Agenda Item 10-D

Proposed Disposition of the Present Tense and Other Statements in the Proposed ISA 530 (Redrafted)

I. Those That Have Been Elevated to a Requirement

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
45	If a selected item is not appropriate for the application of the audit procedure, the audit procedure is ordinarily performed on a replacement item.	9	Considered essential
46	… If suitable alternative audit procedures cannot be performed on that item, the auditor ordinarily considers that item to be an error.	9	Considered essential
51	The auditor projects the total error for the population to obtain a broad view of the scale of errors, and to compare this to tolerable error.	11-14	Considered essential. Discussion of errors has been significantly redrafted.

II. Those That Have Been Treated as Application Material and Redrafted

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
39	…This approach to defining the sampling unit ensures that audit effort is directed to the larger value items because they have a greater chance of selection, and can result in smaller sample sizes.	Appendix 1	Redrafted to eliminate use of *ensures.*
42	… Because the purpose of sampling is to draw conclusions about the entire population, the auditor endeavors to select a representative sample by choosing sample items which have characteristics typical of the population, and the sample needs to be selected so that bias is avoided.	A14	Redrafted to eliminate present tense.

III. Those That Have Been Deleted

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
15	Based on the auditor's understanding of internal control, the auditor identifies the characteristics or attributes that indicate performance of a control, as well as possible deviation conditions which indicate departures from adequate	Moved to ISA 500	

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
	performance.		
16	Audit sampling for tests of controls is generally appropriate when application of the control leaves audit evidence of performance (for example, initials of the credit manager on a sales invoice indicating credit approval, or evidence of authorization of data input to a microcomputer based data processing system).	N/A	
20	Depending on their nature, these methods will be subject to sampling and/or non-sampling risks. For example, the auditor may choose an inappropriate substantive analytical procedure (non-sampling risk) or may find only minor misstatements in a test of details when, in fact, the population misstatement is greater than the tolerable amount (sampling risk).	N/A	Task force found the example confusing rather than helpful. Definitions provide a detailed discussion of sampling and non sampling risk.
23	The decision as to which approach to use will depend on the circumstances, and the application of any one of the above means may be appropriate in the particular circumstances. While the decision as to which means, or combination of means, to use is made on the basis of the risk of material misstatement related to the assertion being tested and audit efficiency, the auditor needs to be satisfied that methods used are effective in providing sufficient appropriate audit evidence to meet the objectives of the audit procedure.	Moved to ISA 500	
26	The auditor considers the need to obtain sufficient appropriate audit evidence regarding the remainder of the population when that remainder is material.	Moved to ISA 500	
33	The auditor considers what conditions constitute an error by reference to the objectives of the audit procedure.	N/A	
34	When performing tests of controls, the auditor generally makes an assessment of the rate of error the auditor expects to find in the population to be tested. Similarly, for tests of details, the auditor generally makes an assessment of the expected amount of error in the population.	N/A	Not specific to audit sampling. Addressed by paragraph 15 of extant ISA 530 which has now been moved to redrafted ISA 500.
35.	It is important for the auditor to ensure that the population is:	Moved to ISA 500	

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
	Appropriate… Complete…		
35a	When performing audit sampling, the auditor performs audit procedures to ensure that the information upon which the sampling is performed is sufficiently complete and accurate.	N/A	Appropriateness and completeness of population is addressed in ISA 500.
38	… To draw a conclusion on the entire population, the auditor will need to consider the risk of material misstatement in relation to whatever other strata make up the entire population. …The auditor evaluates the results of this sample and reaches a conclusion on the 90% of value separately from the remaining 10% (on which further sample or other means of gathering audit evidence will be used, or which may be considered immaterial).	N/A	Paragraph deleted as not an accurate description.
48	…However, when such errors are identified, the auditor makes specific inquiries to understand these matters and also needs to consider matters such as: (a) The direct effect of identified errors on the financial statements; and (b) The effectiveness of internal control and their effect on the audit approach when, for example, the errors result from management override of a control.	N/A	Repetitive of ISA 330 and not specific to audit sampling.
48	In these cases the auditor determines whether the tests of controls performed provide an appropriate basis for use as audit evidence, whether additional tests of controls are necessary, or whether the potential risks of misstatement need to be addressed using substantive procedures.	N/A	Repetitive of ISA 330 and not specific to audit sampling.
50	Sometimes, the auditor may be able to establish that an error arises from an isolated event that has not recurred other than on specifically identifiable occasions and is therefore not representative of similar errors in the population (an anomalous error). To be considered an anomalous error, the auditor has to have a high degree of certainty that such an error is not representative of the population. The auditor obtains this certainty by performing additional audit procedures. The additional audit procedures depend on the situation, but are	N/A	Discussion on errors has been significantly redrafted. ISA is now silent on anomalies.

§ in Extant ISA	Statements	§ in Redrafted ISA	Rationale or Comments
	adequate to provide the auditor with sufficient appropriate audit evidence that the error does not affect the remaining part of the population.		
50	One example is an error caused by a computer breakdown that is known to have occurred on only one day during the period. In that case, the auditor assesses the effect of the breakdown, for example by examining specific transactions processed on that day, and considers the effect of the cause of the breakdown on audit procedures and conclusions. Another example is an error that is found to be caused by use of an incorrect formula in calculating all inventory values at one particular branch. To establish that this is an anomalous error, the auditor needs to ensure the correct formula has been used at other branches.	N/A	Discussion on errors has been significantly redrafted. ISA is now silent on anomalies.
52	…The effect of any such error, if uncorrected, still needs to be considered in addition to the projection of the non-anomalous errors. … If a class of transactions or account balance has been divided into strata, the error is projected for each stratum separately. …Projected errors plus anomalous errors for each stratum are then combined when considering the possible effect of errors on the total class of transactions or account balance.	N/A	Discussion on errors has been significantly redrafted. ISA is now silent on anomalies.
55	If the total amount of projected error plus anomalous error is less than but close to that which the auditor deems tolerable, the auditor considers the persuasiveness of the sample results in the light of other audit procedures, and may consider it appropriate to obtain additional audit evidence. … Thus when the best estimate of error is close to the tolerable error, the auditor recognizes the risk that a different sample would result in a different best estimate that could exceed the tolerable error.	N/A	Discussion on errors has been significantly redrafted. ISA is now silent on anomalies.