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1



## SLAuS 500 – Audit Evidence

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2



## **Content**

- **Introduction**
- **Concept of audit evidence**
- **Sufficient appropriate audit evidence**
- **The use of assertions**
- **Audit procedures**
- **Compliance with International Standards**
- **Effective date**

3



## **Introduction**

### **Purpose of the standard is :**

To establish standards and provide guidance on

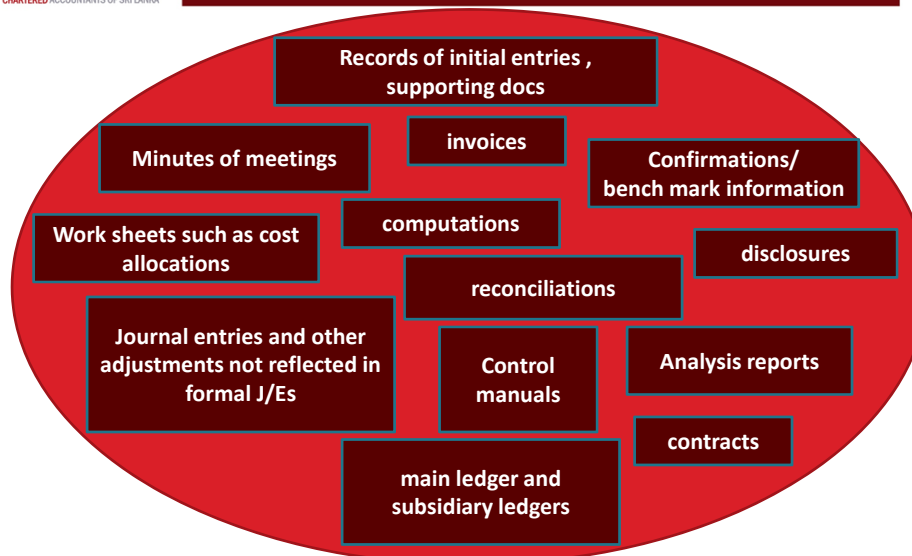
- **What constitute audit evidence ?**
- **Quantity and quality of audit evidence to be gathered**
- **Available audit procedures**

4

## Auditors responsibility with respect to audit evidence

**“Auditor should obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the audit opinion”.**

5



6

## What is meant by audit evidence?

- All the information used by auditor in arriving at the conclusions on which the audit opinion is based.
- Includes the information in the accounting records underlying financial statements and other information.

7



8

### Relationship between Audit risk , Quality & Quantity of audit evidence



➤ Higher the risk – higher the quantity of audit evidence required.



➤ Higher the quality – lower the quantity of audit evidence required



➤ Merely obtaining more audit evidence may not compensate its poor quality.

### Generalisations about reliability of evidence :

More reliable when it is obtained from an Independent source outside the entity.

Internally generated evidence are more reliable ,when controls are effective.

Evidence obtained directly by the auditor rather than indirectly or by inference.

Written evidence is more reliable than the others.

Original documents of evidence is more reliable than the photocopies.



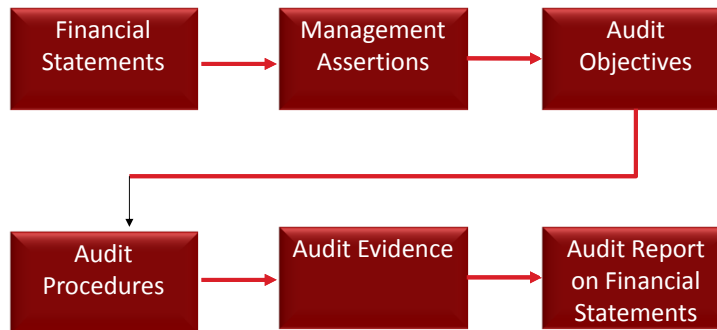
➤ **When internally produced information is used following shall be established;**

- **accuracy**
- and**
- **completeness of the information**



- **More assurance is obtained through consistent audit evidence from different sources / different nature.**
- **Auditor is not expected to obtain all the information as conclusions can be reached by using sampling.**
- **Necessarily rely on persuasive evidence than conclusive.**

## Relationship of Financial Statement Assertions and the Audit



13

## Financial Statement Assertions

### Transactions and events

- Occurrence
- Completeness
- Accuracy
- Cut-off
- Classification

### Account balances at period end

- Existence
- Rights & obligations
- Completeness
- Valuation & allocation

### Presentation and disclosure

- Occurrence and Rights & obligations
- Completeness
- Classification & understandability
- Accuracy and valuation

14



- **Given set of audit evidence may provide evidence to certain assertions but not for others.**
- **Let's look at F/S assertions in bit more detail**



- **Inventory**

Audit procedure - Physical observation  
Assertions covered - existence nothing else

- **Trade receivable**

Audit procedure - Checking supportings for subsequent settlements.  
Assertions covered - existence and valuation, but not cut off.



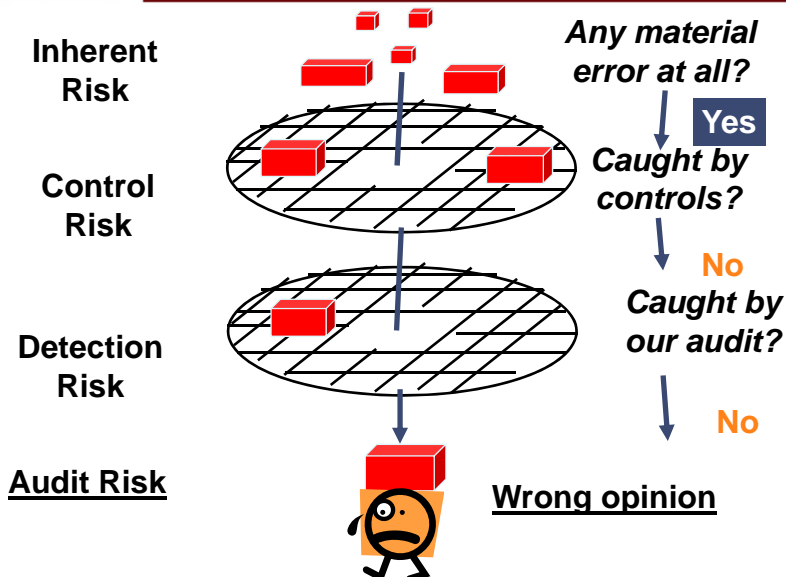
- **Corroborating information obtained from a source independent of the entity may increase the assurance obtained from internal sources**
- **Relationship between cost vs. benefit of obtaining audit evidence is not valid if no alternatives.**

- **Auditor usually rely on persuasive evidence than conclusive.**
- **Auditor shall exercise professional skepticism in evaluating quantity , quality(sufficiency) and appropriateness of audit evidence to support audit opinion.**

## Audit procedures for obtaining audit evidence

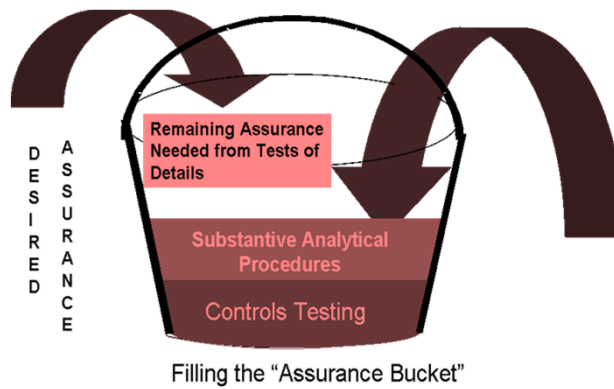
- Risk assessment procedures
- Test of controls
- Substantive procedures

19



20

## Obtaining comfort



21

## Audit procedures for obtaining audit evidence

- Inspection of records or documents
- Inspection of tangible assets
- Observation
- Inquiry
- Confirmation
- Re-calculation
- Re-performance
- Analytical procedures

22



## **Compliance with ISAs**

Ensures compliance with ISA 500 in all material respects.

## **Effective Date**

Effective for all the audits commencing on or after 01 Jan 2010.



**Thank you.**