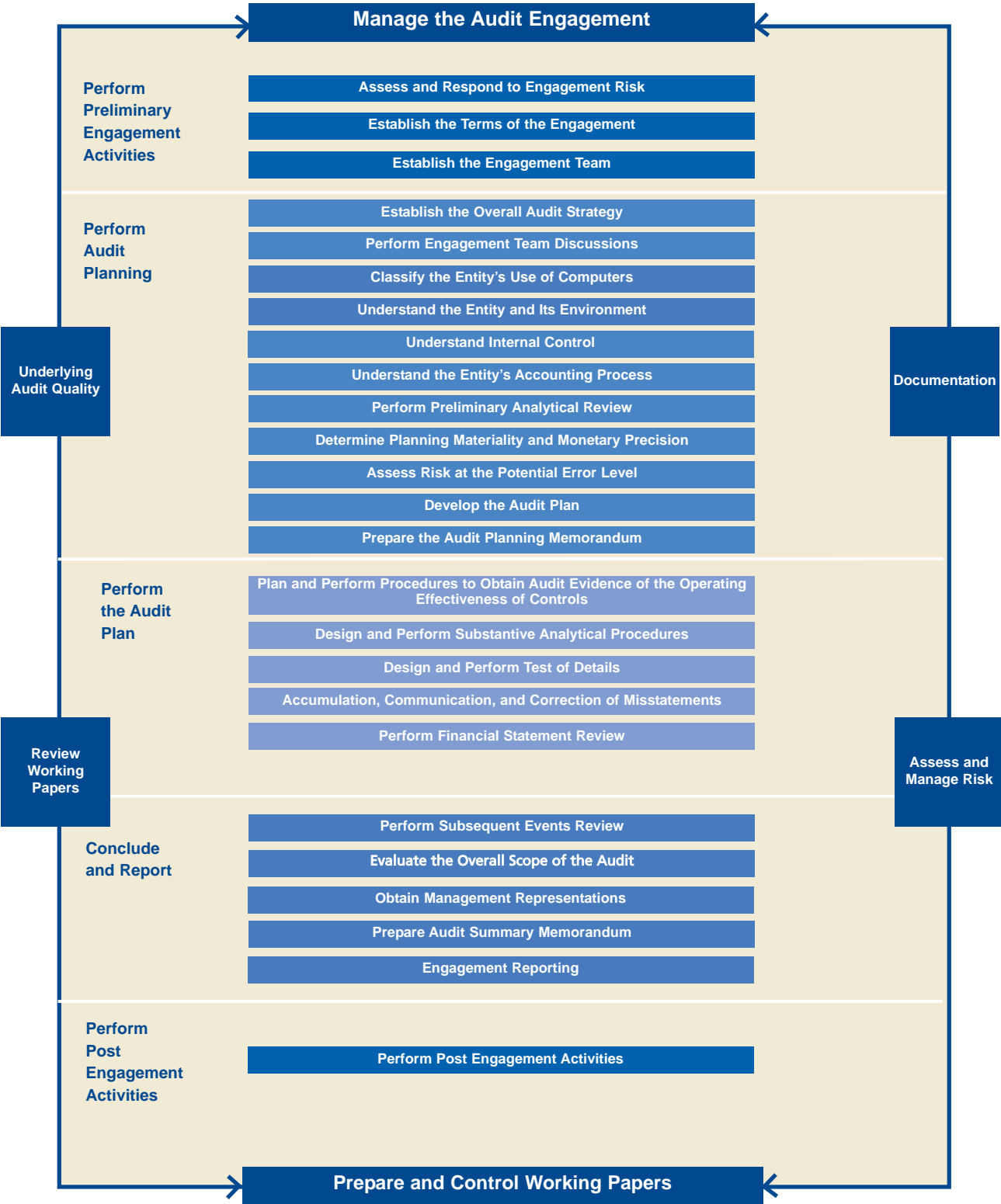
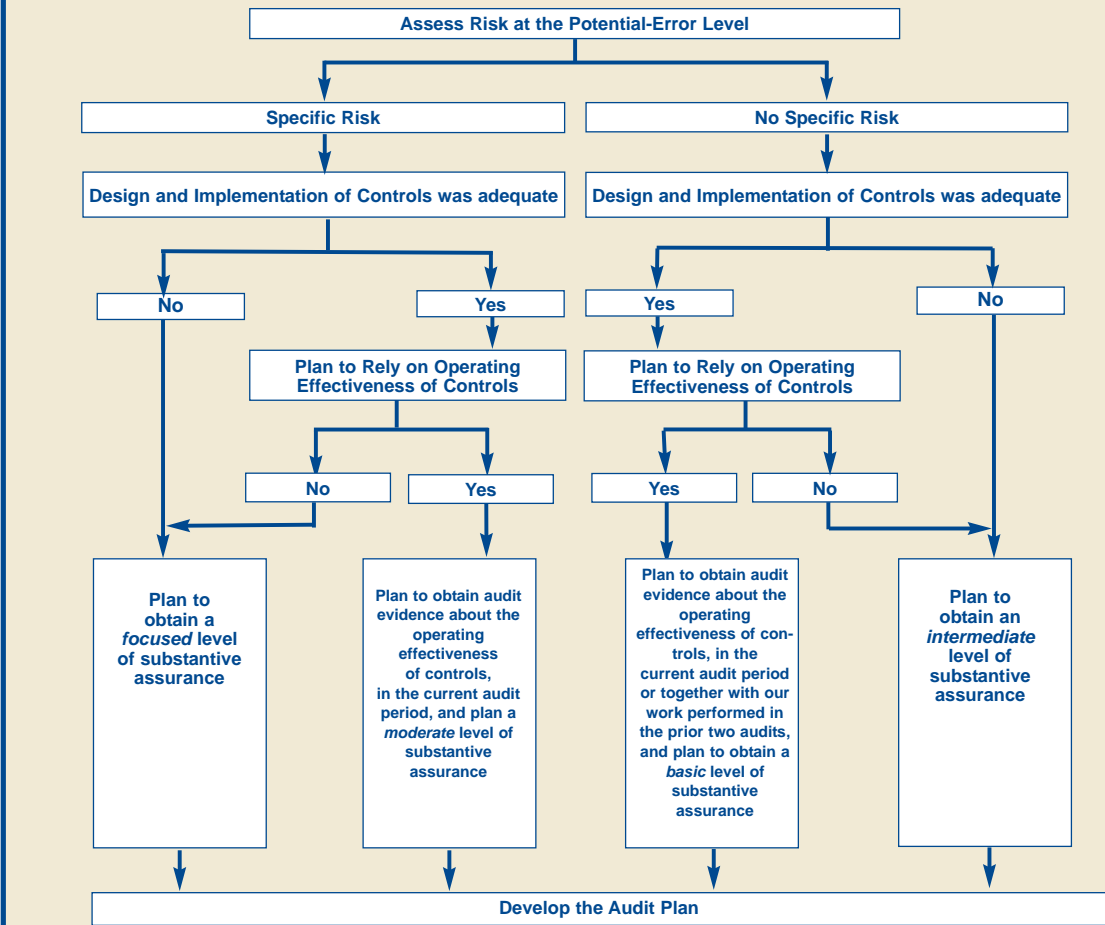


The Audit Approach



Develop The Audit Plan





The Audit Assurance Model

Sources of Assurance	No Specific Risk		Specific Risk	
Inherent Assurance	1.0 Inherent Assurance Obtained	1.0 Inherent Assurance Obtained	0.0 No Inherent Assurance Obtained	0.0 No Inherent Assurance Obtained
Control Assurance	1.3 Control Assurance Obtained	0.0 No Control Assurance Obtained	1.3 Control Assurance Obtained	0.0 No Control Assurance Obtained
Substantive Assurance	0.7 Basic Level of Substantive Assurance	2.0 Intermediate Level of Substantive Assurance	1.7 Moderate Level of Substantive Assurance	3.0 Focused Level of Substantive Assurance
Overall Assurance	3.0	3.0	3.0	3.0

Suggested Sample Sizes for Examination of Documentation

Nature of Control		Number of Selections (1)	
	Frequency of Performance of the Control	No Deviations Planned	One Deviation Planned
Manual	Many times per day	25	40
Manual	Daily	15	N/A
Manual	Weekly	5	N/A
Manual	Monthly	2	N/A
Manual	Quarterly	1	N/A
Manual	Annually	1	N/A
Automated Controls		Test one instance of each automated control	
General Computer Controls		Follow the guidance above for manual and automated aspects of general computer controls	

(1) The sample size is dependent on the expected rate of deviations. When the control is not performed “Many times per day”, we ordinarily do not plan for deviations.

Determination of Threshold Levels

Number of Disaggregated Parts	Basic Level of Substantive Assurance (R = 0.7)		Moderate Level of Substantive Assurance (R = 1.7)		Intermediate Level of Substantive Assurance (R = 2.0)	
	Use Threshold (as % of MP)	If Recorded Disaggregated Balance is Greater than MP Multiplied	Use Threshold (as % of MP)	If Recorded Disaggregated Balance is Greater than MP Multiplied	Use Threshold (as % of MP)	If Recorded Disaggregated Balance is Greater than MP Multiplied
	Up to:	By:*	Up to:	By:*	Up to:	By:*
1	90.0%	4.500	50.0%	3.125	45.0%	3.000
2	85.0%	4.250	45.0%	2.813	40.0%	2.667
3	80.0%	4.000	42.5%	2.656	37.5%	2.500
4	75.0%	3.750	40.0%	2.500	35.0%	2.333
5	70.0%	3.500	37.5%	2.344	32.5%	2.167
6	65.0%	3.250	35.0%	2.188	30.0%	2.000
7	62.5%	3.125	34.2%	2.135	29.2%	1.944
8	60.0%	3.000	33.3%	2.083	28.3%	1.889
9	57.5%	2.875	32.5%	2.031	27.5%	1.833
10	55.0%	2.750	31.7%	1.979	26.7%	1.778
11	52.5%	2.625	30.8%	1.927	25.8%	1.722
12	50.0%	2.500	30.0%	1.875	25.0%	1.667
More than 12	40.0%	2.000	25.0%	1.563	20.0%	1.333
* Ordinarily, if the account balance or disclosure being tested is less than MP multiplied by the factors shown, the threshold for any individual disaggregated recorded amount is ordinarily set so it will not exceed the following percentages:						
Required level of Substantive Assurance R = 0.7 R = 1.7 R = 2.0			Suggested threshold limit as a proportion of disaggregated recorded amount 20% 16% 15%			