

THE USES OF MATERIALITY
AND
AUDIT RISK CONCEPTS IN
AUDITING

(Relating to Planning And Conducting An Audit)

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CHAPTER ONE

INTRODUCTION

The planning and conducting an audit may be different from an auditor to another and the principles used are according to the accounting and auditing standards and also statutory requirement. The Auditor's Operational Standard requires that "the auditor should adequately plan control and record his work". The associated guideline stress that audits, irrespective of their size, must be properly planned, controlled and recorded at each stage of their progress if they are to be efficiently and effectively carried out.

In determining the audit strategy, an auditor should consider two important factors, namely audit risk and materiality. If we refer to the auditor's statement in the audit report which stated that:

"In our opinion:

a) The accounts give a true and fair view of the company and the group as at 31 December 1991 and their profit....

The phrase "In our opinion" implies to readers of the report that the auditor may unknowingly fail to appropriately modify his or her opinion for material undetected misstatements. It is, because of misapplications of accounting principles, recorded transactions which depart from fact, and/or omissions of necessary information, the