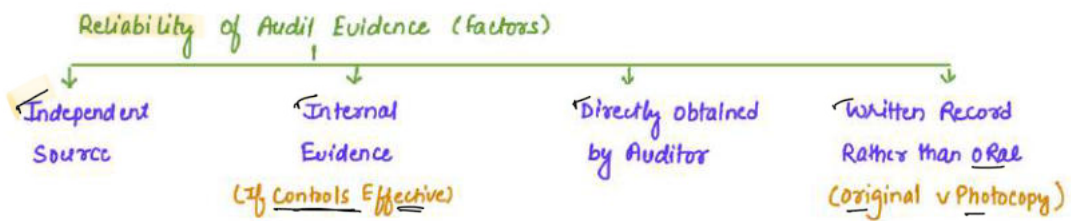
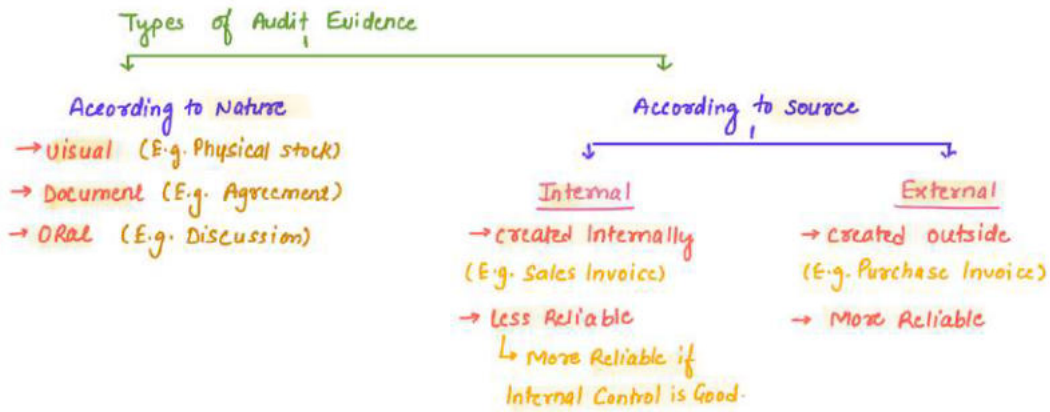
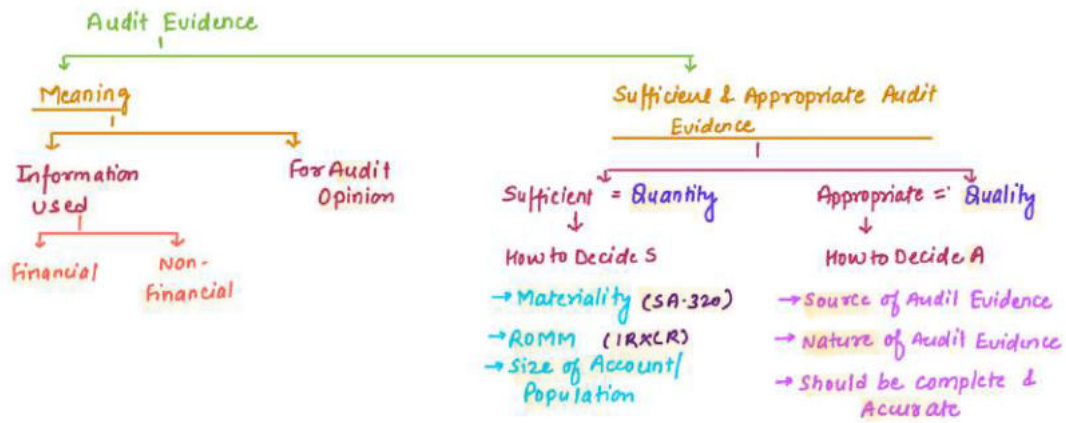
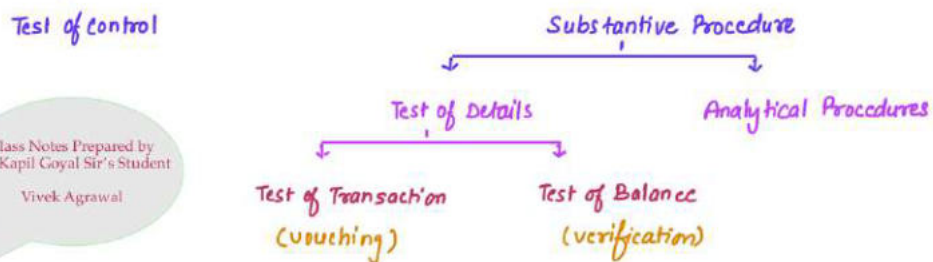


SA-500 - Audit Evidence



Inconsistency of Audit Evidence → Perform Additional Audit Procedures

Procedures to obtain Audit Evidence



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Auditor's Responsibilities when Relying on Audit Evidence Prepared using Management Expert's work.

→ Evaluate Competence, Capabilities & objective of that Expert

Information Regarding Competence, capabilities & objective of Management Expert may come from a variety of source such as:

- Personal Experience with Previous Work of Expert
- Discussion with that Expert
- Discussion with others who are familiar with that Expert's work
- Knowledge of that Experts qualifications, Membership of Professional Body OR Industry Association, License to Practice OR other Forms of External Recognition.
- Published Papers OR Books written by that Expert
- Auditor's Expert, if any, who assists auditor in obtaining SAAE w.r.t. Info Produced by Management.

The Auditor may also consider the following while evaluating the appropriateness of the Management's Expert's work as audit evidence for the Relevant Assertion

- If the Expert's work involves significant source of Data, the Relevance, Completeness & Accuracy of that source Data.
- If that Expert's work involves use of significant Assumptions & Methods, the Relevance & Reasonableness of those Assumptions & Methods.
- The Relevance & Reasonableness of that Expert's Findings or conclusions, their consistency with other audit evidence, & whether they have been appropriately Reflected in Financial Statements.

Matters affecting NTE of Audit Procedures in case of Information being Produced using work of Management Expert.

- The Nature & complexity of Matter to which Management Expert Relates.
- The ROMM in the Matter
- The Availability of Alternative source of Audit Evidence
- Whether the Management's Expert is employed by the entity, or a party engaged by it to provide Relevant Services.
- The Extent to which Management can exercise control OR Influence over the work of the Management Expert.
- The auditor's previous experience of the work of that Expert.

Inconsistency in, or Doubts over Reliability of Audit Evidence

The audit evidence obtained through Different sources OR of Different nature should be constitutes. If there is inconsistency among Different evidences Relating to a single item, auditor should perform additional Procedures to Resolve inconsistency if :-

- (a) Audit Evidence obtained from one source is inconsistent with that obtained from another OR;
- (b) The Auditor has Doubts over the Reliability of Information to be used as Audit Evidence.

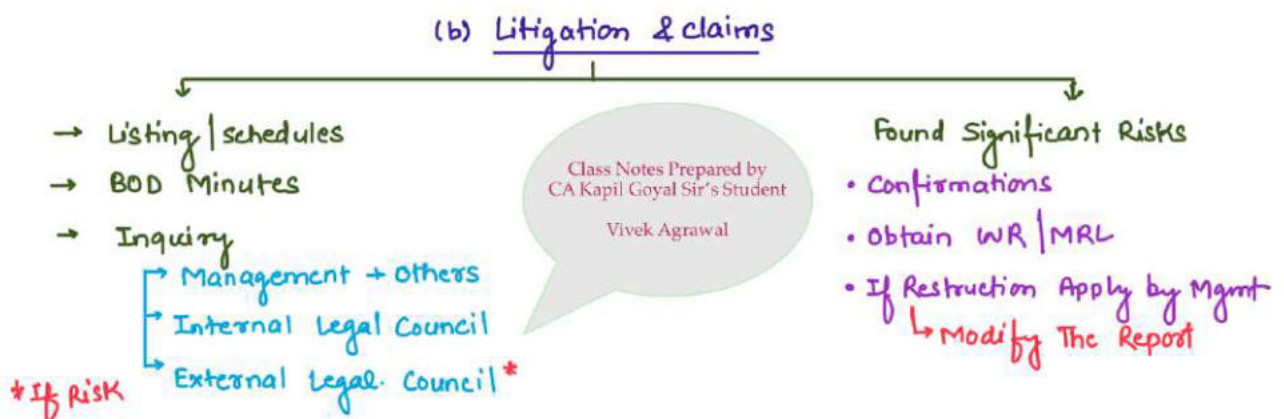
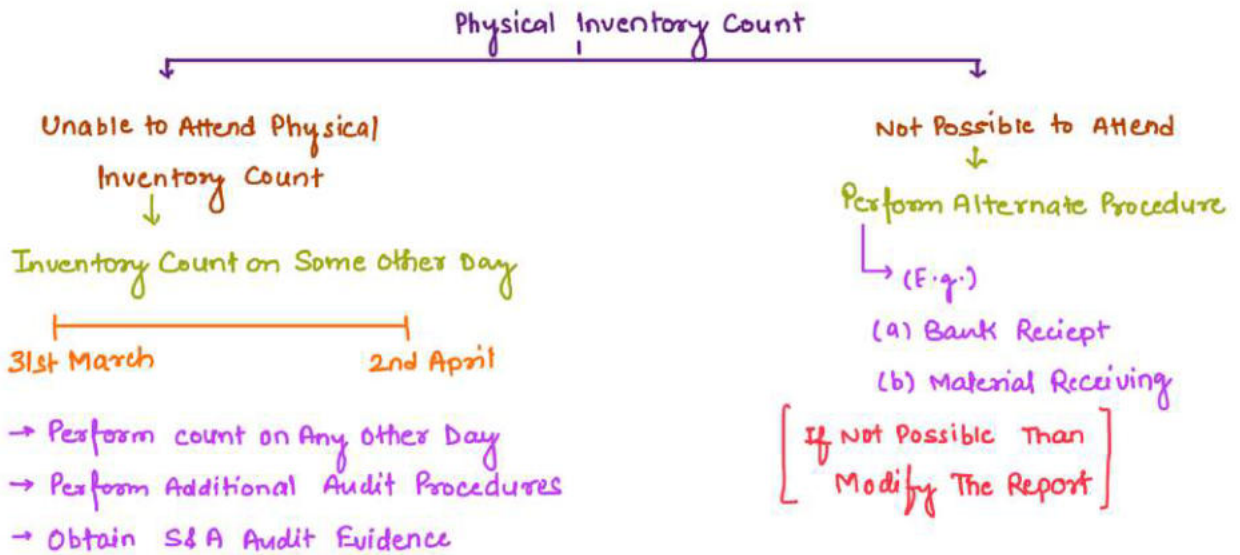
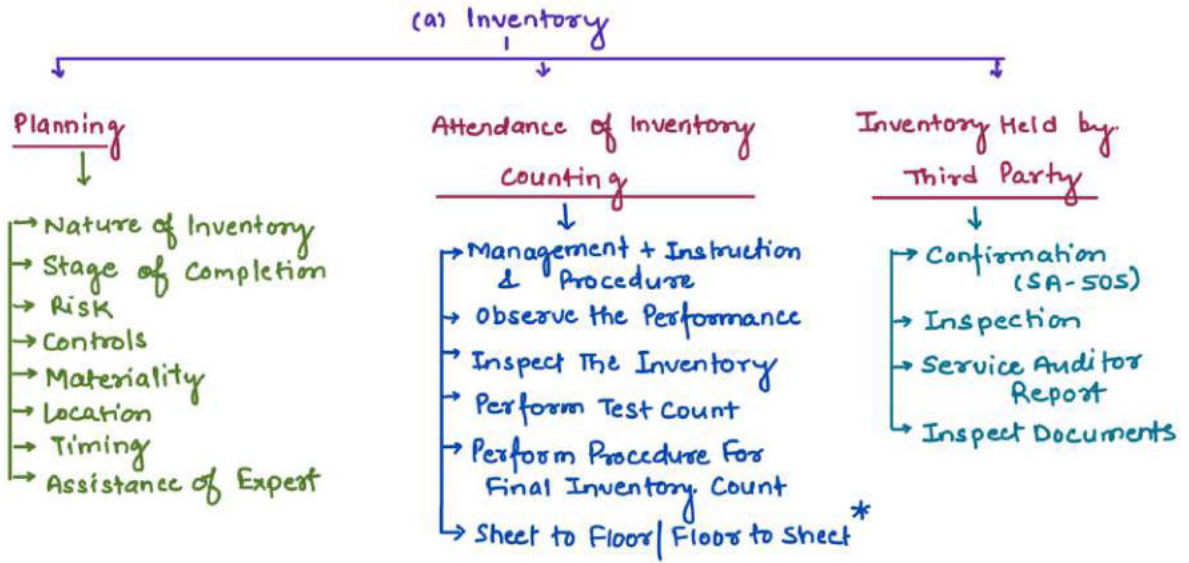
The auditor shall Determine what Modification OR additions to audit Procedures are Necessary to Resolve the Matter, & shall consider the Effect of the Matter, if any, on other Aspects of the Audit.

Evaluating objectivity of Management Expert

1. A Range of circumstances may threaten objectivity
For E.g.: Self Interest Threat, Advocacy Threat, Familiarity Threats, Self Review Threat & Intimidation Threats.
2. Safeguards may Reduce such Threats & may be created either by
 - External Structures
 - Management Expert's Work Environment
3. Safeguards can't eliminate all Threats, Threats such as Intimidation Threat may be of less significant to an expert engaged by the entity than to an Expert Employed by entity & Effectiveness of Safeguard such as quality control Policies & Procedures may be greater.
4. Because Threat to objectivity created by Being an Employee of entity will always presented, Expert Employed by entity can't ordinarily be Regarded as being More likely to be Objective than other Employees of Entity.

SA-501: Special Consideration For Specific Items

- Inventory
- Litigation & Claims
- Segment Reporting



Direct Response From Third Party to Auditor

(a) Positive Confirmation:- Respond in All The Situation

Risk is Low
IC Effective
Low Amount

(b) Negative Confirmation:- Respond only if Balance Not Agree

External Confirmation Procedure

- Information to be confirmed E.g.:- Bank, Debtor, Creditor, Third Party Asset etc.
- Determine Confirming Party
- Design Confirmation Request, Address, Return Information (Address of Auditor)
- Follow up if Required

Design Confirmation Requests → Factors

- Risk of Material Misstatement including Fraud Risk
- Layout & Presentation of Confirmation Request
- Prior Experience of Auditor
- Assertion Addressed
- Method of Communication
- Management Follow-up
- Balance v/s Transaction Confirmation

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Reliability of Response

- Objectivity of Confirming Party → confirming Party should not be Related Party of Client.
- Knowledge of The Matter → Whether Client know about subject Matter
- Willingness of Third Party to Respond → Third Party may consider it Time consuming & costly.

Note:- If Auditor has Doubt on Reliability, he should Perform Further Audit Procedures,

To Resolve the Doubt, if Not Possible consider Fraud Risk factor & consider effect on NTE of other Audit Procedures.

Management Refuse to send Confirmation (Imp)

- Auditor should ASK → Reason & Evaluate Reasonableness.
- Implication of Management Refusal.
 - Perform Alternate Audit Procedures
 - Communicate with TCWG, if Required
 - Determine Implication on Audit Report as per SA-705.

Non-Response to Positive Confirmation Request,

- Perform Alternate Procedure
- Effect on Audit Report

SA-510:- Initial Audit Engagements- Opening Balances

SA-710:- Comparative Information Corresponding Figures & Comparative Financial Information

Audit Procedures Regarding opening Balances

The auditor shall obtain SAAE about whether the opening Balances contain Misstatements that Materially affect the current period FS by:-

1. Determine whether the Prior Period Closing Balances have been correctly Brought Forward.
2. Determine whether the opening Balances Reflect the application of appropriate Accounting Policies &

Performing one OR More of the following:

3. Whether Prior Period FS, were audited, perusing the copies of the audited FS.
4. Evaluating whether Audit Procedures performed in the current period provide evidence Relevant to the opening Balance: OR
5. Performing Specific Audit Procedures to obtain Audit Evidence Regarding Opening Balances.
6. If the auditor obtains audit evidence that opening Balance contains Misstatement that could Materially affect current period's FS then perform additional audit Procedures to determine effect on current period's FS.

If auditor concludes Misstatement exist in current period's FS, communicate Misstatement with Management & Those Charged with Governance as per SA-450

Audit Procedures Regarding Comparative Info

1. Basic Procedures:-

- (a) Auditor shall evaluate whether comparative Info agrees with amounts & other Disclosures in prior period.
- (b) Accounting Policies Reflected in comparative Info are consistent with current period or, if there have been changes have been properly Accounted, Presented & Disclosed.

2. Material Misstatement

i) If auditor becomes aware of Possible Material Misstatement in comparative Info while performing current period audit, perform additional Audit Procedures to obtain SAAE to determine when Material Misstatement exist.

ii) If Auditor audited prior period of FS, Auditor shall also Follow Requirement of SA-560

3. Written Representations

i) Request WR for all periods Referred to in auditor's Opinion -

ii) Auditor shall also obtain Specific WR Regarding any prior period item separately Disclosed in current Year's P&L

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Objective as per SA-510:- To obtain SAAE about whether,

- i) opening Balance contains Misstatement that Material affect the current period's FS &
- ii) Appropriate Accounting Policies Reflected in the opening Balances have been consistently applied in the current period FS or, changes thereto are properly accounted for & adequately presented OR Disclosed in accordance with the applicable FRF.

SA- 520:- Analytical Procedures



Evaluation of Financial Information Through Analysis of Relationship both Among Financial & Non-Financial Data.

Objective of Auditor:- Obtain S&A Audit Evidence by Substantive Analytical Procedure

When to Perform Analytical Procedure:- Planning | Execution | Reporting.

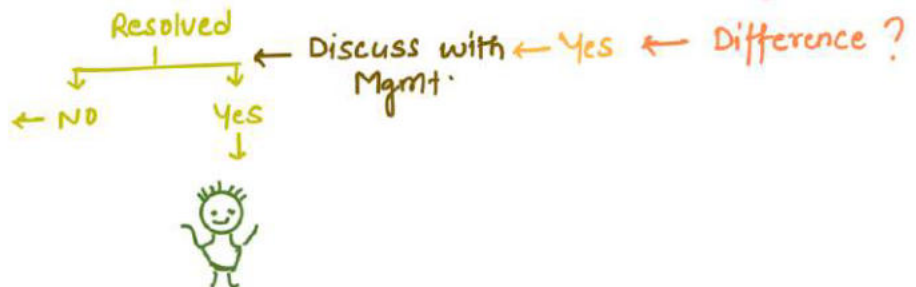
Auditor should Consider Following Factor when using Substantive Analytical Procedure

(Imp.)

- Suitability of Substantive Analytical Procedure
- Reliability of Data to be compared i.e. Input
- Development of Expectation
- Difference Evaluation

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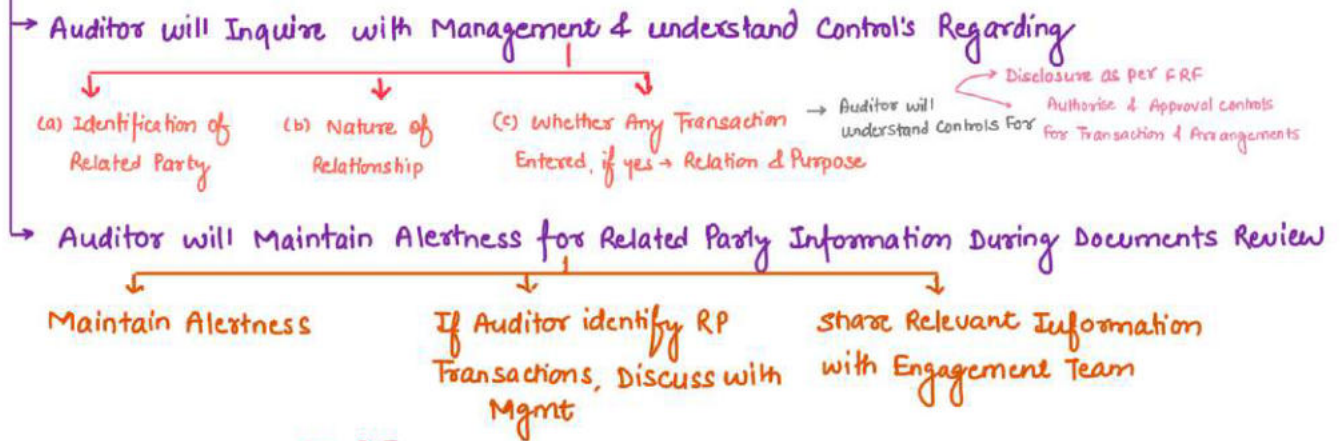
Relationship Exist → Yes → Look for The Reliable Input → Develop Expectation → Perform AP → compare Result with Expectation



Perform Additional Audit Procedure to Resolve The Issue

SA-SSO:- Related Party

Step 1:- Understanding the Entity's Related Party Relationship & Transactions



Step 2:- Identify & Assessment of ROMM Response to ROMM → Associated with RP Relationship & Transactions

IF Auditor Identify Any Significant Risk, Consider SA-240 as well, (Fraud Risk Factor)

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Case 1:- Identified Previously unidentified or undisclosed RP Relation OR Transaction

- Auditor shall
 - Communicate with other Team Member's
 - Request Management to Identify all RP & Do evaluation
 - Inquiry Management, How Internal controls failed to identify the RP/Txn
 - Perform Substantive Audit Procedures on New RP/Txns
 - Reconsiders the Risk
 - If Non-Disclosure Appears Intentional, Evaluate Implication in the Audit.

Case 2:- Identified Significant RP Txn Outside the entity Normal course of Business

- The Auditor shall
 - Inspect Contract / Agreement For
 - # Business Rationale
 - # Terms of Transaction
 - # Accounting & Disclosure of Txn
 - Obtain S+T Audit Evidence that Txns
 - # have been appropriately Authorised & Approved.
 - # Txns conducted at ACP (Arms length Price)

Stage 3:- Reporting Stage :- Framing Opinion

→ Evaluate whether

- RP Relationship / Txn are Appropriately Accounted / Disclosed
- Effects are not Preventing From True & Fair view on FS

UN-MODIFIED OPINION

If Cause the Material Misstatement Qualified / Adverse as per SA-705

General Points:-

- obtain MRL that Management Disclosed All RP Relationship / Transactions.
- Communicate with TCWG Related to all Significant Matters in Relation to RP
- Documentation

SA-560:- Subsequent Events



General Points:-

- obtain SAPE to ensure events which Require Adjustment OR Disclosure in FS have been identified.
- In determining NTE of Audit Procedures, he shall:
 - Understand Management Process to identify Subsequent Events.
 - Inquire Management of the occurrence of Subsequent Events which effect FS.
 - Read Minutes of Management Meetings held after the Date of FS.
 - Read Latest subsequent Interim FS, if any.
 - If auditor identifies any Subsequent Event which Requires adjustment OR Disclosure, Determine whether it is appropriately Disclosed OR Not.

	Facts become known to Auditors after Date of Audit Report but Before Financial Statements are Issued	Facts which become known to Auditor after Financial statements are issued
Common Points:-	<p>(a) After FS have been issued auditor has no obligation.</p> <p>(b) However, if any Fact becomes known to Auditor, had it been known at date of Audit Report, he may have amended the Audit Report, he shall:</p> <ul style="list-style-type: none"> → Discuss with Management & TCWG. → Determine, if FS needs Amendment, if so → Inquire, how Management intends to address the Matter. 	
Management Amend the FS	<ul style="list-style-type: none"> → carry out audit Procedures on Amendment → Extend these procedures to Date of New Audit Report & → Provide a New Audit Report on Amended FS dated, not earlier than Date of Approval of Amended FS 	<ul style="list-style-type: none"> → carry out audit Procedures on Amendment → Extend these procedures to Date of New Audit Report & → Review Steps taken by Management that everyone in Receipt of previously issued FS with AR has been informed by the situation → In New Amended Audit Report includes EOM/OM Para refer to Note in FS discussing Reasons for Amendment in FS & Audit Report.
Management Doesn't Amend The FS	<p>Audit Report not provided to entity</p> <ul style="list-style-type: none"> ↳ Modify opinion as per SA-705 & Provide Audit Report <p>Audit Report provided to entity</p> <ul style="list-style-type: none"> ↳ Notify Management & TCWG to not issue FS to 3rd Parties. <p>If Management still issues FS, Auditor shall take action to prevent Reliance on Audit Report (Obtain legal Action)</p>	<p>Auditor shall Notify Management & TCWG that auditor seeks to prevent Future Reliance on Audit Report</p> <p>If Despite such Notification, Management & TCWG don't take steps, auditor shall take action to prevent Reliance on Audit Report (obtain legal Advice)</p>

SA-570: Going Concern

Step 1: Risk Assessment Procedure & Related Activities

Auditor will consider whether there are event OR conditions which may cast significant doubt on Entity ability to continue as a going concern.

Event / condition OR indicators



The Auditor should ASK Management For Preliminary Assessment of Entity for Going Concern



→ Whether Management Identified any significant event?

→ If Yes, Management Plans to Address them.



→ Auditor's Responsibility

- Evaluate Management Assessment for 12 Months OR If Management did it for less than 12 Months ask Management to extend the Period till 12 Months
- Inquire for Period beyond 12 Months

- How/what basis Management Intended to use Going Concern
- Inquire of Management For Significant Risk.
- Ask Management to Perform it's Assessment

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Audit Procedure when Event OR Conditions Identified

- Auditor should obtain SAAE to Determine whether a Significant Doubt Exist.
- Consider Mitigating factors.
- Ask Management to Perform Risk Assessment
- Evaluate Management Future Plans
- Evaluate Assumptions, Base Data For Management forecast of Future cash Flows
- Request WR for Future Action.

Step 2: Auditor Conclusion In Relation to Financial Statement

- Evaluate SAAE obtained?
- Whether a Material uncertainty Exist?

Situation 1	Situation 2
<p>Disclosure in FS → Condition Identified & Material Uncertainty Exist</p> <p>→ Disclosure in Financial Statement with Management Plans</p> <p>→ Disclose that company may be unable to Realize its Assets & Discharge its Liabilities in the Normal Course of Business</p>	<p>Disclosure in FS → Condition Identified & No Material Uncertainty Exist</p> <p>→ Auditor should check Applicable FRF Requirement & check that Financial Statement Provide Adequate Disclosure about the events OR Conditions</p>

Step 3: Implication in Audit Report

Case 1: Going Concern Accounting is Inappropriate → Adverse Opinion

Case 2: Going Concern Accounting is Appropriate But Material Uncertainty Exist

- Adequate Disclosure Made in FS → # Unmodified Opinion
- Adequate Disclosure Made in FS → # Mention Going Concern Para in Audit Report
- Adequate Disclosure NOT Made in FS → # Qualified/Adverse
- Adequate Disclosure NOT Made in FS → # Basis for Qualified/Adverse opinion

Case 3: Management unwilling to Make Assessment → Implication on Audit Opinion

- General Points:
- Communicate with TCWG
 - Significant Delay in Approving of FS
 - SA-701 Linking
 - Management Responsibility
 - Auditor Responsibility / Objective

SA-580: Written Re-Presentation

why?
 → To Support other Audit Evidence
 → cover all Period of Financial Statements

WR are From Management & TCWG For Matters affecting Financial Statement

↳ E.g.: WR For Going Concern
 WR For Uncorrected Misstatement
 WR For Responsibility of Management

Imp Note: WR Does not include Financial, supporting Documents & Assertions

General Points: (a) WR should be obtain before OR on the Audit Report Date.
 (b) It is just an additional evidence, Not Sufficient & Appropriate Audit Evidence
 (c) It should be addressed to the Auditor.
 (d) For Public Statement → WR not Required

Case study in Exam ← (e) Only WR Never Provide Sufficient & Appropriate Audit Evidence
 (f) If WR inconsistent → Perform Additional Audit Procedure

Exam Quesⁿ: WR Related to Prior Period Item | Specific Assertion

1. Sometimes it may be Appropriate to obtain WR about a specific Assertion in FS during Audit. In such case, it may be necessary to Request an updated WR.
2. WRs are for all Periods referred in Audit Report because Management Needs to Reaffirm that WR it previously made wrt prior periods Remain Appropriate.
3. Auditor & Mgmt may agree to a form of WR that updates WRs Relating to Prior Periods by addressing whether there are any changes to such WRs & if so, what they are.
4. Situation may arise where current Mgmt were not present during all Periods Referred in Audit Report. Such Person may assert that they are not in position to provide some OR all of WRs because they were not in place during prior period.
5. This fact, however, does not diminish such persons Responsibilities for FS as a whole, Accordingly, Requirement for auditor to Request WRs that cover all Relevant Periods still applies.

Auditor Responsibility if WR not provided by Management

- Discuss the Matter with Management
- Re-evaluate the integrity of Management
- Re-evaluate the ROMM
- Effect on other Audit Areas.
- Effect on Audit Report/Opinion