

Chapter - 4 " Audit Evidence "

- Topics Covered:
- (1) SA - 500 " Audit Evidence "
 - (2) SA - 501 " Audit Evidence - Specific Consideration for Selected Items "
 - (3) SA - 505 " External Confirmations "
 - (4) SA - 510 " Initial Audit Engagements - Opening Balance "
 - (5) SA - 520 " Analytical Procedures "
 - (6) SA - 530 " Audit Sampling "
 - (7) SA - 550 " Related Parties "
 - (8) SA - 610 " Using the work of Internal Auditors "

- (i) Meaning of Internal Audit function
- (ii) Objectives and scope of Internal Audit function
- (iii) Requirements of SA-610:

(A) Using the work of Internal Auditors:

(a) Evaluate whether, in which area and to what extent, work of Internal auditor can be used.

(b) Evaluate nature and scope of work of Internal auditors.

(c) Using work of Internal auditors:

If External auditor plans to use the work of Internal auditor he shall:

(i) Discuss the planned use of work of Internal auditor;

(ii) read the reports of Internal auditors to obtain understanding of nature and extent of audit procedures performed and related findings.

(iii) perform sufficient audit procedures on the work of Internal Auditors as a whole that he plans to use, to determine its adequacy for External auditor's purpose.

✓ Discussion and coordination with Internal auditor [N, T, E, Materiality, Samblity, Documentation, Review]

- Examples where coordination between external auditor and Internal auditor is considered effective: [Discussion; Informing of significant Matter by EA → IA
IA → EA]

(B) Using Direct Assistance of Internal Auditor:

Direct Assistance: Using Internal auditors to perform audit procedures under the direction, supervision and review of External Auditor.

I. Direct assistance from Internal auditor can be taken, if:

- Not prohibited by law and regulation;
- No significant threat as to Objectivity of Internal auditor;
- I.A. is sufficiently competent and capable.

II. Determine NTE of work on which direct assistance can be taken:

Direct assistance is not advisable on following matters:

- Matters involving significant judgements in audit;
- Matters on which External Auditor assesses higher ROMM;
- Matters on which IA is already engaged under direction of Mngt.
- Matters on which external auditor has to take decision under this SA regarding Internal audit function.

III. Using Direct Assistance:

- Obtain written agreement from authorised representative of the Entity that (a) SA is allowed to follow EA instructions.
 - (b) Entity will not intervene in the work of IA, performed for external auditor.
 - Obtain written agreement from S.A. as to the Confidentiality.
 - Exercise Quality Control measures as to direction, supervision and review of Internal auditor.
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