Hi,

How are you? Looks like you are really grasping the concept of a SCOT and the importance that understanding the flow of the SCOT has on designing appropriate audit procedures.

Now that you understand the critical path of Summit Equipment’s PP&E SCOT based on the narrative and flowchart, can you:

1. Perform a walkthrough of the additions portion of the PP&E SCOT to confirm your understanding of the additions SCOT?
2. Document the walkthrough procedures performed and the relevant controls identified using PM 5.3 Walkthrough of a SCOT which is attached in Canvas? Other layouts, such as a word document, narratives or tables could potentially be used. However, this form contains all of the key elements from EY GAM that should be documented to confirm our understanding of a SCOT.

I have already randomly selected the transaction to walk through from Summit Equipment’s current year plant & machinery additions listing (refer to the highlighted item in PM 5.2: PP&E listing in EY Canvas).

To access the SCOTs form and additions listing refer to Summit Equipment’s EY Canvas.

Before you get started, I just want to make sure you understand why we need to do this. Since this is your first engagement, I thought I could help you understand how this fits into our audit.

For the audit of Summit Equipment, we are planning a controls reliance strategy as you may have read in the planning documents previously provided. We decided on a control reliance approach because we know that the client has historically had controls in place that are effectively designed and operated as intended (based on the risks identified). As there have been no substantial changes to the entity’s PPE process, we believe that controls are designed and operating effectively again this year. Thus we plan to rely on controls which will allow us to reduce the extent of the substantive audit procedures necessary to fill our bucket of audit evidence.

It is important to understand that although we are striving for a controls reliance strategy, the design and operating effectiveness of controls are dependent on management and the evidence we can obtain to gain comfort that the controls are effectively designed and operating.

We should also be alert for exceptions – how they are identified and resolved. Our inquires of personnel should include:

* follow-up questions about what they do when they find errors
* the types of errors they have encountered
* what happened after the errors were found, and
* how these were resolved.

We need to do this before we test the controls because if the controls are not designed appropriately, we can’t rely on them.

Before any client meeting, you should prepare some questions to ask, think about the type of questions you want to ask and remember, you should always take notes during meetings.

Don’t forget to ask about the difference in GL Account 0002000020 between the process narrative and GL Analyzer process map.

Remember, you can always refer to *CONTROLS: Controls over SCOTs and significant disclosure processes* in EY GAM for further guidance. If you have any questions, just hesitate to ask.

Thanks and kind regards,

Anna