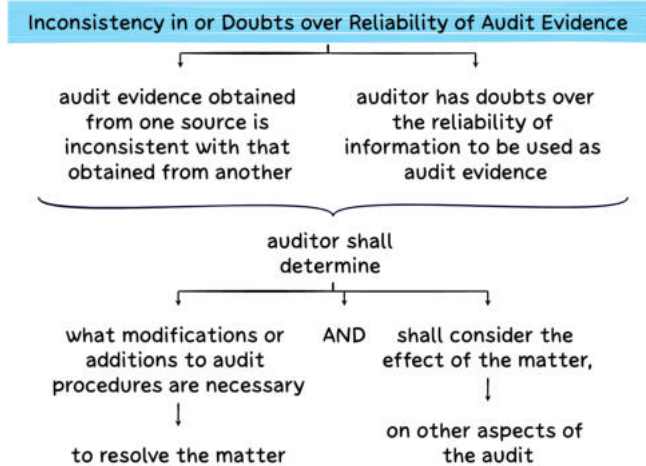


Inquiry

- Seeking information of knowledgeable persons
 - Both financial and non-financial
 - Within the entity or outside the entity
- Used extensively throughout the audit
 - In addition to other audit procedures
- Range from
 - Formal written inquiries
 - Informal oral inquiries
- Responses to inquiries may provide the auditor
 - Information not previously possessed
 - Corroborative audit evidence
 - Information that differs significantly from other information that the auditor has obtained
 - Provide a basis for the auditor to modify or perform additional audit procedures.
 - For example, information regarding the possibility of management override of controls.
- Corroboration
 - Is crucial for inquiry evidence, especially on management intent
 - Plays a crucial role in evaluating the integrity and reliability of the management team
 - Written representations from management or TCWG to confirm oral inquiry responses in certain matters
- Evidence from Inquiry
 - May provide important audit evidence
 - May even produce evidence of a misstatement
 - Does not provide sufficient audit evidence
 - Of the absence of a material misstatement at the assertion level
 - Nor of the operating effectiveness of controls

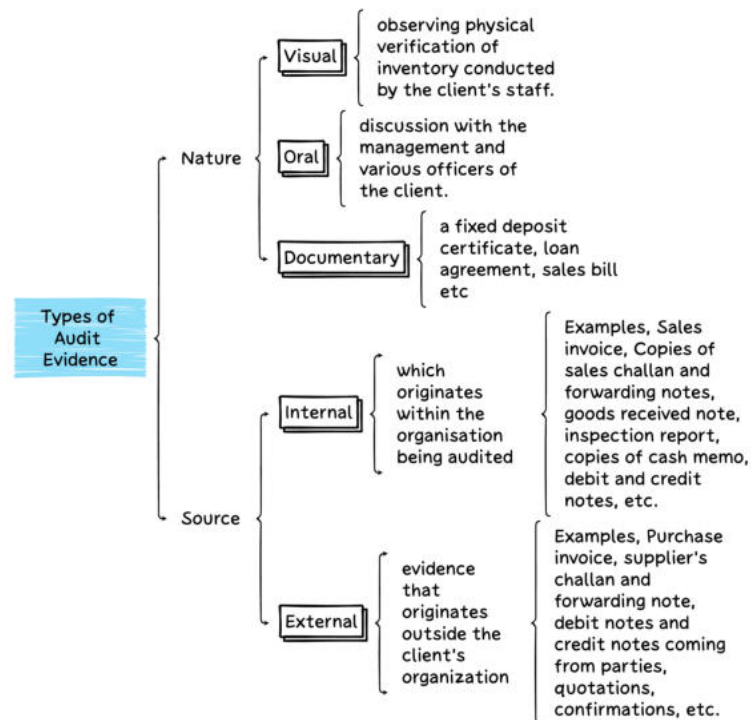
DPQ 📌👉 - CA Kanika audited books of accounts of Engineering Ltd. for the financial year 2022-2023. The auditor used an audit procedure according to which all the documents and records maintained by the company were checked in detail to obtain audit evidence. Explain the audit procedure used by the auditor. Comment on reliability of audit evidence obtained by performing such an audit procedure in some situations. (RTP, May 2024, NA)



This might involve discrepancies between financial records and physical inventory counts, conflicting testimonies from different employees, or doubts about the authenticity of documentation. Modifications – if there's a discrepancy in inventory records, the auditor might conduct a surprise inventory count or examine related purchase and sales records more closely.

Effect on other aspects
if there are doubts about the reliability of cash flow statements, the auditor might need to reassess the risk of material misstatement in other financial areas like receivables and payables.

Manya Textiles is manufacturer of bed sheets, curtain cloths, other handloom items etc. having its plant at Panipat. Auditors SJ & Co. is having doubts over the reliability of information given to him as audit evidence. Also, auditors observed inconsistent information while conducting audit. Guide the auditor as to how they should proceed in the given situation. (RTP, Nov 2022, NA)



External Vs Internal Audit Evidence

- Auditors receive mostly internal evidence; external evidence is also important.
- Internal evidence is controlled by clients, requiring cautious reliance.
- External evidence is more reliable as it comes from third parties.
- If a third party's independence is doubtful (e.g., associated concern invoices), auditors should be vigilant.
- Auditors should match internal and external evidence where possible.
- If external evidence is unavailable, auditors should assess how internal evidence corroborates.