

[www.pwc.com/cz](http://www.pwc.com/cz)

# *Audit Evidence*

26 October 2017

Petr Mališ  
Petr Blažek

**pwc**

# *Agenda*



*Theory*

---

*Actual audit approaches*

---

*Questions*

---

# *Theory on audit evidence*

---

## *Main objective*

The main task of an auditor is to form an audit opinion. This opinion needs to be based on **sufficient and appropriate** evidence, not only based on judgement and good feeling.

**Financial statements are complex documents consisting typically of:**

- Income statement;
- Statement of financial position;
- Cash flow statement;
- Notes.

---

## *Nature of evidence*

**How much** evidence does the auditor need depends on:

- The **risk** of material misstatement
- The **quality** of the evidence obtained
- The **purpose** of the procedure (test of controls or substantive test)

‘The objective of the auditor is to design and perform audit procedures in such a way to enable the auditor to obtain **sufficient appropriate audit evidence** to be able to draw reasonable conclusions on which to base the auditor’s opinion.’

---

# *Sufficient versus Appropriate*

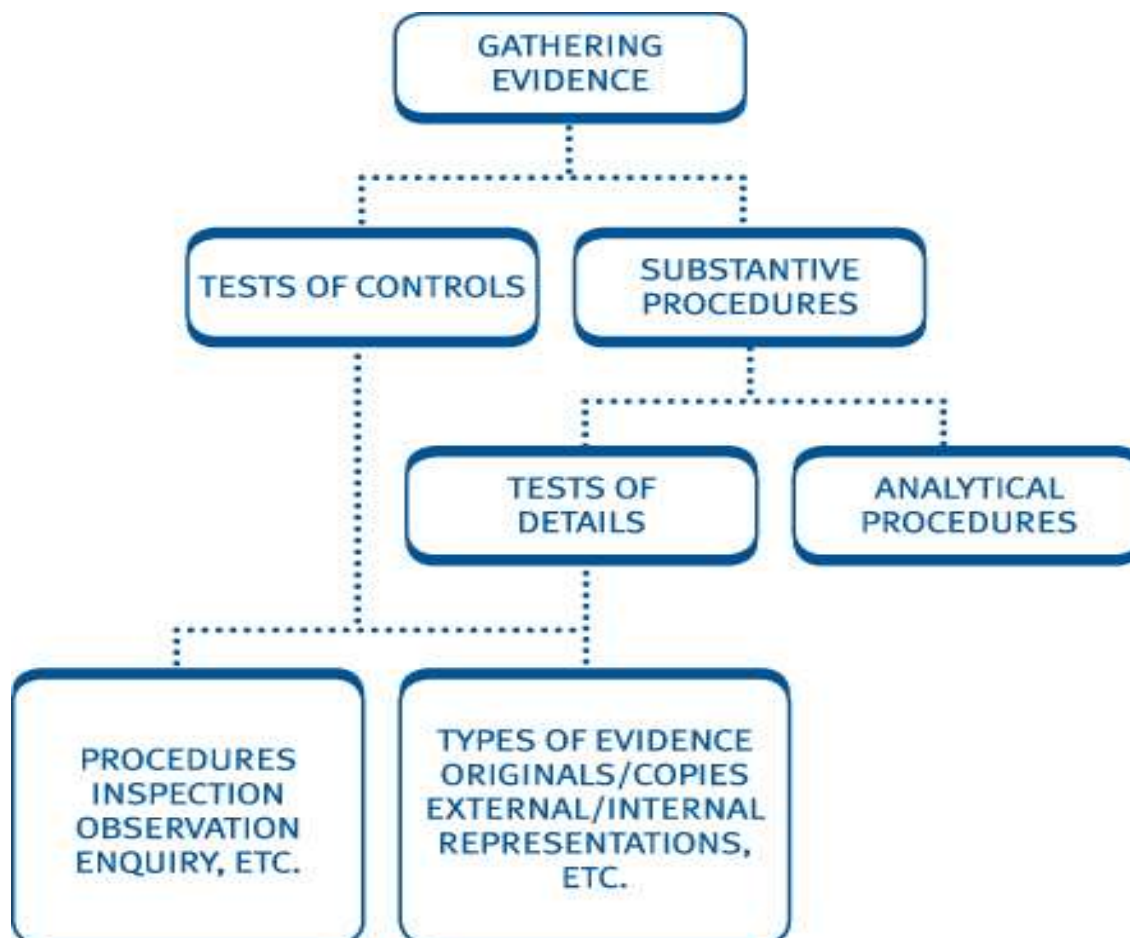
## **Sufficient**

There needs to be **‘enough’** evidence to support the auditor’s conclusion. **What is ‘enough’ is a matter of professional judgement.**

## **Appropriate**

- Reliability
- Relevance

# *Evidence tree*



---

## *Control vs Substantive evidence*

**For material areas some substantive testing needs to be carried out always.**

**The auditor may rely solely on substantive testing.**



---

# *Type of audit procedures*

## **Types of audit procedures**

- Reperformance
- Analytical procedures
- Confirmation
- Inspection of documents
- Inspection of tangible assets
- Observation
- Recalculation
- Enquiry

# *Actual audit approaches 1/2*

---

**Agree detail to general ledger**

**Fluctuation analysis**

**Confirmations**

**Receivables**

---



**CASH**

***Confirmations***

---

# *Equity*

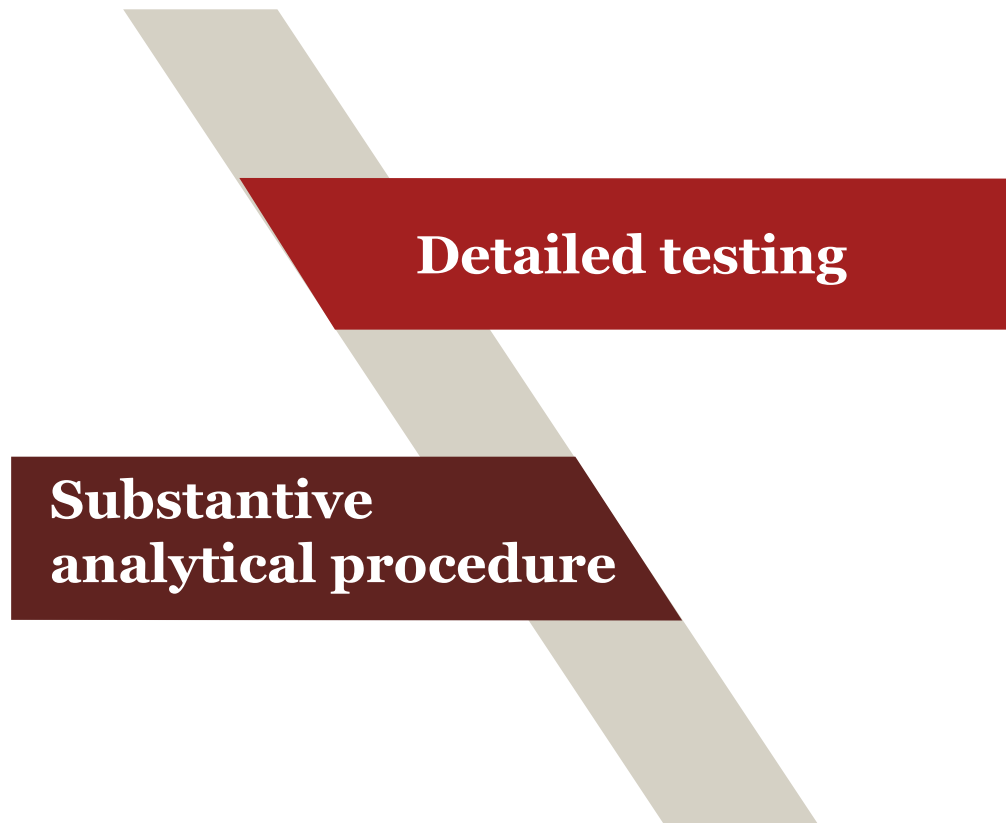
*Agree share capital to commercial register*

*General meeting agreement on distribution of profit/loss*

*Movement table*

---

## ***Cost of Sales, Operating costs***



---



**PAYROLL  
COSTS**

*Substantive analytical procedure*

# *Questions*



---

# *Thank you for your attention.*

## **Contacts:**

**Petr Malíš** > [p.malis@pwc.com](mailto:p.malis@pwc.com)

**Petr Blažek** > [petr.blazek@pwc.com](mailto:petr.blazek@pwc.com)

This publication has been prepared for general guidance on matters of interest only, and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers Audit, s.r.o., its members, employees and agents do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

© 2017 PricewaterhouseCoopers Audit, s.r.o. All rights reserved. "PwC" is the brand under which member firms of PricewaterhouseCoopers International Limited (PwCIL) operate and provide services. Together, these firms form the PwC network. Each firm in the network is a separate legal entity and does not act as agent of PwCIL or any other member firm. PwCIL does not provide any services to clients. PwCIL is not responsible or liable for the acts or omissions of any of its member firms nor can it control the exercise of their professional judgment or bind them in any way.