Objective

Our **objective** is to design and perform audit procedures in such a way as to enable us to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base our audit opinion.

[Source: ISA 500.4]

We shall design and perform audit procedures that are appropriate in the circumstances for the purpose of obtaining sufficient appropriate audit evidence.

[Source: ISA 500.6]

**Audit evidence** - Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based. Audit evidence includes both information contained in the accounting records underlying the financial statements and other information. Audit evidence is necessary to support our opinion(s) and the auditors' report(s). It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. Also, information that may be used as audit evidence may have been prepared using the work of a management’s expert.

[Source: ISA 500.A1/ ISA 500.5]
Sufficiency and appropriateness

- **Sufficiency** is the measure of the quantity of audit evidence. The quantity of audit evidence needed is affected by:
  - our assessment of the risks of misstatement (the higher the assessed risks, the more audit evidence is likely to be required), and
  - the quality of such audit evidence (the higher the quality, the less may be required).

  Obtaining more audit evidence, however, may not compensate for its poor quality.

  [Source: ISA 500.5(e), Source: ISA 200.13(b)(i)]

- **Appropriateness** is the measure of the quality of audit evidence; that is, its relevance and its reliability in providing support for the conclusions on which our opinion(s) is/are based. The reliability of audit evidence is influenced by its source and by its nature, and is dependent on the individual circumstances under which it is obtained.

  [Source: ISA 500.A5, ISA 200.A30, Source: ISA 500.5(b), Source: ISA 200.13(b)(ii)]
Sources of audit evidence

Most of our work in forming our opinion(s) consists of obtaining and evaluating audit evidence. [Source: ISA 500.A2]

Some audit evidence is obtained by performing audit procedures to test the accounting records, for example, through analysis and review, re-performing procedures followed in the financial reporting process, and reconciling related types and applications of the same information. Through the performance of such audit procedures, we may determine that the accounting records are internally consistent and agree to the financial statements. [ISA 500.A7]

More assurance is ordinarily obtained from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually. [ISA 500.A8]

Information from sources independent of the entity that we may use as audit evidence may include confirmations from third parties, analysts’ reports, and comparable data about competitors (benchmarking data). [ISA 500.A9]

- External evidence is more reliable than internal
- Written evidence is more reliable than oral
- Originals are more reliable than copies
Assertions

- Completeness
- Existence (balance sheet) and Occurrence (income statement)
- Accuracy (Classification and Allocation)
- Valuation
- Obligations and rights
- Presentation and disclosure
Audit procedures for obtaining audit evidence

- Inspection
- Observation
- External confirmation
- Recalculation
- Reperformance
- Analytical procedures
- Inquiry
Relevance and reliability of audit evidence

When designing and performing audit procedures, we shall consider the relevance and reliability of the information to be used as audit evidence. [ISA 500.7]

Relevance deals with the logical connection with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. The relevance of information to be used as audit evidence may be affected by the direction and timing of testing. [Source: ISA 500.A27]

A given set of audit procedures may provide audit evidence that is relevant to certain assertions, but not others. [Source: ISA 500.A28]

The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant. Therefore, generalizations about the reliability of various kinds of audit evidence are subject to important exceptions. Even when information to be used as audit evidence is obtained from sources external to the entity, circumstances may exist that could affect its reliability. [Source: ISA 500.A31]
Conclusions on sufficient appropriate audit evidence

Whether sufficient appropriate audit evidence has been obtained to reduce audit risk to an acceptably low level, and thereby enable us to draw reasonable conclusions on which to base our opinion, is a matter of professional judgment. [Source: ISA 500.A6]
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