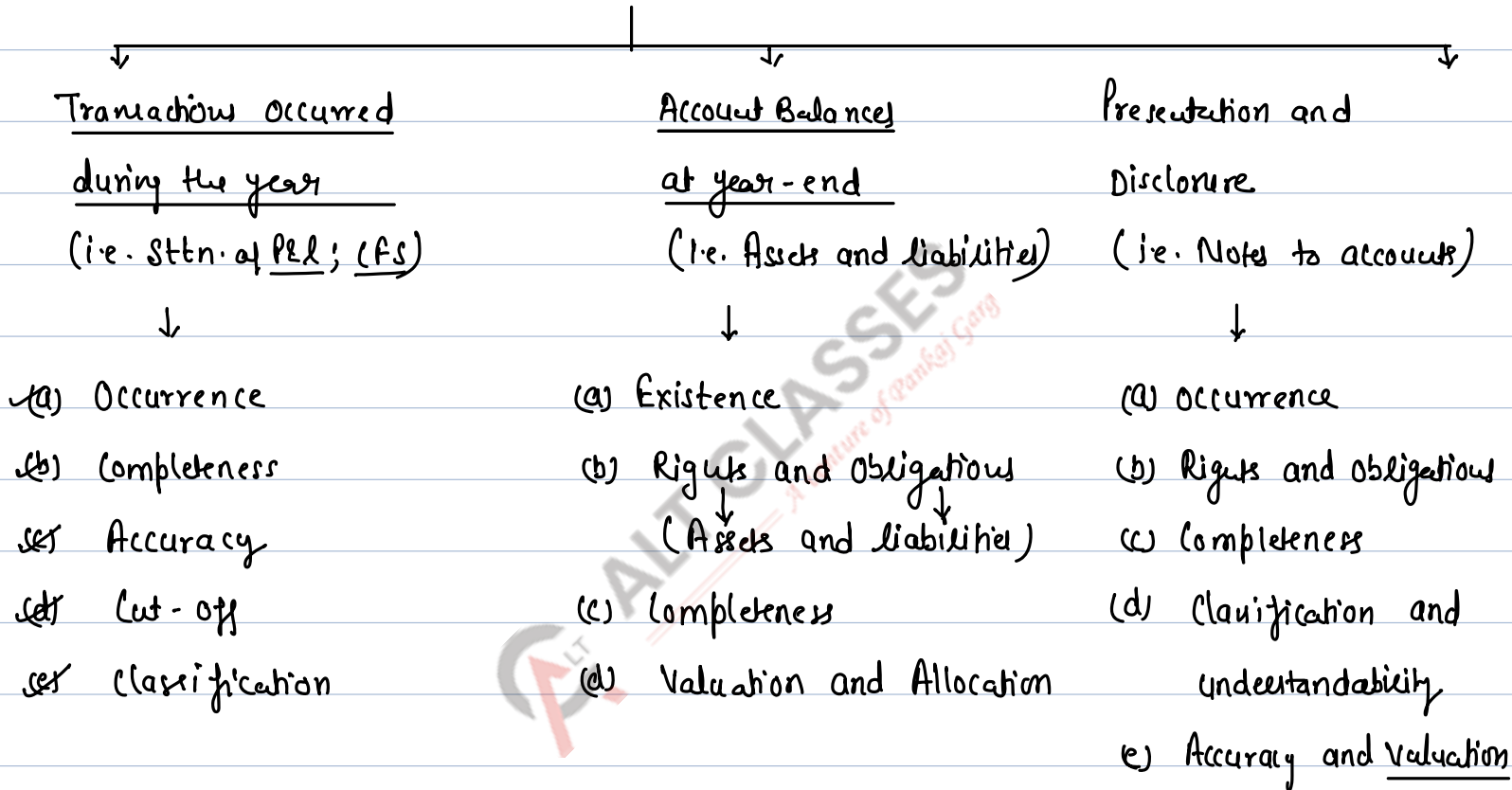


Chapter - 4 "Audit Evidence"

(1) SA-500 "Audit Evidence":

(vii) Assertions: Representations by mgmt. that are embodied in F.S., as used by auditor to consider different types of potential misstatements that may occur.



(viii) Auditor's duties when an Information is to be used as audit evidence:

(A) Info. produced by the Entity! (e.g. Aling records, Minute books, BRS, Rent agreement)

Evaluate whether information is sufficiently reliable for audit purposes, including:

- Obtaining audit evidence as to Accuracy and Completeness of information; and
- Evaluating whether information is sufficiently precise and detailed.

(B) Information produced by the Entity using the work of (Mngt. Expert):

An Individual or organisation possessing Expertise in a field other than accounting or auditing; whose work is used by the Entity to assist the Entity in preparing f.s.
(Ex: Architect; Advocate; Actuary; Engineer)

- (i) Evaluate Competency, Capability and Objectivity of Mngt. Expert.
- (ii) Obtain an understanding of work of that Expert.
- (iii) Evaluate appropriateness of Expert's work as audit evidence.

Matters affecting NFE of audit procedure when information to be used as audit evidence has been prepared using the work of Mngt. Expert:

- deeming and Noting - (How)

(ix) Auditor's duties if doubt arises over reliability of audit evidence:

If audit evidence obtained from one source is inconsistent with audit evidence obtained from another source; or auditor has doubt over the reliability of information to be used as audit evidence

↓ Auditor shall

- (a) determine what modifications or additions to audit procedures are necessary to resolve the matter
- and
- (b) consider the effect of the matter, if any on other aspects of audit.

(x) Selecting Items for testing to obtain audit Evidences:

(a) Selecting 100% Items

- ↓
- Appropriate, if
- Population constitutes a small no. of large value items.
 - There is a significant risk and other means do not provide SAAE.
 - Procedures performed automatically by a software making 100% examination cost effectively.

* Use of CAATs

(b) Selecting Specific Items

↓ (Judgement Selection)

- Appropriate for:
- (a) High value items;
 - (b) Unusual items;
 - (c) Suspicious items;
 - (d) All items exceeding certain amt.
- Selection depends on:
- (a) Auditor's understanding of Entity;
 - (b) Assessed RoMM
 - (c) Characteristics of population being tested.

(c) Sampling

↓

Details will be covered in SA 530.

Note: 100% Examination is unlikely in case of TOCs; however it is more common for TOEs.

(xi) Misc. Topics:

- (a) Need for Audit Evidence
- (b) Sources of " "
- (c) Nature and timing of audit procedures
- ✓ (d) Audit Trail (Noting - H.W.)
- (e) Evaluation of Audit Evidences

From Book

SA-500