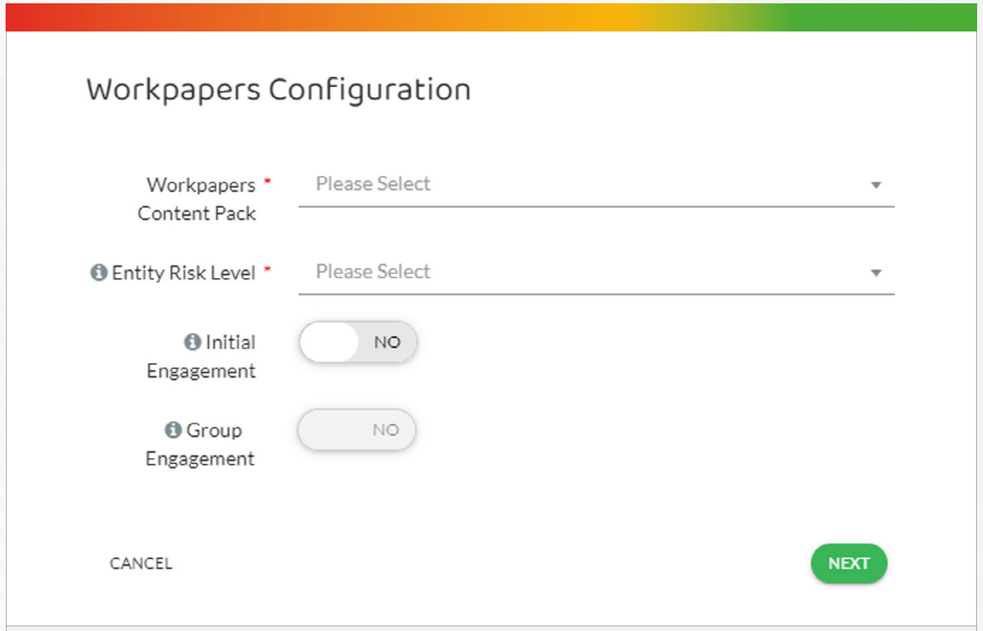
The defined Entity Risk Level impacts areas such as quality reviewer requirements, risk assessment recommendations, and sample size calculations.

Initial Engagement

Where the audit is a new engagement for the firm, additional first-year audit procedures are added to the engagement.

Group Engagement

Where the audit is part of a group engagement, additional workprograms are added the engagement to cover group or component auditor required procedures. Planning for group engagements is explained more on page 16.



Inflo adopts a tailor-in approach, only adding procedures where required

1. Commence: Accept the audit engagement and commence planning.

Overview

The fundamental planning procedures to ensure the audit can be undertaken, including confirming independence and agreeing the engagement letter.

Core Activities

1.1 Acceptance Continuance

- 1.1.1 Determine those charged with governance
- 1.1.2 Perform anti money laundering procedures
- 1.1.3 Complete acceptance or continuance process
- 1.1.4 Determine if a group engagement

1.2 Independence

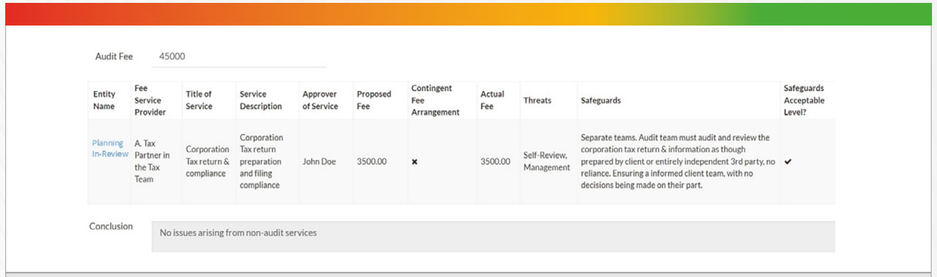
- 1.2.1 Discuss independence with engagement leader
- 1.2.2 Perform an independence assessment
- 1.2.3 Ensure engagement team rotation meets policy
- 1.2.4 Ensure all team members are independent
- 1.2.5 Consider audit fees – reliance, overdue invoices, influence
- 1.2.6 Consider non-audit fees – threats & safeguards, sales compensation
- 1.2.7 Consider if a quality reviewer is required

1.3 Engagement Plan

- 1.3.1 Identify value-add services or activities
- 1.3.2 Draft fee proposal
- 1.3.3 Agree terms / engagement letter
- 1.3.4 Prepare for planning meeting with management
- 1.3.5 Hold planning meeting with management
- 1.3.6 Plan use of data and automated tools
- 1.3.7 Prepare a budget
- 1.3.8 Schedule resources
- 1.3.9 Set due dates and assign responsibilities within Inflo
- 1.3.10 Schedule internal and external meetings, and review time
- 1.3.11 Create the prepared-by-client list and share with management

Linkage

- Where TCWG is management, this auto-answers other planning and completion procedures regarding communication and inquiry beyond management as not applicable.
- Where not a group, this auto-answers other planning and completion procedures regarding groups as not applicable.
- On a group audit, group-related workprograms are added intelligently replacing standalone workprograms. Additional group-specific content is also imported automatically.
- Where a quality reviewer is required, additional workprograms for quality reviewer approval of planning and completion are added to the engagement.



Audit Fee 45000

Entity Name	Fee Service Provider	Title of Service	Service Description	Approver of Service	Proposed Fee	Contingent Fee Arrangement	Actual Fee	Threats	Safeguards	Safeguards Acceptable Level?
Planning In-Review	A. Tax Partner in the Tax Team	Corporation Tax return & compliance	Corporation Tax return preparation and filing compliance	John Doe	3500.00	✖	3500.00	Self-Review, Management	Separate teams. Audit team must audit and review the corporation tax return & information as though prepared by client or entirely independent 3rd party, no reliance. Ensuring a informed client team, with no decisions being made on their part.	✔

Conclusion: No issues arising from non-audit services

The **NON-AUDIT SERVICES** Advanced Screen helps evaluate non-audit services for impact on independence.

Automation

- **Inflo Ingest** supports Trial Balance grouping and obtaining general ledger data from clients.
- **Inflo Collaborate** supports requesting and gathering prepared-by-client information. This information is then accessible and integrated across the Workpapers engagement.

Other Activities

On new clients, an initial **Audit** workprogram is added, including new client due diligence, predecessor auditor communication, workpapers review, and opening balance testing activities.

2. Understand: Document understanding and consider potential risks.

Overview

Understanding the client and its environment, internal controls and IT systems to identify potential audit risks, as well as determining materiality.

Core Activities

2.1 Environment and Internal Controls

- 2.1.1 Understand the entity and its environment
- 2.1.2 Understand the system of internal control
- 2.1.3 Understand the entity's use of service organizations
- 2.1.4 Identify and document significant accounting estimates
- 2.1.5 Review minutes of board or other meetings
- 2.1.6 Review new or amended significant contracts and agreements
- 2.1.7 Consider whether internal audit exists, and their work

2.2 IT Environment

- 2.2.1 Understand IT environment
- 2.2.2 Determine if any events have occurred which impact IT
- 2.2.3 Consider use of an IT specialist

2.3 Materiality

- 2.3.1 Determine materiality
- 2.3.2 Document benchmark rationale and other considerations

Advanced Screens

Advanced Screens ensure both consistent documentation and identification of potential risks.

The five Advanced Screens which support the Understand phase of planning are summarized here and on page 6.

Automation

The Materiality Advanced Screen leverages trial balance data and automatically calculates materiality levels based on the appropriate rules.

Linkage

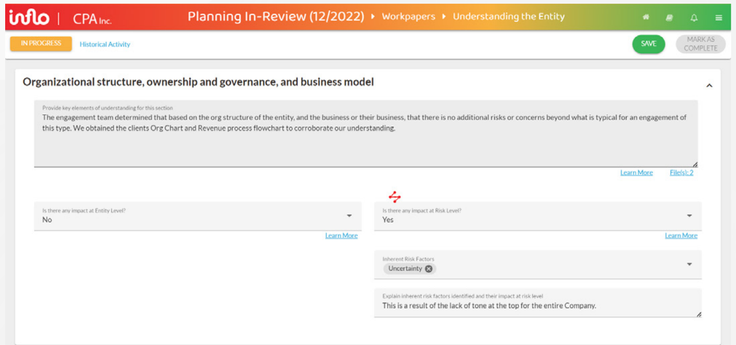
- Across all Understand workprograms and Advanced Screens, auditors are asked to concluded whether potential risks have been identified. Any potential risks are then flagged within the RISK Assessment workprogram.
- Where no internal audit function exists, this auto-answers other planning and completion procedures stating internal audit considerations are not applicable.
- Where an IT specialist is deemed required, this flags the need for an IT specialist within the Audit Plan workprogram to ensure input is planned.

2. Understand: Improved documentation with Advanced Screens.

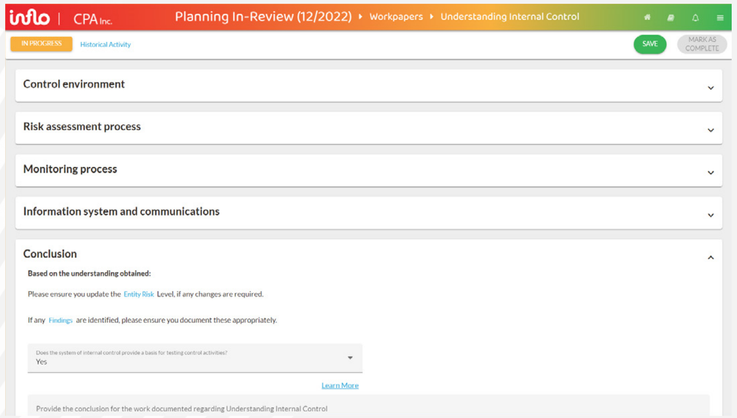
Overview

Advanced Screens both save time and improve audit quality – through a consistent approach and direct linkage of potential risks through to a formal Risk Assessment.

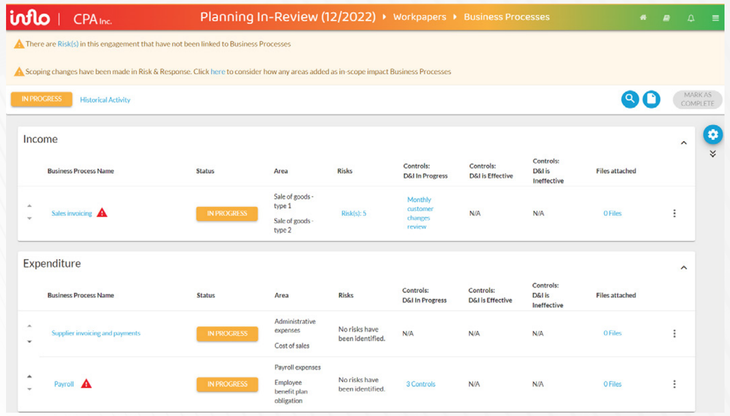
To ensure scalability, more sophisticated Advanced Screens are provided for more complex engagements, e.g., PCAOB.



Understanding the Entity documents the understanding of the entity and its environment.

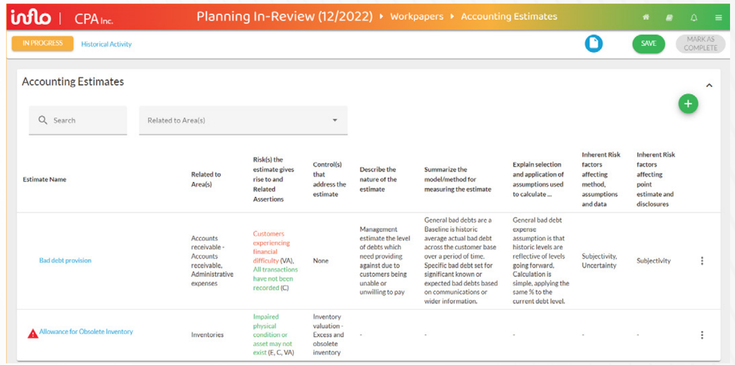


Understanding Internal CONTROL captures the understanding of the system of internal control and IT.



Business Processes documents the understanding and walkthrough of in-scope business processes. This includes capturing key controls, considering their design, implementation, and effectiveness, and the use of service organizations.

Linkage to **Risk Assessment** ensures all Business Processes with relevant significant risks are in-scope.



Accounting Estimates documents required information about accounting estimates identified, including the method, assumptions, and data.

Linkage to **Risk Assessment** ensures understanding is documented of all identified Accounting Estimates.

3. Identify & Assess: Perform your audit Risk Assessment.

Overview

The epicenter of planning a Data Driven audit – assessing potential risks to dictate the risks of material misstatement the audit plan must address.

Core Activities

3.1 Planning Analytics

- 3.1.1 Obtain financial information and check reliability
- 3.1.2 Perform year-over-year variance analysis
- 3.1.3 Perform ratio analysis
- 3.1.4 Perform management inquiry on unusual or unexpected movements

3.2 Going Concern

- 3.2.1 Consider events or conditions casting doubt on going concern
- 3.2.2 Determine if management have performed an initial assessment
- 3.2.3 Where available, perform an initial review of management's assessment

3.3 Fraud Inquiries

- 3.3.1 Inquire of management and others about fraud

3.4 Related Parties

- 3.4.1 Inquire of management about related parties
- 3.4.2 Obtain a listing of related parties and consider completeness

3.5 Litigation And Claims

- 3.5.1 Inquire of management about litigation and claims
- 3.5.2 Obtain a listing of litigation and claims and consider completeness
- 3.5.3 Review legal expense accounts for significant legal matters

3.6 Risk Assessment

- 3.6.1 Hold an internal team meeting to discuss the audit strategy and plan
- 3.6.2 Use Risk Audit Data Analytics to support risk identification
- 3.6.3 Determine the risk level of the entity
- 3.6.4 Perform scoping of financial statement balances and transaction classes
- 3.6.5 Create and assess risks at the financial statement and assertion level
- 3.6.6 Consider the need for a quality reviewer based on risk assessment

Linkage

- Across all Identify & Assess workprograms and Advanced Screens, auditors are asked to concluded whether potential risks have been identified. Any potential risks are then flagged within the Risk Assessment workprogram.
- Where automated techniques are used to obtain financial information, this auto-answers other procedures within the Planning Analytics workprogram.
- Where management has not performed a preliminary assessment of going concern, this auto-answers planning procedures on the preliminary assessment as not applicable.
- Where a quality reviewer is required, additional workprograms for quality reviewer approval of planning and completion are added to the engagement

Advanced Screens

Advanced Screens support documenting Related Parties and Internal Team Meeting notes.

The Risk and Response Advanced Screen supports a robust risk assessment process, explained more on page 8.

Automation

The Inflo Data Analytics supporting RISK ASSESSMENT are explained more on page 9.

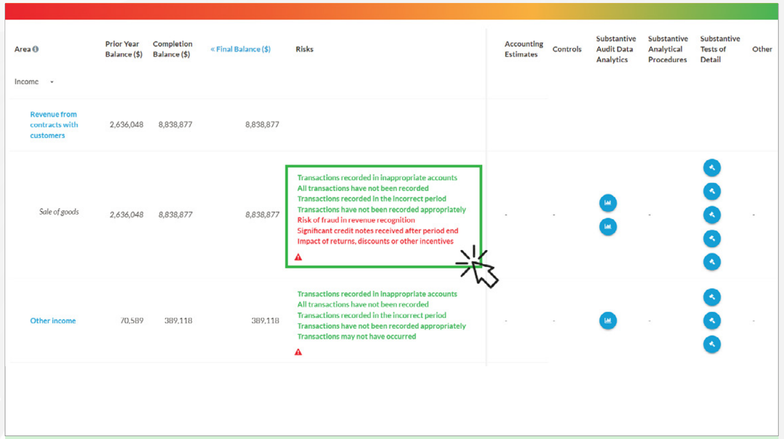
Inflo Hybrid Intelligence provides a powerful draft risk assessment for auditor review - using client industry, client data, and other logic.

3. Identify & Assess: One place, covering all your Risk Assessment.

Overview

The Risk and Response Advanced Screen supports and documents robust risk assessment - identifying risks of material misstatement and driving a truly risk-based approach to the audit.

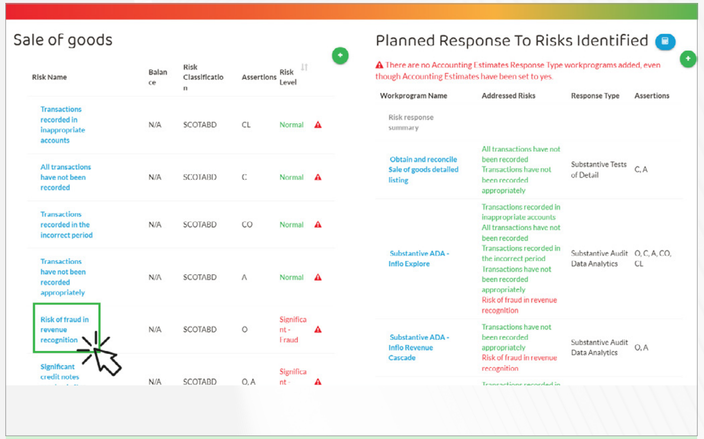
1



1. Audit Strategy View:

The left side of the main Risk and Response view provides an overview of the scoping decisions and identified risks by financial statement area.

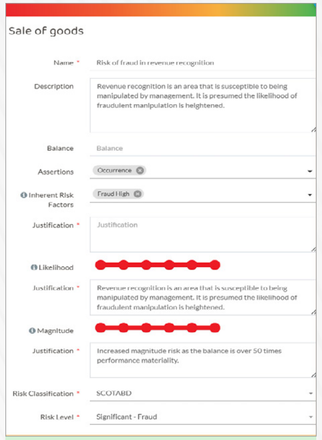
2



2. Audit Plan View:

Clicking into an individual financial statement areas reveals the detailed RISK ASSESSMENT. Auditors can tailor the plan by adding, removing, or editing the identified risks.

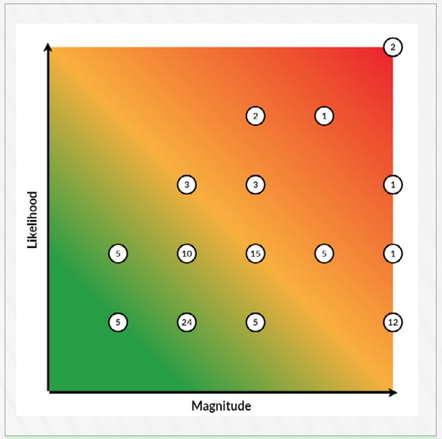
3



3. Risk Detail View:

Clicking on an individual risk reveals the documentation and scoring of that risk.

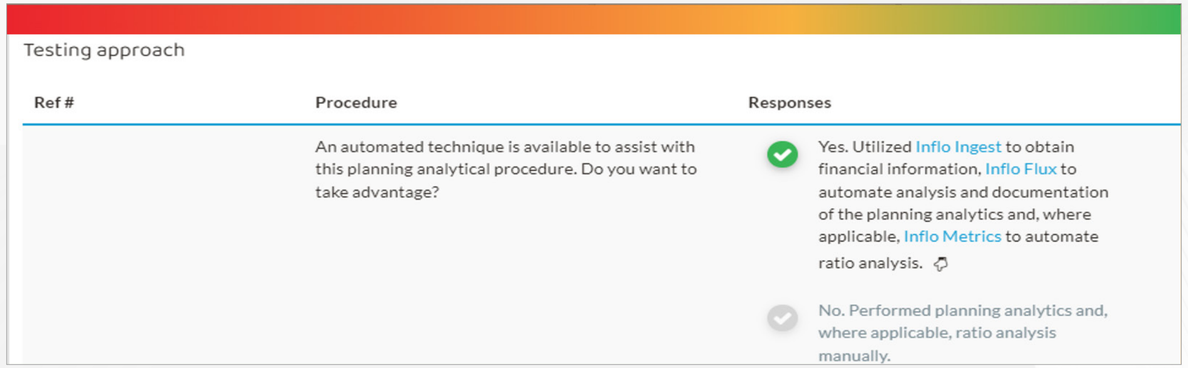
4



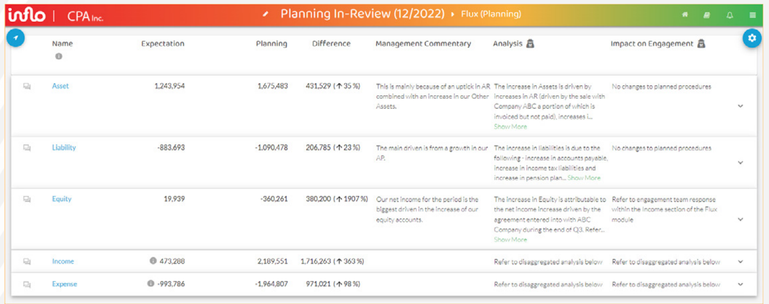
4. Spectrum of Risk:

Detailed risk scoring supports plotting the risks on a spectrum – engagement wide or individual financial statement areas. This helps auditors stand-back from detailed RISK ASSESSMENT and consider the classification of risk across the audit.

3. Identify & Assess: Target the risk with Data Analytics.



Hyperlinks embedded at the procedure level ensure auditors replace manual work with data analytical techniques.

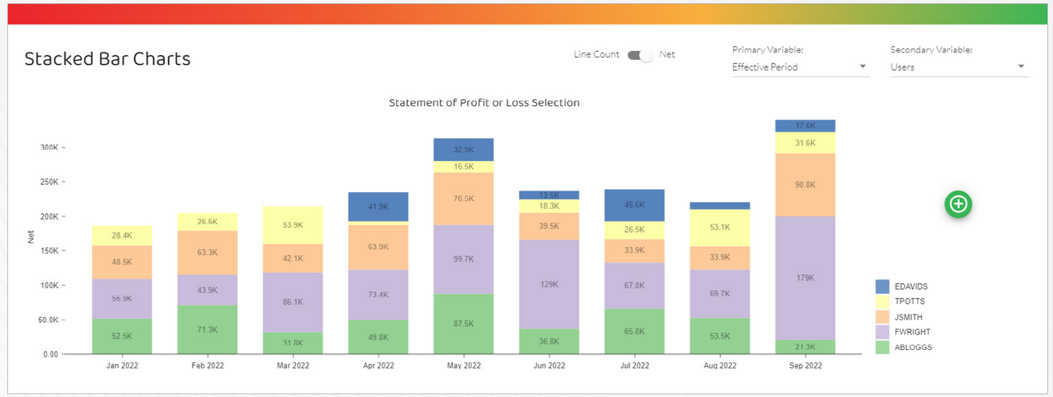


Inflo Flux automates year-over-year variance analysis, expectation setting, and documentation of planning analytics.

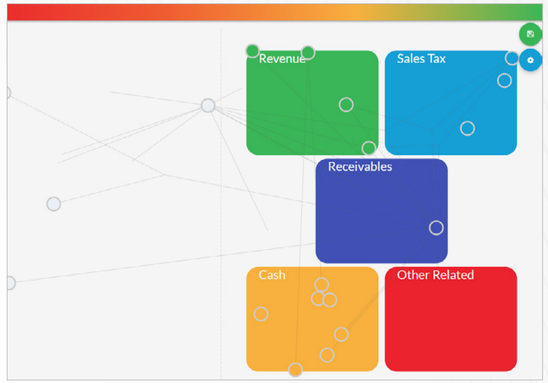
Inflo Metrics automates ratio analysis and industry benchmarking.

Overview

Determining an effective and efficient audit plan to gather evidence and address the identified risks of material misstatement.



Inflo Explore can be utilized at planning to visualize general ledger transactions, helping to appraise risk and stratify populations for more effective risk-based auditing.



Inflo Revenue Cascade can also be utilized at planning to support more robust revenue understanding risk assessment, reviewing revenue streams, transaction flows, and notable transactions impacting revenue accounts.

4. Respond: Develop your audit plan to respond to the risks.

Overview

Determining an effective and efficient audit plan to gather evidence and address the identified risks of material misstatement.

Core Activities

4.1 Audit Plan

4.1.1 Determine the planned use of Substantive Audit Data Analytics

4.1.2 Ensure internal controls relating to significant risks have been evaluated

4.1.3 Ensure accounting estimates are considered for all relevant areas

4.1.4 Determine the planned approach to testing ITGCs

4.1.5 Consider the use of external confirmations as responses to risks

4.1.6 Consider management and auditor use of specialists & experts

4.1.7 Determine the detailed response to risk for each area

4.1.8 Determine the controls approach to significant risks and other risks

4.1.9 Consider performing audit procedures at an interim date

4.1.10 Incorporate an element of unpredictability in the audit plan

4.1.11 Finalize the Risk and Response area

4.1.12 Assign testing workprograms to team members and tailor due dates

4.1.13 Compare the audit plan to the budget and resource planner

4.1.14 Create a prepared-by-client list for the Fieldwork phase

4.1.15 Determine the source data to be audited – trial balance or general ledger

Other Activities

On group engagements, the Audit Plan workprogram is replaced by a group Audit Plan workprogram. Additional workprograms are also added to the engagement for group scoping, component materiality allocation, and group instructions.

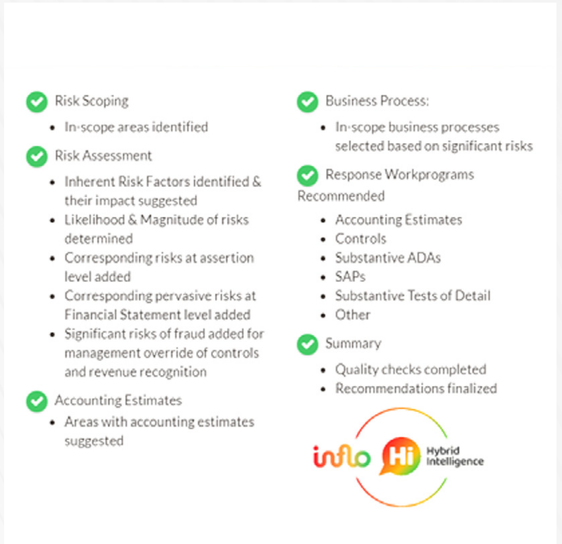
Additional advanced screens are also added for group scoping and component materiality allocation. Group engagements are explained more on page 14.

Linkage

- Decisions on internal controls are linked to the Business Process Advanced Screen, to ensure understanding, walkthroughs, and evaluation of the design and implementation of required controls is performed.
- The identification of accounting estimates is linked to the Accounting Estimates Advanced Screen, to ensure all accounting estimates are captured and adequately considered.
- All workprograms included within the audit plan are linked to the risks they address, ensuring a truly risk-based audit approach with clear linkage.

Advanced Screens

The Risk and Response Advanced Screen supports development of an efficient and effective audit plan, explained more on page 11.



Automation

Inflo Collaborate supports requesting and gathering prepared-by-client information.

Inflo Ingest supports Trial Balance grouping and obtaining general ledger data from clients.

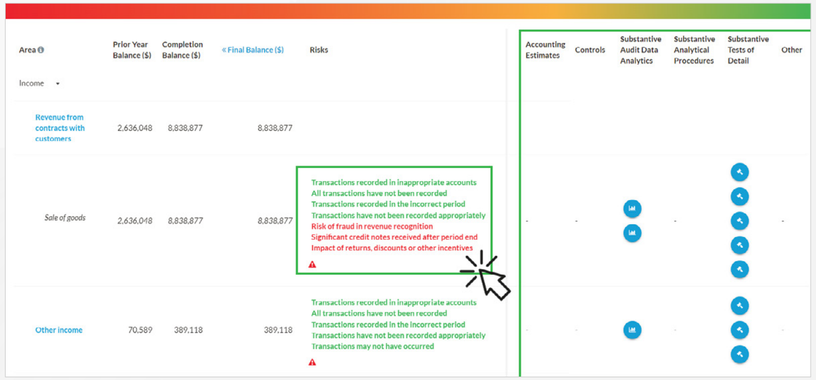
The Inflo Data Analytics supporting response to risk are explained more on page 12.

Inflo Hybrid Intelligence recommends a draft audit plan for auditor review - using client industry, scoping, risk assessment, and other logic.

4. Respond: One place, covering all your audit strategy and plan.

Overview

Inflo Data Analytics modules support with the response to risk through Substantive Audit Data Analytics, supported by specialist workprograms which replace manual testing.



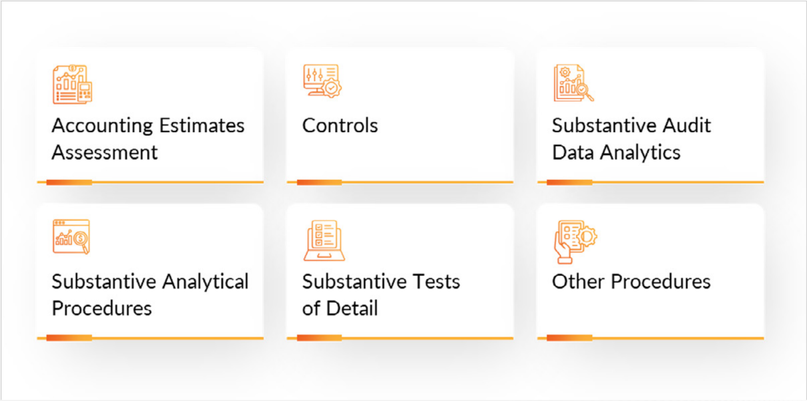
1. Audit Strategy View:

The right side of the main Risk and Response view provides an overview of the audit strategy, to respond to the identified risks in each financial statement area. This shows the mix of workprograms in the intended audit approach.

2. Audit Plan View:

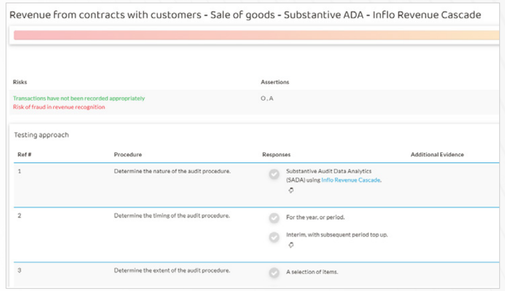
Clicking into an individual financial statement areas reveals the detailed audit plan. This shows the linkage between the workprograms to respond to risk and the original risk assessment. Here, auditors can tailor the plan – adding, removing, or editing the workprograms and planned procedures.

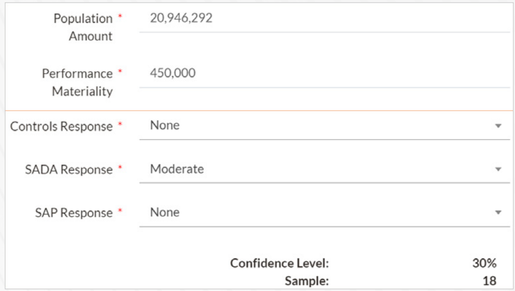
There are six different workprogram types which respond to risk in Inflo:



Previews:

Clicking on any workprogram previews the intended procedures. A sampling preview tool also reviews data to indicate likely sample sizes in each area – highlighting inefficient audit plans.

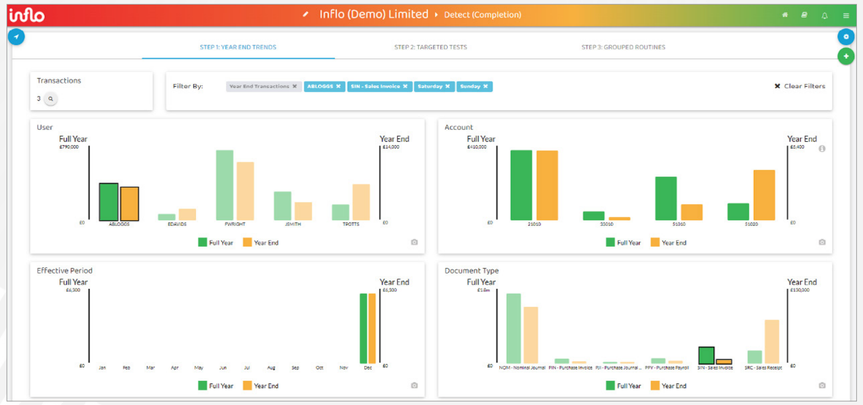




4. Respond: A smarter way to address risk using Data Analytics.

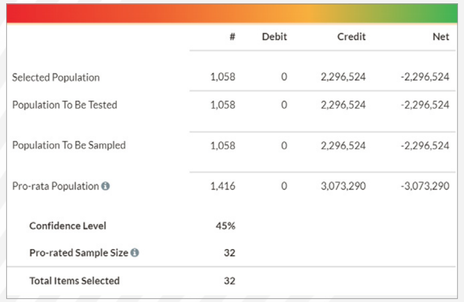
Overview

Inflo Data Analytics modules support with the response to risk through Substantive Audit Data Analytics, supported by specialist workprograms which replace manual testing.



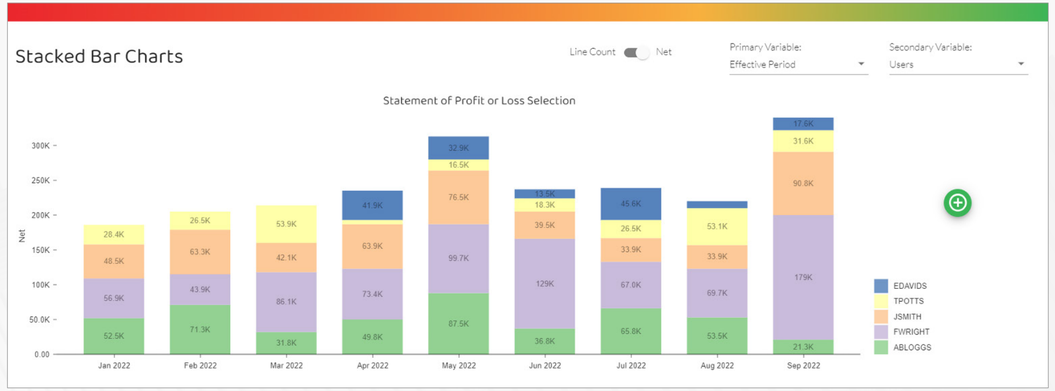
Inflo Detect supports journal entry testing using a 3-step approach:

1. Analyze year end trends
2. Perform targeted testing
3. Multi-dimensional risk scoring

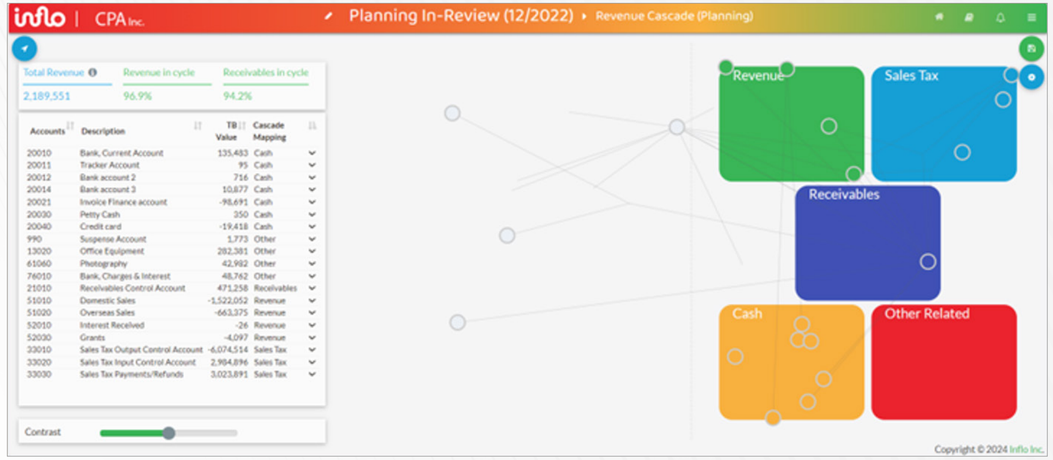


	#	Debit	Credit	Net
Selected Population	1,058	0	2,296,524	-2,296,524
Population To Be Tested	1,058	0	2,296,524	-2,296,524
Population To Be Sampled	1,058	0	2,296,524	-2,296,524
Pro-rata Population	1,416	0	3,073,290	-3,073,290
Confidence Level	45%			
Pro-rated Sample Size	32			
Total Items Selected	32			

Inflo Select automates the calculation, selection, and documentation of audit sampling tests.



Inflo Explore supports a waterfall approach – visualizing financial statement areas, individual general ledger codes, and transaction clusters to find notable items for substantive testing.



Inflo Revenue Cascade analyzes account combinations and double-entry postings to trace revenue and receivable entries through to cash settlement – substantive testing then focuses on the transactions not meeting expectations.

4. Respond: Additional Advanced Screens.

Overview

Two additional Advanced Screens support Group Auditors performing complex areas of a group audit in a data-driven, structured, and intelligent approach.

Group Scoping supports the scoping of each component within the group, calculating coverage levels across financial statement areas to ensure an appropriate audit plan is developed.

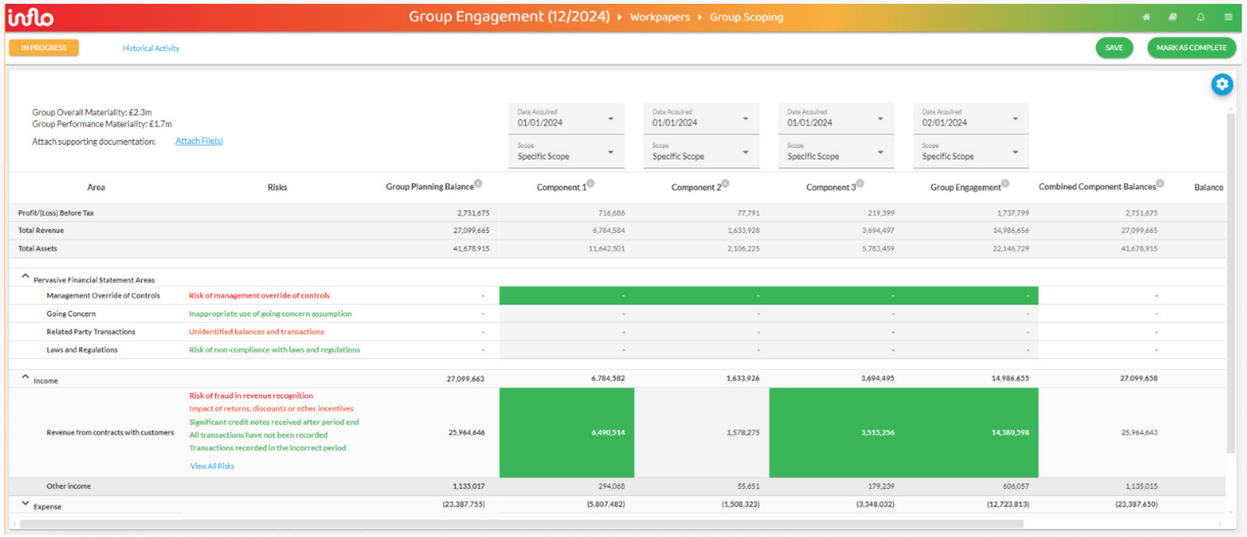
These scoping decisions then impact how Risk Assessment decisions are pushed to the Risk and Response view in component engagements.

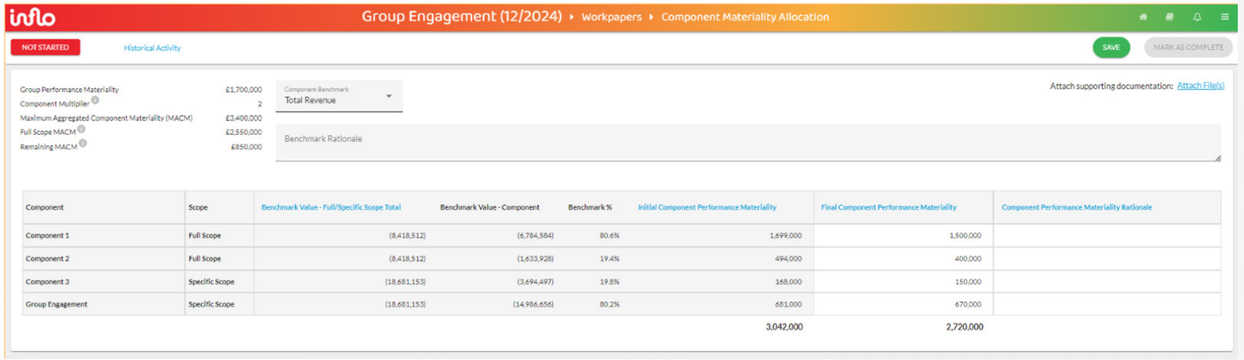
Component Materiality Allocation is used to calculate an appropriate component materiality value for the in-scope components.

These materiality values determined are pushed to the Materiality view in component engagements.

Hybrid Intelligence

Inflo Hybrid Intelligence provides Group Scoping and Component Materiality recommendations based on client data and advanced algorithms.





5. Approve: Review and finalize the audit strategy and plan.

Overview

To conclude the planning phase, client communications are performed and the planning activities, audit strategy, and audit plan are reviewed and finalized.

Core Activities

5.1 Planning Communications

- 5.1.1 Determine between written or oral planning communications to TCWG
- 5.1.2 Prepare the Audit Planning Report
- 5.1.3 Meet with and perform required planning communications with TCWG
- 5.1.3 Perform inquires with TCWG regarding fraud

5.2 Planning Approval: Engagement Leader

- 5.2.1 Results of the acceptance or continuance process
- 5.2.2 Matters relevant to independence
- 5.2.3 Matters related to the terms of the engagement
- 5.2.4 Outputs of the understanding the entity, controls, and IT
- 5.2.5 Understanding key business processes and accounting estimates
- 5.2.6 Determining materiality
- 5.2.7 Results of planning analytics
- 5.2.8 Going concern, fraud, litigations and claims, and related parties assessment
- 5.2.9 The entity risk level and quality reviewer appointment
- 5.2.10 Required planning communications

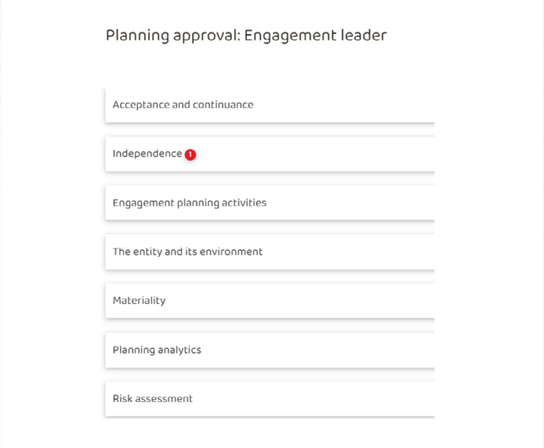
Other Activities

On group engagements, the Audit Plan workprogram is replaced by a group Audit Plan workprogram. Additional Where a quality reviewer has been appointed, a workprogram is added for the quality reviewer approval, which is comparable to the Engagement Leader planning approval workprogram.

Linkage

- Where TCWG have knowledge of actual, suspected or alleged fraud, this flags this information in the response to management override of control, and the AUDIT REPORT workprogram in the completion phase.

Inflo Reports automatically drafts a report summarizing the planned audit approach – to support client reporting and/or internal review of planning.



The Planning Approval: **Engagement Leader** workprogram acts as an executive summary of all planning work to facilitate the engagement leader's review. All procedures within the workprogram are directly linked from all the other workprograms and Advanced Screens across the planning phase.

Groups: Additional procedures.

Overview

Inflo methodology includes advanced approaches for the group engagement process, improving the way engagement teams, and component auditors collaborate.

Core Activities

4.1 Group Audit Plan
(additional activity to the Audit plan on page 10)

4.1.1 Identify risks that will be responded centrally by group engagement team and determine the detailed response for each risk

4.2 Group Scoping
(additional workprogram and Advanced Screen)

4.2.1 Define a component within the group

4.2.2 Ensure the structure within Inflo reflects the defined components

4.2.3 Obtain financial information to support group scoping

4.2.4 Determine benchmark and percentage for significant (full scope) components

4.2.5 Identify all components exceeding the significant (full scope) definition

4.2.6 Determine minimum coverage levels for each balance or class of transactions

4.2.7 Calculate coverage gained from (full scope) components and identify large amounts in other components

4.2.5 Assess coverage levels and large amounts identified to classify all other components as significant (full scope), specific scope, or analytical review

4.2.6 Document group scoping workings and conclusions

4.2.7 Determine whether component auditors being used

4.3 Component Materiality Allocation
(additional workprogram and Advanced Screen)

4.3.1 Determine the number of significant (full scope) components

4.3.2 Determine the overall materiality multiple and calculate total materiality

4.3.3 Allocate total overall materiality to significant (full scope) components

4.3.4 Ensure no individual allocated materiality exceeds group overall materiality

4.3.5 Determine the materiality for specific scope and analytical review components

4.3.6 Document component materiality allocation

4.3.7 Determine the triviality level for recording misstatements in group reporting

4.4 Group Instructions (additional workprogram)

4.4.1 Consider approach to agreeing component audit fees

4.4.2 Prepare group instructions

4.4.3 Communicate group instructions to component auditors

4.4.4 Request independence and other required confirmations from component auditors

4.4.5 Involve the group engagement team in risk assessment for significant components

4.4.5 Conclude on the appropriateness of the involvement of component auditors

Linkage

- Where component auditors are used, the Group Instructions workprogram is added to the group engagement, and the Component Instructions workprogram is added to the component engagement (if performed within Inflo).
- If no component auditors are used, this auto-answers other planning and completion procedures regarding components as not applicable.
- On group engagements, individual procedures within the Acceptance and Continuance, Engagement Plan, and Materiality workprograms ensure consideration regarding the opinion, approach to fees, and materiality documentation cover the group.
- On component engagements, individual procedures within the Materiality & Risk Assessment workprograms consider multiple materiality levels and risks within group

Advanced Screens & Automation

- The Group Scoping and Component Materiality Allocation Advanced Screens support group audits and leverage high levels of automation using trial balance data and Inflo Hybrid Intelligence recommendations, explained more on page 15.

Engagement Leader Review Cheat Sheet: Planning.

An efficient Engagement Leader review of planning is facilitated through 3 core areas of Inflo Workpapers.

1 "Planning Approval: Engagement Leader" Workprogram

Navigation: Workpapers > Planning > "Planning Approval: Engagement Leader"

Review objective: Review of planning matters required by of Engagement Leaders by the audit standards. Ensuring an effective audit is planned.

This single workprogram collates the key planning activities requiring Engagement Leader review. Rather than reviewing multiple individual planning workprograms, Engagement Leaders use hyperlinks to effectively navigate the file review and edit work performed against the key requirements of the standards, including:

- Acceptance & continuance
- Independence
- Terms of engagement
- Understanding the entity, processes, controls, and accounting estimates
- Materiality
- Planning analytics
- Going concern, fraud, litigations and claims, and related parties assessment
- Internal team meeting minutes
- Entity risk level set and Quality Reviewer requirements
- Required planning client communications

Engagement Leaders can also navigate directly to any specific planning workprograms and Advanced Screens documentation for further review.

Tip: Right click hyperlinks and "open link in new tab" to more easily refer back to or return to the approval workprogram.

2 Draft Financial Statements and Overall Lead Schedules

Navigation: Workpapers > "Overall Lead Schedules"

Review objective: Verifying accurate use of draft client financial information.

A data-driven financial statements audit approach heavily leverages the mapped client trial balance. Engagement Leaders should review the mapping to avoid errors and subsequent need for rework. Figures should be tied in to draft client financial statements.

3 Audit Plan and Strategy

Navigation: Workpapers > "Risk & Response"

Tip: From the Risk & Response area review the spectrum of risks chart, in from blue cog menu, to take a stand back review of risk assessment.

Review objective: Risk assessment conclusions and the planned response to risks.

Intelligent risk assessment and defining an effective response to risk is critical to a high-quality, efficient audit which adds value. Engagement Leaders should review:

Risk Assessment:

- Pervasive risk areas.
- Scoping of balances & accounts.
- Risk conclusions, particularly Significant and Elevated risks.

Response to Risk:

- Responses, particularly on Significant & Elevated risks.
- Use of controls tests and Audit Data Analytics.
- Tests of accounting estimates.
- Projected sample sizes for key relevant areas.

To Approve Planning: Once the Engagement Leader is satisfied the planning documentation is performed, the Engagement Leader should mark the "Planning approval: Engagement Leader" workprogram as Final Reviewed.

In a group engagement, a Full or Final review of the Planning Approval workprogram will share planning documentation to components. Full review should only be added once planning workprograms are ready to be shared.

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