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| **Engagement information** | |
| **Entity name:** | Summit Equipment |
| **Date of financial statements:** | 31 December 20X6 |
| **Engagement name:** | Summit Equipment |

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| **Team event** | **TPE** | **[Specify Event]** | **PIE** |
| Date of the team event: | 11 Aug 20X6 | [insert date] | N/A |
| Team members who participated: |  | | |
| Audit Partner |  |  |  |
| Audit Manager |  |  |  |
| Audit Senior |  |  |  |
| IT Partner |  |  |  |
| IT Manager |  |  |  |
| Tax Partner |  |  |  |
| Tax Manager |  |  |  |

# Significant changes in the nature of the entity or its environment and effect on our audit

Significant changes, if any, in the entity and its environment, including the entity’s business, markets, key stakeholders and other key environmental factors and the effect of these on our audit.

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| There are no major changes in the Company’s business or suppliers, as materials are mainly purchased from known vendors. The only concern for the Company is the competitive prices with its competitors. But overall management believes they have done well being profitable and have improved their profits as compared to last year. |

# Response to AQR and other regulatory review findings

Matters arising from our AQR process and other regulatory reviews and necessary changes to our audit strategy and audit plan in response to the findings.

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| This engagement has not undergone an inspection, either internal or external. No findings from recent inspections have had an impact on our planned audit strategy. |

# Results of preliminary engagement procedures

Results of the following preliminary procedures conducted to date and the effect they may have on the audit strategy:

* Our client and engagement acceptance and continuance process, including the risk factors that caused an other than “low risk” designation and the effect on our audit strategy
* Our understanding of the terms of the engagement
* Our evaluation of the audit team’s compliance with ethical requirements, including independence

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| **Client Acceptance**  We have assessed the results of our client and engagement acceptance and continuance process to validate that the decision to accept the Company as a client. Based on our procedures, we also believe the audit continues to be appropriate and addresses the potential risks of material misstatement identified during the initial planning phase of the audit. An important consideration during the client and engagement acceptance and continuance process is the engagement team’s assessment of the integrity of management. This is due to the influence that management has on the entity’s operations and on the recording and reporting of financial results. Based on our previous audit experience, inquiries with management, and results of audit procedures performed during planning (inquiries, planning analytics, etc.), we have determined that management operates with integrity and sets an appropriate tone at the top to encourage an ethical corporate culture. Please refer to the Process for Acceptance of Clients and Engagements (“PACE”) form retained in the audit files in Canvas for additional details on our considerations for client continuance (not included for purposes of training).  **Terms of the Engagement**  We met with those charged with governance and management on August 5, 20X6 to agree the scope of services, the timing of our work, the expected outputs and delivery dates, and any expectations we have of management (e.g., schedules they prepare for us). During the meeting, we discussed the need for open, two way communication between us and management. We also discussed current developments and key issues facing the entity. Based on the results of that meeting, we have determined that we have been engaged to audit the balance sheet as of 31 December 20X6 and related income statement for the twelve months ending 31 December 20X6. As the entity’s auditors, we are responsible for expressing an audit opinion on the entity’s financial statements. The scope of our agreed upon services is included in the engagement agreement retained in Canvas (not included for training purposes).  **Audit Team Compliance**  We have performed procedures to determine compliance with ethical requirements, including independence, prior to performing other significant activities for the current audit period. Through inquiry with team members, we have determined that we are independent in fact, as well as in appearance, determined that we have adequate professional competence to perform the services required. The audit partner, John Smith, has extensive experience (over 15 years) auditing manufacturing and retail clients. The executives, senior manager Jane Davis (10 years of experience) and Manager, Marco Rodriguez (6 years of experience), have been on the client for several years and have in-depth knowledge of the Company’s processes and operations. |

# Observations from our analytical procedures on financial and non-financial information

Observations and conclusions (such as risks of material misstatement or the effects on our audit procedures) arising from our analytical procedures on financial and non-financial information that have an effect on our audit, in particular those relating to revenue. Include cross reference to underlying documentation, if necessary.

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| The company recorded sales of CHF462 million during the financial year ended 20X6, an increase  Of 1% over FY 20X5. The net income of the company was CHF44 million in FY20X6, an increase of 4% as compared to FY20X5. Overall the Company has grown as compared to FY 20X5. We have also considered various non-financial factors include management turnover, tone at the top, and management’s choice of conservative accounting policies and have designed our audit procedures to address the risks identified noted. |

Documentation of our analytical procedures (with conclusions) is attached.

# Planning materiality, tolerable error, and SAD nominal amounts

Our understanding of what is material to the users of the financial statements in accordance with PMTE-Documentation.

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| We have used pre-tax income as our basis for determining the PM/TE and SAD nominal amount. We have set the PM at the higher end of the range as it meets the following GAM criteria:  1- Closely held with few shareholders.  2- No publically traded.  3- Not likely to go public or become listed in the next 3 years  4- The entity has a viable business with good long-range prospects but does not have a strong balance sheet because   * PM- CHF 6,000,000 * TE – CFH 4,500,000 * SAD – CFH 300,000 |

We have discussed Planning materiality, tolerable error, the SAD nominal amount and the basis on which PM has been established (PMTE). Refer to EY Canvas for details.

# Internal control matters

Summary of our conclusions relating to the key elements of the control environment that have an effect on our audit.

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| Based on our understanding of the control envionment, we plan to take rely on controls approach for the significant accounts identified. We have updated our understanding from the previous year in respect of the internal controls established and operated by management at entity level and also for the SCOTs identified. We also met with the country financial controller who confirmed to us that there has been no change in the internal control structure. Hence in line with the prior years, we will test the internal controls and if they are effective, we will continue to rely on internal controls of the entity.  The team plans to obtain an understanding of the below components and obtain evidence of their operation at the transaction/process level:  Understand the control environment  Understand the risk assessment process  Understand monitoring of controls  Understand significant classes of transactions and significant disclosure processes  The Team will be most concerned with those components for which the operation of the entity’s internal control is pervasive to the entity and most often operate at a higher level (i.e., control environment, risk assessment, monitoring and communication components). Our understanding of the control environment and monitoring components includes an understanding of the elements and characteristics within the component (e.g., management’s integrity and ethical values, commitment to competence etc.).  For each estimation SCOT that is not affected by a significant risk, for which we are not taking a controls reliance strategy, we obtain a high level understanding of relevant controls over the process to determine the estimate.  We perform a walkthrough to confirm that our understanding of the SCOTs or significant disclosure process is as we have documented and to confirm the points where data is, or should be captured, transferred or modified as these are the points where misstatements are most likely to occur.  *Summarize below IT controls testing strategy.*  FAIT is responsible for the evaluation of the IT general control environment and IT related controls (ITGC’s). SAP will be the only application in scope for ITGC testing.  Last year, the results of the ITGC testing were as follows:  • Logical access Effective  • Change management Effective  • Other ITGC’s Effective  We do not anticipate any significant changes in the current year.  Overall the client’s control environment is being assessed as Effective. There are very strong internal controls and an effective monitoring and follow up mechanism. This is also evidenced by appropriate levels of authority and supervision, good track record of management decisions, ethical business practices followed, effective/ active Board of Directors and no scope limitations placed on the audit. The integrity and ethical values are extremely high. Also, management is conservative with respect to selecting accounting principles and accounting estimates. Monthly management reports are prepared by line of business and reviewed in depth across all levels of management. |

**Conclusion:** The control environment supports the prevention, or detection and correction, of material misstatements. Yes:  No:

# Previous experiences with the entity

Summary of our previous experiences with the entity (e.g., risk areas, misstatements identified, other significant findings and issues encountered).

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| Management considers and records any misstatements identified during the audit period. They also approach EY with any areas of risk identified and involve us early with any significant transactions under consideration. |

# Significant risks

We have discussed the potential for risks of material misstatement due to fraud or error, including significant risks, and where specifically they may occur.

Any resulting significant risks are documented in EY Canvas.

If we have **not** identified a fraud risk related to revenue recognition, we use the space below to document the reasons supporting this conclusion for each type of revenue transaction.

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| We have identified Fraud risk related to revenue recognition. Please refer to the Canvas engagement. |

# Significant accounts and disclosures and ‘limited risk’ accounts

We have validated the significant accounts and disclosures and relevant assertions as documented in EY Canvas.

We have validated the rationale for determining that accounts with balances exceeding TE are ‘limited risk’ as documented in EY Canvas.

# Significant accounting and auditing issues

Significant accounting and auditing issues and our plan to address them, including any changes in the entity’s selection and application of accounting policies:

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| **Issue** | **Plan to address the issue** |
| **Improper Revenue Recognition**  There is a risk of material misstatement due to fraud relating to revenue recognition from fraudulent financial reporting by overstatement of revenues (for example, through premature revenue recognition or recording fictitious revenues) or an understatement of revenues (for example, through improperly shifting revenues to a later period). | Focus Areas - We will focus on the gross margins across sales.  Walkthroughs - We will perform walkthroughs at local level over the reporting units revenue related process  Control Testing - For revenue transactions that are electronically initiated, authorized, processed, and recorded, we will test controls to determine whether they provide assurance that recorded revenue transactions occurred and are properly recorded.  Meetings with Management - We will conduct regular meetings with the Company's executive management to discuss significant contracts, related accounting issues and unusual fluctuations within the financial statements. We will further inquire the entity's sales and marketing personnel or in-house legal counsel regarding sales or shipments near the end of the period and their knowledge of any unusual terms or conditions associated with these transactions.  Analytical Review Procedures - We will perform analytical review procedures at various levels within the organization in order to identify any unusual fluctuations within the financial statements relating to revenue using disaggregated data, for example, comparing revenue reported by month and by product line.  Primary Substantive Procedures - We will ensure revenue is properly accounted for as per the generally accepted accounting principle. We will perform substantive procedures, including all relevant PSPs, such as cutoff, testing of key items and representative samples and perform other substantive analytical procedures over the activity recorded for revenue throughout the audit period. |
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| **Intercompany transactions**  The Company processes a significant number of routine intercompany transactions on a monthly basis. Inadequate reporting of intercompany balances and transactions may result in misleading financial statements. | Controls Testing – We have included in our assessment of principal evidence those processes that are considered to be high risk, such as the financial statement close process.  We have included specific audit procedures in our audit programs for intercompany accounts to ensure that the control is operating effectively, such as:  a) We will obtain third party confirmations for all related party balances and inquire for any variances between the confirmation received and the trial balance amount.  b) We will verify the same with the correspondence and supporting documents for material amounts. |
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| **Fixed assets**  The Company has significant additions during the period and items may have been inappropriately being capitalized. | Controls testing – As we have identified a higher inherent risk for the proper capitalization of fixed asset additions, we will select an appropriate sample for transaction testing to address the risk identified.  We have included specific audit procedures in our audit programs for fixed asset addition testing to ensure that the fixed assets are appropriately capitalized and are recorded as per the accounting treatment. |
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# Accounting estimates to be recognized or disclosed in the financial statements

We discussed and agreed which estimates represent lower risk, higher risk and significant risk estimates and the related estimation SCOTs as follows:

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| **Estimate** | **Estimate Category** | **Estimation SCOT** |
| N/A for this training |  |  |
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Refer to [include WP reference] for details.

# Significant changes in combined risk assessments and effect on audit strategy

Significant changes, if any, in our combined risk assessments, including the separate changes in both the inherent and control risk assessments from the prior period and the effect on the nature, timing and extent of our planned audit procedures.

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| We have assessed our combined risk assessment including the separate changes in both the inherent and control risk assessments from the prior period and the effect on the nature, timing and extent of our planned audit procedures and found no changes. |

# Other information discussed during the Team Planning Event (TPE)

We summarize the matters discussed and conclusions reached during our team planning event if not documented above. This includes, among others:

* **Going concern issues** and the need for the team to remain alert for factors that may cast significant doubt on the entity’s ability to continue as a going concern.
* The potential for **related party relationships and transactions**, how and when they may occur and our audit strategy to obtain sufficient appropriate audit evidence about the assessed risk of material misstatement associated with related party relationships and transactions.
* The **composition of the team** and use of specialists
* The importance of maintaining **professional skepticism** throughout the audit, including the need for audit team members to be alert throughout the audit for information or other conditions that could indicate a material misstatement due to fraud or error.
* Planned use of the work of **internal audit** function or others.
* Other matters of significance as considered appropriate.

Alternatively, we include the minutes or agenda with notes as an attachment to this ASM.

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| Going concern:  The Company is profitable and the earnings/revenue is constant year over year and its current assets is showing in excess of current liabilities (Positive working capital). There are no indication of company facing liquidation and insolvency issue within the next 12 months.  Related Party relationship and transactions:  We will perform substantive procedures on the related party balances by obtaining third party confirmations along with performing test on material balances to obtain sufficient appropriate audit evidence with related party relationships and transactions.  Composition of the team:  Due to the complex nature of the SAP System, the audit team has involved FAIT team to carry out an overall IT environment assessment.    The audit team has also determined the use of the TAX team will be required to review the preparation of the tax provide and assess and adequacy of the income tax related disclosures in the financial statements. |

The team planning event minutes are attached.

# Documentation of the Post Interim Event (PIE)

Matters discussed and conclusions reached during the PIE, including (but not limited to):

* Changes to our audit strategy and audit plan in the event that our audit strategy is no longer appropriate or if modified tests of controls or substantive procedures are to be performed
* Changes to our identified risks of material misstatement due to fraud and planned audit responses, and the rationale for these changes.
* The rationale for any significant changes made to the overall audit strategy and the audit plan.

If our discussions at the PIE indicate that no changes are necessary to our audit strategy, we reflect this in the ASM.

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| To take place later November 20X6. |

Date and participants of the PIE are documented on page 1 of this form.

*Certain sections of the ASM have been excluded as they are out of scope for learning purposes. Specifically:*

* *The rationale for determining that accounts with balances exceeding TE are ‘limited risk’ for audits other than integrated audits*
* *The importance of maintaining professional skepticism throughout the audit, including the need for audit team members to be alert throughout the audit for information or other conditions that could indicate a material misstatement due to fraud or error (TEAM-EVENTS 2.2)*
* *Whether we plan to use the work of the internal audit function or others, and when applicable, how we plan to use their work*
* *The plan to establish, monitor and meet milestone requirements, when the audit team is required to comply with the Milestones Program by their Region*