Audit Evidence

General

- 3rd Std of Fieldwork: Sufficient competent evidential matter is to be obtained through inspection, observation, inquiries, and confirmations to afford a reasonable basis for an opinion regarding the financial statements under audit.
- Evidence is obtained related to the 5 mgmt assertions embodied in the F/S

Assertions

- Five Mgt Assertions
  - Existence or occurrence
  - Completeness
  - Rights and obligations
  - Valuation or allocation
  - Presentation and disclosure
- Examples?

Assertions

- So the auditor’s objective is to obtain evidence regarding each of the assertions for each account.
- How? See AU 326.26 – Develop audit program (AD) – “to do” list of procedures that will gather and evaluate evidence.
- Inventory exists → Observe/perform inventory counts → Prepare WP (AD) that documents sample selection, auditor counts, reconciliations to company counts, exceptions, tracing sample to 12/31 inventory account, etc. (THIS is all evidence!)

Assertions

- How much do we need to test an assertion? How much/what types of evidence do we need to obtain and evaluate? Depends on DR – a very complex and difficult judgment

Types of evidence

- So what are some types of evidence used in an audit?
  - Underlying internal accounting data (examples?)
  - Corroborating evidence
    - Checks, invoices, contracts, confirmations, BOD minutes, confirmations, information obtained by auditor via inquiry, inspection, observation, etc.
## Competence and Sufficiency of Evidence

### What makes evidence more competent?
- Source objectivity
- Internal control environment
- Obtained directly

### Sufficiency
- Quantity of evidence – is it enough to be persuasive?

- When is quantity/quality of evidence good enough?
  - DR, economic limits (time limit and reasonable cost).