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Description of content of ISSAI 1520

Analytical Procedures

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

ISSAI 1520 is comprised of International Standard on Auditing (ISA) 520 – Analytical Procedures, 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 520 deals with the auditor's use of analytical procedures as substantive procedures ("substantive analytical procedures"). It also deals with auditor's responsibility to perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion on the financial statements. ISA 315¹ deals with the use of analytical procedures as risk assessment procedures. ISA 330² includes requirements and guidance regarding the nature, timing and extent of audit procedures in response to assessed risks; these audit procedures may include substantive analytical procedures.

Objective of the auditor in terms of the ISA

The objectives of the auditor are:

- a. To obtain relevant and reliable audit evidence when using substantive analytical procedures; and

¹ ISA 315, Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, paragraphs P6(b).

² ISA 330, The Auditor's Responses to Assessed Risks, paragraphs 6 and 18.

- b. To design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity.

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

- a. The need to determine the suitability of particular substantive analytical procedures for given assertions, taking account of the assessed risks of material misstatement and tests of details, if any, for these assertions and evaluate the reliability of data from which the auditor's expectation of recorded amounts or ratios is developed.
- b. The need to develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement that may cause the financial statements to be materially misstated.
- c. The need to determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation.
- d. The need to investigate fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

Description of the Practice Note

The Practice Notes provides supplementary guidance for auditors applying ISA 520 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. Overall considerations relating to additional objectives or public expectations when using analytical procedures.
- b. Substantive analytical procedures.
- c. Investigating results of analytical procedures.
- d. Nature of analytical procedures.