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## Description of content of ISSAI 1501

### *Audit Evidence – Specific Considerations for Selected Items*

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1501 is comprised of International Standard on Audit (ISA) 501 – Audit Evidence – Specific Considerations for Selected Items, and a corresponding Practice Note. The ISA and the Practice Note are read together.

### *Authority*

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

### *Description of the ISA*

ISA 501 deals with specific considerations by the auditor in obtaining sufficient appropriate audit evidence in accordance with ISA 330<sup>1</sup>, ISA 500<sup>2</sup> and other relevant ISAs, with respect to certain aspects of inventory, litigation and claims involving the entity, and segment information in an audit of financial statements.

### *Objective of the auditor in terms of the ISA*

The objective of the auditor is to obtain sufficient appropriate audit evidence regarding the:

- a. Existence and condition of inventory;
- b. Completeness of litigation and claims involving the entity; and
- c. Presentation and disclosure of segment information in accordance with the applicable financial reporting framework.

Among other matters, the requirements in this ISA deal with:

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<sup>1</sup> ISA 330, The Auditor's Response to Assessed Risks.

<sup>2</sup> ISA 500, Audit Evidence.

- a. Attendance at the physical inventory count when inventory is material to the financial statements. This is mandatory unless impracticable.
- b. Inventory under the custody and control of a third party, if material.
- c. The need to identify litigation and claims involving the entity which may give rise to a risk of material misstatement.
- d. The need to seek direct communication with the entity's external legal counsel if the auditor assesses a risk of material misstatement regarding litigation or claims that have been identified, or when audit procedures performed indicate that other material litigation or claims may exist.
- e. The situation where management refuses to give the auditor permission to communicate or meet with the external legal counsel, or the legal counsel refuses to respond appropriately to the letter of enquiry and the auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures.
- f. The need to request written representations in relation to litigation and claims.
- g. The need to obtain sufficient appropriate audit evidence regarding the presentation and disclosure of segment information in accordance with the applicable financial reporting framework.

*Description of the Practice Note*

The Practice Notes provides supplementary guidance for auditors applying ISA 501 when conducting financial audits of public sector entities.

*Content of the Practice Note*

The Practice Note provides additional guidance for public sector auditors related to:

- a. Considerations regarding inventory in the public sector.
- b. Public sector considerations in relation to litigation and claims.
- c. Segment information.