

SA 500 & 501

Audit Evidence & Specific Consideration for selected items

Audit Evidence:

- Information used by the auditor in **arriving at the conclusions** on which the auditor's opinion is based.
- It includes both information contained in the **accounting records** underlying the Financial statements and **other information**.

Scope of the SA:

- Auditor's responsibility to design and perform audit procedures
- to obtain **sufficient and appropriate audit evidence**
- to be able to draw reasonable conclusions on which to base the auditor's opinion.

Factors affecting SAAE:

Risk of MM

Result of control test

Materiality of Items

Size of population

Size of sample

Reliability of evidence
obtained

Accounting policies

Knowledge & experience
of auditor

Type of Evidences

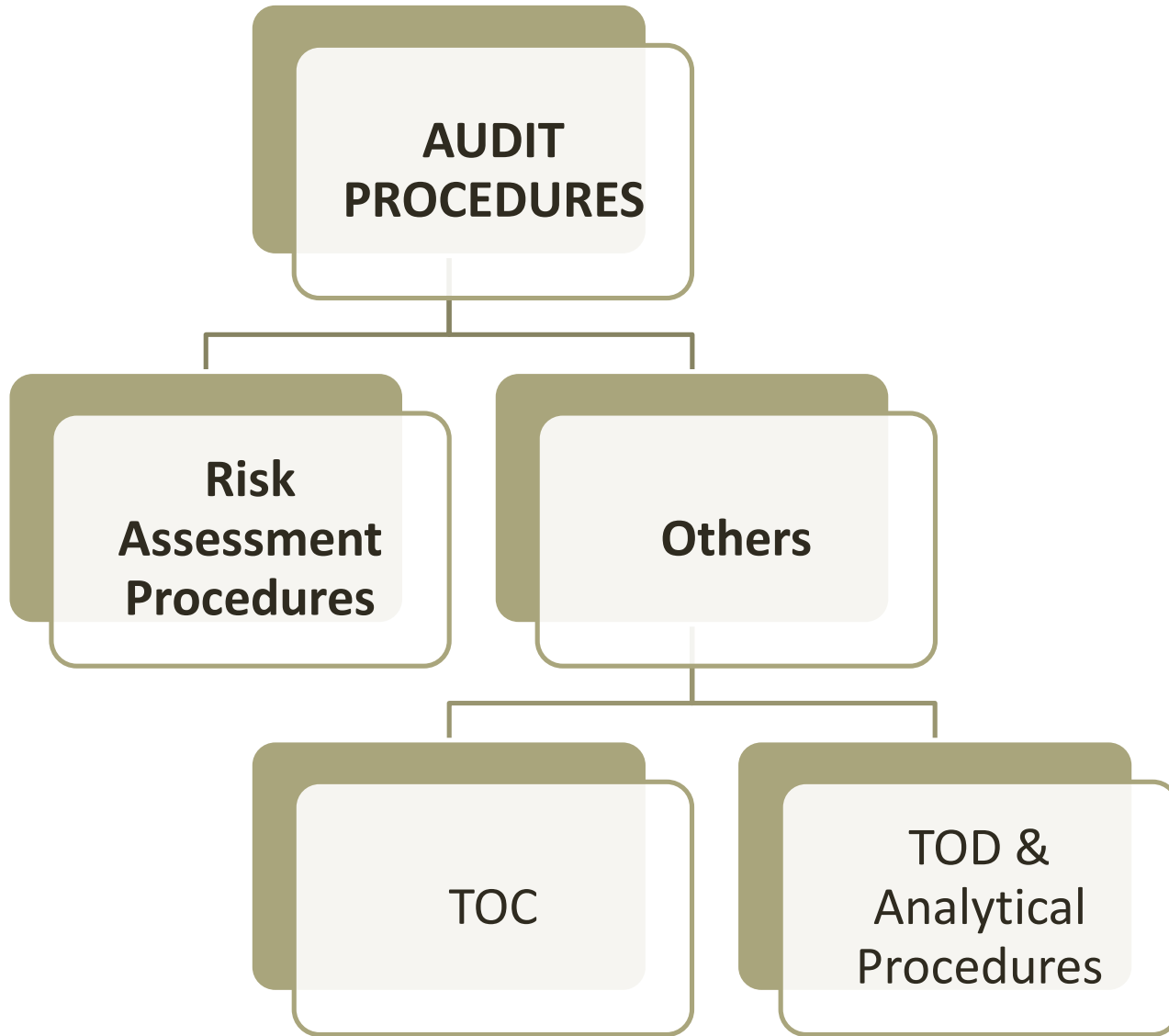
According to Nature

- Documentary
- Oral
- Visual



According to Source

- External
- Internal



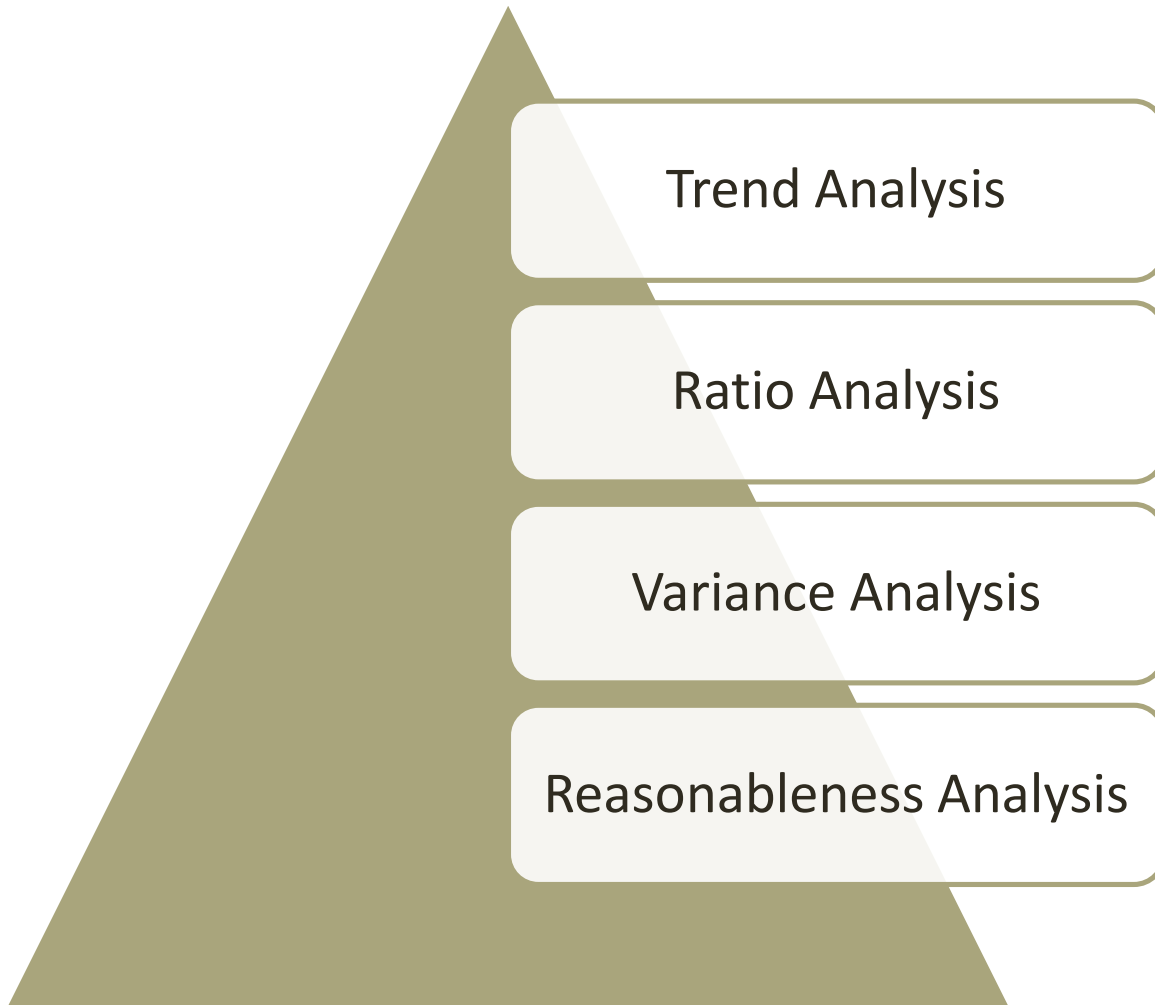
Risk Assessment Procedures

- ✓ Inspection
- ✓ Observation
- ✓ Inquiry
- ✓ Analytical Risk Procedures
- ✓ Recalculation
- ✓ Re-performance

Matters that affect TOC

- ✓ Frequency of perform of control
- ✓ Expected rate of deviation
- ✓ Relevance and reliability of audit evidence
- ✓ Extent to which Audit evidence obtained

Analytical Procedures



TOD - Assertions

Income/Expenditure Items	Balance Sheet Items
Occurrence	Existence
Completeness	Completeness
Cut off	Cut off
Measurement	Valuation
Presentation & Disclosure	Rights & Obligations
	Presentation & Disclosure

Ways of performing TOD

- ✓ Vouching
- ✓ Confirmations
- ✓ Subsequent Receipts
- ✓ Ancillary Procedures etc

Examples of TOD

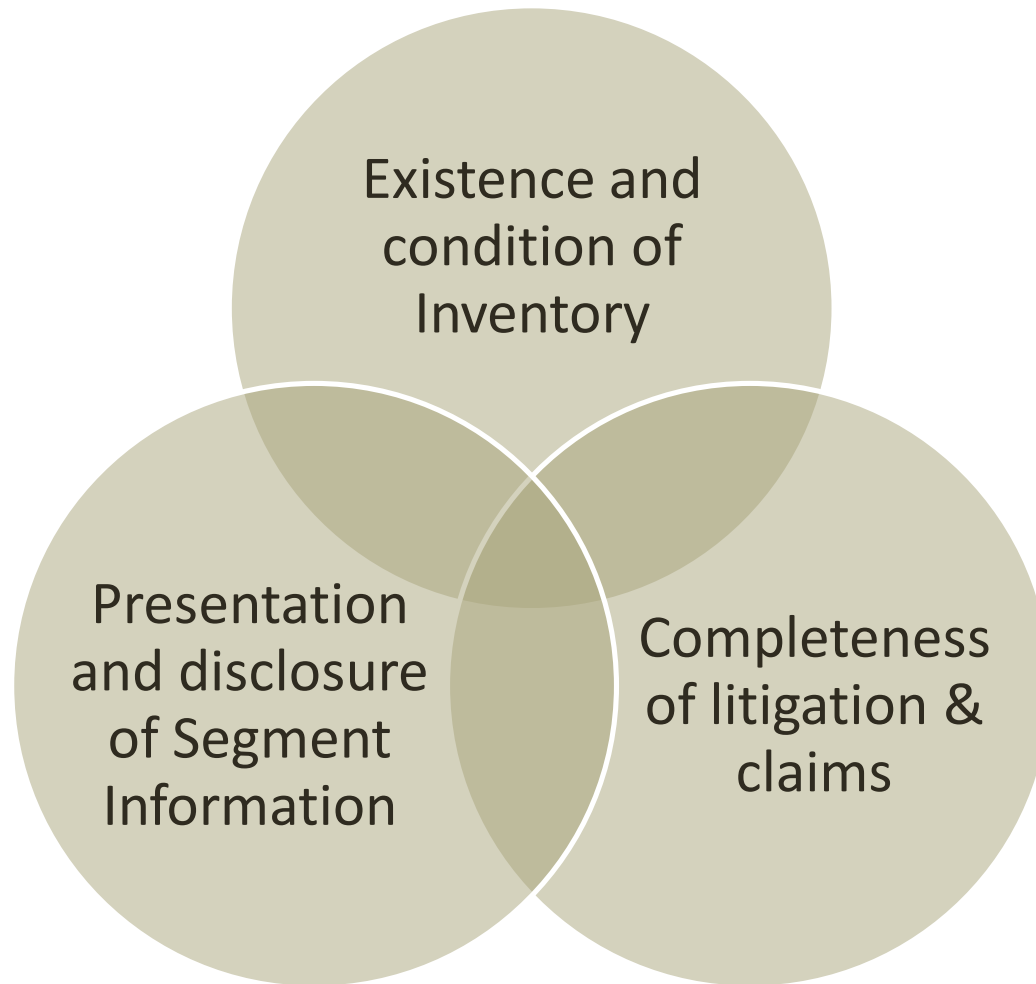
- Vouching invoices
- Search for unrecorded liabilities
- Testing bank reconciliations by examining subsequent month bank statements
- Agreeing receivables to contracts
- Vouching subsequent receipts in receivables
- Reconciling payroll in the general ledger to quarterly payroll tax returns

Generalisations on Reliability

- External > Internal evidence (Internal evidence reliability – Internal control)
- Directly > Indirectly
- Documentary > Oral
- Original Copies > Photocopies

SA 501: Audit Evidence – Specific Consideration for Selected Items

Objectives of SA



“If it’s Not Documented, it’s Not Done”

Thank You