	Appendix 6 - Sample Substantive Testing Procedures	1.1
/N	Financial statement line	Link
1	Dronarty, plant and aguinment	PP&E'
	Property, plant and equipment Investment	
		Investment
	Inventory and work-in-progress (WIP) Cash and cash equivalents	Inventory and WIP' Cash and Cash equivalents'
	·	Equity
	Equity Borrowings	Borrowings
	Receivables	Receivables
	Payable and accruals	Payable and accruals'
	Taxation	Taxation
	Revenue	
		Revenue
	Operating expenses Payroll	Opex Payroll
	•	Journal entries'!A1
	Journal entries testing Use of experts	Use of expert'!A1
14	Ose of experts	OSE OF EXPERT IAT
	ISA Guidance	
	ISA 540 - Auditing Accounting Estimates	ISA 540'!A1
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information	IAS 720'!A1
2	ISA 540 - Auditing Accounting Estimates	
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count)	IAS 720'!A1 ISA 501'!A1
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information	IAS 720'!A1
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count)	IAS 720'!A1 ISA 501'!A1
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions	IAS 720'!A1 ISA 501'!A1 Abbreviations
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy	IAS 720'!A1 ISA 501'!A1 Abbreviations A
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy Completeness	IAS 720'!A1 ISA 501'!A1 Abbreviations A C
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy Completeness Cut off	IAS 720'!A1 ISA 501'!A1 Abbreviations A C C CO
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy Completeness Cut off Existence	IAS 720'!A1 ISA 501'!A1 Abbreviations A C C CO E
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy Completeness Cut off Existence Occurrence	IAS 720'!A1 ISA 501'!A1 Abbreviations A C C CO E O
2	ISA 540 - Auditing Accounting Estimates ISA 720 - Auditors responsibility relating to other information ISA 501 - Additional considerations for specific items (Inventory count) ISA Financial Statement Assertions Accuracy Completeness Cut off Existence Occurrence Classification	IAS 720'!A1

	OBJECTIVES									
The objective is to obtain sufficient and appro	priate audit evidence over relevant assertions for Property, Plant and Equipment, through	gh sub	stantiv	es proc	edures.		'		1	1
Substantive procedures are planned to obtain	audit evidence over the relevant assertions for the financial statements line item or acc	ount g	group.							
	PROCEDURES					Asserti	ons	·		
1. General		Α	С	СО	E	0	Cl	Р	R&O	V&A
	Obtain the fixed assets movement schedule, and agree opening balance to prior year									
Decemble the fived accets register to the	working paper and closing balance to the general ledger.	٧	٧							
Reconcile the fixed assets register to the	Test the mathematical accuracy of the fixed assets movement schedule.	٧	٧							
general ledger	Obtain the fixed assets register, and agree cost, accumulated depreciation and net									
	book values to the fixed assets movement schedule.		٧							
	Examine the fixed assets register for unusual entries, such as credit balances, fully									
	depreciated assets, non-capital items and capitalized borrowings.	٧			V		V			
2. Test of additions and disposals during the										
year										
	Obtain detailed listing of additions to property, plant and equipment, and agree the									
	detailed listing to the fixed assets movement schedule.	٧	٧							
	Select samples of material additions during the year and vouch to supporting									
	documents - approved PO, delivery note, vendor invoice, payment records.	٧	٧	٧	V		٧	٧	٧	٧
Test addition and disposal of property, plant	Test material disposals during the year and vouch to supporting documents -									
and equipment	approved for disposal, invoice, payment records.	٧	٧							
	Other procedures (optional)									
	Check for additions meant for replacement, and determine if the replaced assets									
	should be impaired									٧
	Perform physical verification of the assets added				٧					
3. Test depreciation expense for the year										
	Obtain the depreciation expense computation for the year and confirm accuracy of									
Test depreciation charge for the year	the charge.	٧				٧				
	Consider substantive analytical procedures for test of depreciation, as an alternative									
	test.	٧	٧			٧				
4. Test impairment assessment for PP&E										

	Identify whether events occurred or circumstances exist with the entity, it's industry							
	or the economy indicating that the carrying value of PP&E may be impaired. Some							
	factors may include:							
	- Decline in value of assets that is greater than expected as a result of passage of time							
	or usage.							
	- Significant adverse change in technology, market, economy or legal environment							
	impacting the entity.							
	- Changes in market interest rate that would significantly affect the discount rate used							
	in the impairment analysis.							
	- Net assets exceed market capitalization							
Review and test management assessment for	- Actual and forecast net cash outflows or operating profit or loss that is significantly							
impairment of assets.	higher than expected.	٧						٧
5. Other procedures								
	Verify accuracy of the information to be disclosed on the financial statements,							
	including corresponding figures.					٧		
Additional procedures for test of property,	Test borrowing costs capitalized	٧		٧				
plant and equipment	Perform physical verification for assets	٧		٧			٧	
	Understand accounting policies for property, plant and equipment and determine that							
	it is in line with IFRS (or applicable framework).					٧		

	OBJECTIVES									
The objective is to obtain sufficient and	appropriate audit evidence over relevant assertions for Investment, through substan	tives pr	ocedure	?S.						
Substantive procedures are planned to	obtain audit evidence over the relevant assertions for the financial statements line ite	em or a	ccount g	roup.						
	PROCEDURES					Assert				
1. General		Α	С	СО	E	0	CI	Р	R&O	V&A
Reconcile the detailed listing of	Obtain detailed listing of investments and agree the balance to the general ledger.		v							
investment to the general ledger	Test the mathematical accuracy of the detailed listing of investments.	V	V							_
	rest the mathematical accuracy of the detailed listing of investments.	V	V							+
2. Test individual investments										
	Obtain the movement schedule of investment for the year, including additions and									
	disposals, and test mathematical accuracy of the schedule.		٧							
Test addition and disposal of property,	Test investments held as at year end to appropriate supporting documents -									
	Approval to purchase/dispose, investment certificates, Board resolutions among									
plant and equipment	others.	٧	٧	٧	٧				٧	
	Confirm investments from the 'investee' entities.	V	٧	٧	V				٧	
	Test valuation of investments in line IFRS (or applicable reporting framework)									
3. Other procedures										
	Test investments for impairment. (see IAS 36 for impairment indicators)							٧		
Additional procedures for test of	Verify accuracy of the information to be disclosed on the financial statements,									
investment	including corresponding figures.							٧		
mvestment	Understand accounting policies for investments and determine that it is in line with									
	IFRS (or applicable reporting framework).							٧		

	OBJECTIVES									
The objective is to obtain sufficient	and appropriate audit evidence over relevant assertions for inventory, throu	gh subs	tantives	procedu	res.					
Substantive procedures are planne	d to obtain audit evidence over the relevant assertions for the financial states	ments li	ne item	or accou	nt group					
	PROCEDURES					Asser	tions			
1. General		Α	С	СО	E	0	CI	Р	R&O	V&A
	Obtain detailed listing of inventory and work-in-progress and agree the									
Reconcile the detailed listing of	balance to the general ledger.		٧							
inventory to the general ledger	Test the mathematical accuracy of the detailed listing of inventory and									
	work-in-progress.	٧	٧							
3. Dlaw and assess to the costs										
2. Plan and execute inventory cou	Plan to attend year end inventory count, select locations with material									
	inventory balances to attend the stock taking exercise.		V		v				v	
Dian to attend and absorbe invente					•				•	
Plan to attend and observe invento	valuation and accuracy of inventory balance.		V		V				v	V
count	Perform sample count, using appropriate sample size.		V		V				V	V
	Evaluate appropriateness and sufficiency of stock count results.	٧	V	V	V		V		V	V
<u> </u>	Evaluate appropriateriess and sufficiency of stock count results.	V	\ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \ \		•		V			V
3. Test inventory balance in the										
general ledger										
Perform other substantive										
procedures on inventory balance	Test that the count results have been updated in the general ledger.		٧		√					
	Test inventory pricing and confirm that it is line with IFRS (or applicable									
	framework).									V
	Test measurement of inventory at lower of cost or net realisable values									٧
4. Other procedures										
4. Other procedures	Verify accuracy of the information to be disclosed on the financial									
	statements, including corresponding figures.							V		
	Understand accounting policies for inventory and WIP and determine that							V		
	it is in line with IFRS (or applicable framework).	-						V		
	it is in time with IFNS (of applicable Halliework).							V		

										T
	OBJECTIVES									-
The objective is to obtain sufficient and appro	priate audit evidence over relevant assertions for cash and cash equivale	ents, thr	ough s	ubstanti	ves pro	cedures.				
Substantive procedures are planned to obtain	audit evidence over the relevant assertions for the financial statements	line ite	m or ac	count g	roup.				1	
	PROCEDURES					Assertic	\\			
1. General	PROCEDURES	Α	С	СО	E	O	Cl	P	R&O	V&A
1. General	Obtain detailed listing of cash and cash equivalents and agree the	^					Ci	<u> </u>	NGO	VQA
Reconcile the detailed listing of cash and cash			V							
equivalents to the general ledger	Test the mathematical accuracy of the detailed listing of cash and cash		•							
equivalents to the general leager	equivalents.	v	٧							
	in the second se									
2. Test bank reconciliation statements										
	Obtain bank reconciliation statements for all bank accounts operated									
	by the entity, agree book balances to the general ledger and agree									
Test bank reconciliation statements	bank balances to the bank statement.		٧	٧	V				٧	
	Test material reconciling items for existence, accuracy and cut off									
	assertions.			٧	٧				٧	
3. Confirm bank balances and other banking										
relationships										
Send out confirmations directly to banks and	Confirm bank account balances and other banking relationships with									
other financial institutions where the client	financial institutions. (loans, guarantees, deposits and investments,									
has banking relationship.	liens etc.)	٧	٧	√	٧		٧		٧	V
	Determine the authenticity and reliability of confirmations responses									
	received. Obtain direct hard paper responses directly from banks.				٧					
4. Other procedures										
4. Other procedures	Verify accuracy of the information to be disclosed on the financial									+
	statements, including corresponding figures.							V		
	and the state of t									-
	Understand accounting policies for cash and cash equivalents and									
	determine that it is in line with IFRS (or applicable framework).							V		
	and the state of t									
	Test translation of cash and cash equivalents in foreign currency.									v
	Test financial condition of financial institutions/depositories for credit									+
	risk purposes.							V		
	- P. P. 2222	1	1							

										\top
	OBJECTIVES									
The objective is to obtain sufficient	and appropriate audit evidence over relevant assertions for equity, through substantives	proced	dures.	1				'		
Cubatantiva proceduras are planno	d to obtain audit avidance avay the relevant assertions for the financial statements line its			t arour						
Substantive procedures are planne	d to obtain audit evidence over the relevant assertions for the financial statements line ite			t group). 					T
										+
	PROCEDURES		I			Asserti	ons			
1. General		Α	С	СО	E	0	CI	Р	R&O	V&A
	Obtain equity reconciliation, and agree beginning balances to the prior year audited									
Obtain equity reconciliation	closing balance, and agree the closing balance to the general ledger.		٧							
	Test the mathematical accuracy of the equity reconciliation	٧	٧							
2. Test movement in equity										
Tost shanges in equity assemble	Test additions to share capital		٧							
Test changes in equity accounts	Test reconciling items from retained earnings reconciliations.		٧							
4. Other procedures										-
	Verify accuracy of the information to be disclosed on the financial statements,									
	including corresponding figures.							٧		
	Understand accounting policies for equity and determine that it is in line with IFRS (or									
	applicable framework).							٧		

	OBJECTIVES									
The objective is to obtain sufficient and	appropriate audit evidence over relevant assertions for borrowings, through substantives i	proced	lures.	•						
Substantive procedures are planned to o	btain audit evidence over the relevant assertions for the financial statements line item or	accou	nt gro	up.						
	PROCEDURES		_			Assert	ions			
1. General		Α	С	СО	E	0	CI	P	R&O	V&A
Reconcile the movement schedule of	Obtain the movement schedule of borrowing and agree the opening balance to prior									
borrowing to the general ledger	year working papers and the closing balance to the general ledger.		٧							
borrowing to the general leager	Test the mathematical accuracy of the movement schedule of borrowing.	٧	٧							
	<u> </u>									
2. Test the movement schedule for bor										
Test additions, repayments and other	Test additional borrowing or further drawdowns during the year		٧		٧					
adjustment to borrowings	Test repayments of capital and interest during the year	٧	٧		٧					
adjustment to somowings	Test any other adjustments made during the year to borrowings		٧							
3. Test borrowings at amortised cost										
Test measurement of borrowings at										
amortised cost, using the effective	Recompute the loan balance and interest for the period based on the effective interest									
interest rate method	rate (EIR).	٧	٧		٧		V			٧
4. Other procedures										
4. Other procedures	Verify accuracy of the information to be disclosed on the financial statements,			1						
	including corresponding figures.							V		
	Understand accounting policies for borrowings and determine that it is in line with IFRS							•		
	(or applicable framework).							٧		
	Test translation of borrowings in foreign currency.									٧
	Confirm borrowings from banks, other financial institutions and any other									
	counterparty.		٧	٧	٧				٧	

	OBJECTIVES									
The objective is to obtain sufficient and appropriate	audit evidence over relevant assertions for trade and other receivables, through su	bstan	tives p	roced	ures	•	·			
Substantive procedures are planned to obtain audit	evidence over the relevant assertions for the financial statements line item or account	unt gr	oup.		1					
_										
	PROCEDURES					Asserti	ions			
1. General		Α	С	CO	E	0	Cl	P	R&O	V&A
	Obtain detailed listing of trade and other receivables and agree the balance to the general ledger.		٧							
Reconcile the detailed listing of trade and other receivables to the general ledger	Obtain schedule of outstanding trade and other receivables and agree balances to the general ledger.		v							
	Test the mathematical accuracy of the detailed listing of trade and other receivables.	٧	v							· · · · · · · · · · · · · · · · · · ·
2. Test material trade and other receivables										
	Test material trade and other receivables balances to appropriate supporting									
Select material trade and other receivables and test										i
for completeness, existence, accuracy and cut off	invoices).	v	v	٧	V	,	v		٧	v
.o. completeness, existence, accuracy and cut on	Confirm trade and other receivables balances from the debtors.	٧	٧	٠ ٧	٠ ٧		٧		٧	٧
3. Test for impairment of trade and other receivabl	es									
Access recoverability of trade and other receivables	Review impairment triggers that may be applicable the client	٧								٧
	Test management's impairment schedule for completeness and accuracy.	٧	٧							٧
4. Other procedures										
	Verify accuracy of the information to be disclosed on the financial statements,							_,		
								٧		
								v		ì
	Verify accuracy of the information to be disclosed on the financial statements, including corresponding figures. Understand accounting policies for trade and other receivables and determine that it is in line with IFRS (or applicable framework).							√ √		

	OBJECTIVES									
The objective is to obtain sufficient and appropr	iate audit evidence over relevant assertions for payable and accruals, through substanti	ves p	roced	ures.						
Substantive procedures are planned to obtain au	udit evidence over the relevant assertions for the financial statements line item or account $^{ op}$	unt g	roup.							
<u> </u>	PROCEDURES					A	•			
4. Canada	PROCEDURES					Assert		P	50.0	\
1. General	Obtain datailed listing of consultanced consultanced consultance to the below of the	Α	С	СО	E	0	Cl	Р	R&O	V&A
	Obtain detailed listing of payable and accruals and agree the balance to the general		١,							
Reconcile the detailed listing of payable and	ledger.		٧							
accruals to the general ledger	Obtain schedule of outstanding payables and accruals made for the period and agree		_							
	balances to the general ledger.		٧							
	Test the mathematical accuracy of the detailed listing of payable and accruals.	٧	٧							
2. Test material payable and accruals										
Select material payable and accruals and test for	Test material payable balances to appropriate supporting documents (e.g. vendor invoices).	V	V	v		,	V		v	V
completeness, existence, accuracy and cut off	Test the basis for period end accruals to determine existence and completeness of									
	accruals.	٧	٧	٧	١	,	٧		٧	٧
4. Other procedures										
•	Verify accuracy of the information to be disclosed on the financial statements,									
	including corresponding figures.							٧		
	Understand accounting policies for payable and accruals and determine that it is in									
	line with IFRS (or applicable framework).							٧		
	Perform a search for unrecorded liability, using subsequent payment records, unpaid									
	invoices and knowledge of client business.		٧	٧						

	OBJECTIVES									
The objective is to obtain sufficient and appro	priate audit evidence over relevant assertions for tax expense and liability, through su	ıbstar	ntives p	roceo	dures.				•	
Substantive procedures are planned to obtain	audit evidence over the relevant assertions for the financial statements line item or a	ccour	nt grou	ıp.						
	PROCEDURES		·	·		Asserti	ons			
1. General		Α	С	CO	E	0	Cl	P R8	ko v	/&A
Reconcile the movement schedule of tax	Obtain the movement schedule of tax liability and agree the opening balance to									
liability and agree the balance to the general	prior year working papers and the closing balance to the general ledger.		٧							
ledger	Test the mathematical accuracy of the movement schedule of tax liability.	٧	٧							
2. Test tax expense for the year										
Test current and deferred tax charge for the	Obtain tax computation for the year and review the tax computation based on the									
year	audit of the financial statements and applicable tax laws		V			٧	V			
	Review the deferred tax computation for the year.		٧			٧	٧			
3. Test tax payments and tax credits										
Review payment details for tax paid during the										
period	Obtain tax payment certificates/receipts for taxes paid during the period.	٧	٧							
	Obtain support document for any tax credits during the period		٧		٧					
4. Other procedures										
	Verify accuracy of the information to be disclosed on the financial statements,									
	including corresponding figures.							٧		
	Understand accounting policies for current and deferred taxes and determine that									
	it is in line with IFRS (or applicable framework).							V		
	Verify that any deferred assets recognised are recoverable.				٧			٧		٧

	OBJECTIVES									
The objective is to obtain sufficient and approp	riate audit evidence over relevant assertions for revenue earned, through substantives	proced	lures.							
Substantive procedures are planned to obtain a	audit evidence over the relevant assertions for the financial statements line item or acco	ount gr	oup.							
										<u> </u>
	PROCEDURES				Α	ssertic	ns			
1. General		Α	С	CO	E	0	Cl	P	R&O	V&A
	Obtain detailed listing of revenue and agree to the amount per the general ledger		٧							
Reconcile detailed listing of revenue earned to	Agree client detailed analysis to the GL	٧	٧							
the general ledger	Where material reconciling items are noted; investigate and determine adjustments									
	were deemed necessary		٧							l
2. Test revenue earned for the period										
	Recompute revenue earned for the period through substantive analytical procedures									I
Agree revenue inputs price and quantity and	by determine an independent expectation of quantity and price of items sold.	٧	٧			٧				l
ascertain revenue for the year.	Select samples of revenue transactions during period and test to appropriate									
	supporting documents e.g. customers' acknowledged invoices.	٧	٧	٧		√	٧			٧
	Test that revenue recognition is in line with applicable framework (e.g. IFRS)	٧	٧	٧		٧	٧			٧
										ļ
3. Test Cut off										
										I
	Obtain listing of all invoices issued over a defined period prior and post year end									I
	*The defined period will be based on the auditor's opinion informed by the entity's									l
	invoicing processes and the assessed risk of material misstatement.		٧	٧		٧	٧			
	Agree this to bill of lading/ shipping documents and determine if risk and rewards									l
	relating to the sale has passed to the buyer		٧			٧	٧			
										
4. Other procedures										
	Agree the basis of any sales discount to agreements/contracts/minutes of meetings									i
	etc.					٧				
Consider other variables which may affect	Verify accuracy of the information to be disclosed on the financial statements,									İ
revenue and test as deemed appropriate	including corresponding figures.		-					٧		
	Understand accounting policies for revenue and determine that it is in line with IFRS									İ
	(or applicable framework).							٧		
	Trace revenue proceeds to the bank statement	٧	٧			٧				٧

	OBJECTIVES									
The objective is to obtain sufficient and appropriate of the control of the contr	priate audit evidence over relevant assertions for operating expenses, through s	ubstar	ntives p	rocedu	ires.					
Substantive procedures are planned to obtain	audit evidence over the relevant assertions for the financial statements line iter	n or a	ccount	group.						
	PROCEDURES					Assertio	ons			
1. General		Α	С	СО	E	0	Cl	Р	R&O	V&A
	Obtain detailed listing of operating expenses and agree the balance to the									
Reconcile detailed listing of operating	general ledger.		٧							
expenses to the general ledger										
	Test the mathematical accuracy of the detailed listing of operating expenses.	٧	٧							
2. Test operating expenses for the period										
	Select samples of operating expenses transactions during period and test to									
Agree operating expenses to supplier invoices	appropriate supporting documents e.g. suppliers' invoices.	٧	٧	٧		٧	٧			٧
Agree operating expenses to supplier invoices	Test approvals and authority to incur expense based on the client's									
	procedures.		٧			٧				
3. Other procedures										
3. Other procedures	Verify accuracy of the information to be disclosed on the financial statements,									
	including corresponding figures.							V		
	Understand accounting policies for operating expenses and determine that it									
	is in line with IFRS (or applicable framework).							V		
	Trace operating expenses to the bank statements		V	V		V				

	OBJECTIVES											
The objective is to obtain sufficient and ap	propriate audit evidence over relevant assertions for payroll costs, through substant	tives pro	cedur	es.	·							
Substantive procedures are planned to obt	ain audit evidence over the relevant assertions for the financial statements line iten	n or acc	ount g	roup.								
	PROCEDURES					Asserti						
1. General		Α	С	СО	E	0	Cl	Р	R&O	V&A		
Agree the payroll schedule to the general	Obtain the payroll schedule and agree the balance to the general ledger.		٧									
ledger	Test the mathematical accuracy of the payroll schedule	٧	٧									
2. Test payroll costs												
	Agree payroll schedule details to employee emoluments based on employment											
T	contracts for selected employees.	٧	٧				٧					
Test payroll costs for the period	Test payroll deduction by recomputation, and test timely remittance of payroll											
	deductions.	٧	٧									
3. Other procedures												
er e uner preceduires	Verify accuracy of the information to be disclosed on the financial statements,											
	including corresponding figures.							٧				
	Understand accounting policies for operating expenses and determine that it is in											
	line with IFRS (or applicable framework).							٧				

										T
	OBJECTIVES									
The objective is to obtain sufficient and appropr	iate audit evidence over relevant assertions for fraud risk on the engagement.	•	•	•		·				
Substantive procedures are planned to obtain a	udit evidence over journal entries, transactions outside the normal cause of busine	ss and	accoui	nting e	stima	tes.				
	PROCEDURES	Assertions								
1. General		Α	С	СО	Е	0	CI	Р	R&O	V&A
Test completeness of journals entries for the period	Obtain record of all journals posted during the period		٧							
	Test completeness of journal entries posted during the year		٧							
	Test any variances noted from journal entries.		٧			٧				
2. Select unusual journal entries for testing										+
Define a risk based creteria for usual journal	Extract a sample of usual journal entries and test those journals for the risk of									
entries and test for the risk of fraud.	fraud.	٧	٧			٧	٧		٧	٧
3. Other procedures										
	Review trasanctions outside the normal course of business.					٧	٧			٧

	OBJECTIVES								
The objective is to obtain sufficient and appropriat	e audit evidence over the work of an expert.		'						
Substantive procedures are planned to obtain aud	it evidence over the competence, relevance and appropriateness of work done b	y an e	xpert.						
	PROCEDURES	Assertions							
1. General		Α	С	CO	E	0	CI	P R&C	V&A
	Review the knowledge, experience and expertise of the expert.	٧							
	Test basic data used as input by the expert.	٧	٧	٧				٧	
Review the knowledge, experience and expertise									
of the expert	Access the reasonableness of the expert's results in the context of the audit.	٧							
	Inquire/meet with the expert to gain understanding of work done		٧		٧	٧			٧
	Determine sufficiency of work done by the expert, as audit evidence.		٧						

Excerpts of ISA 540: Auditing accounting estimates including fair value accounting estimates and related disclosures.

In responding to the assessed risks of material misstatement, as required by ISA 330,6 the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate: (Ref: Para. A59–A61) (a) Determine whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate. (Ref: Para. A62–A67) (b) Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: (Ref: Para. A68–A70) (i) The method of measurement used is appropriate in the circumstances; and (Ref: Para. A71–A76)

The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (Ref: Para. A77–A83)

ISA 540: Auditing accounting estimates including fair value accounting estimates and related disclosures.

In responding to the assessed risks of material misstatement, as required by ISA 330,6 the auditor shall undertake one or more of the following, taking account of the nature of the accounting estimate: (Ref: Para. A59–A61)

- (a) Determine whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate. (Ref: Para. A62–A67)
- (b) Test how management made the accounting estimate and the data on which it is based. In doing so, the auditor shall evaluate whether: (Ref: Para. A68–A70)
- (i) The method of measurement used is appropriate in the circumstances; and (Ref: Para. A71–A76)
- (ii) The assumptions used by management are reasonable in light of the measurement objectives of the applicable financial reporting framework. (Ref: Para. A77–A83)

Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures. (Ref: Para. A84–A86)

Develop a point estimate or a range to evaluate management's point estimate. For this purpose: (Ref: Para. A87–A91)

- (i) If the auditor uses assumptions or methods that differ from management's, the auditor shall obtain an understanding of management's assumptions or methods sufficient to establish that the auditor's point estimate or range takes into account relevant variables and to evaluate any significant differences from management's point estimate. (Ref: Para. A92)
- (ii) If the auditor concludes that it is appropriate to use a range, the auditor shall narrow the range, based on audit evidence available, until all outcomes within the range are considered reasonable.

In determining the matters identified in paragraph 12 or in responding to the assessed risks of material misstatement in accordance with paragraph 13, the auditor shall consider whether specialized skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain sufficient appropriate audit evidence. (Ref: Para. A96–A101

Excerpts of ISA 720 - Auditors responsibility relating to other information

The auditor shall read the other information to identify material inconsistencies, if any, with the audited financial statements.

The auditor shall make appropriate arrangements with management or those charged with governance to obtain the other information prior to the date of the auditor's report. If it is not possible to obtain all the other information prior to the date of the auditor's report, the auditor shall read such other information as soon as practicable. (Ref: Para. A5)

Material inconsistencies

If, on reading the other information, the auditor identifies a material inconsistency, the auditor shall determine whether the audited financial statements or the other information needs to be revised.

If revision of the audited financial statements is necessary and management refuses to make the revision, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705

If revision of the other information is necessary and management refuses to make the revision, the auditor shall communicate this matter to those charged with governance, unless all of those charged with governance are involved in managing the entity; and

- (a) Include in the auditor's report an Other Matter paragraph describing the material inconsistency in accordance with ISA 706:4
- (b) Withhold the auditor's report; or

If revision of the audited financial statements is necessary, the auditor shall follow the relevant requirements in ISA 560.5

If revision of the other information is necessary and management agrees to make the revision, the auditor shall carry out the procedures necessary under the circumstances. (Ref: Para. A8)

If revision of the other information is necessary, but management refuses to make the revision, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A9)

Material misstatements of fact

- If, on reading the other information for the purpose of identifying material inconsistencies, the auditor becomes aware of an apparent material misstatement of fact, the auditor shall discuss the matter with management. (Ref: Para. A10)
- If, following such discussions, the auditor still considers that there is an apparent material misstatement of fact, the auditor shall request management to consult with a qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.

If the auditor concludes that there is a material misstatement of fact in the other information which management refuses to correct, the auditor shall notify those charged with governance, unless all of those charged with governance are involved in managing the entity, of the auditor's concern regarding the other information and take any further appropriate action. (Ref: Para. A11)

Excerpts of ISA 501: Additional considerations for specific items

If inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:

- (a) Attendance at physical inventory counting, unless impracticable, to: (Ref:Para. A1-A3)
- (i) Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting; (Ref: Para. A4)
- (ii) Observe the performance of management's count procedures; (Ref: Para. A5)
- (iii) Inspect the inventory; and (Ref: Para. A6)
- (iv) Perform test counts; and (Ref: Para. A7–A8)
- (b) Performing audit procedures over the entity's final inventory records to determine whether they accurately reflect actual inventory count results.

If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9–A11)

If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.

If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with ISA 705.3 (Ref: Para. A12–A14)

If inventory under the custody and control of a third party is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of that inventory by performing one or both of the following:

- (a) Request confirmation from the third party as to the quantities and condition of inventory held on behalf of the entity. (Ref: Para. A15)
- (b) Perform inspection or other audit procedures appropriate in the circumstances. (Ref: Para. A16)