

Evidence

A Refresher

Chris Jones, Senior Analyst
U.S. Government Accountability Office
Physical Infrastructure Team

This book has answers

GAO-12-331G



What is required of me?

Auditors must obtain sufficient, appropriate evidence to provide a reasonable basis for their findings and conclusions.

The Yellow Book: 6.56

What is appropriate?

Appropriateness is the measure of the quality of evidence that encompasses the relevance, validity, and reliability of evidence used for addressing the audit objectives and supporting findings and conclusions.

Yellow Book: 6.60

What is appropriate?

- *Relevance*: the extent to which the evidence has a logical relationship with, and importance to, the issue being addressed.
- *Validity*: the extent to which evidence is a meaningful or reasonable basis for measuring what is being evaluated. In other words, validity refers to the extent to which evidence represents what it is purported to represent.

What is appropriate?

- *Reliability*: the consistency of results when information is measured or tested and includes the concepts of being verifiable and supported.

Yellow Book: 6.60 a-c.

What is sufficient?

- Sufficiency is a measure of the quantity of evidence used for addressing the audit objective and supporting findings and conclusions.

Yellow Book: 6.67

In other words, enough to persuade a knowledgeable person that the findings are reasonable.



Data Reliability Assessments

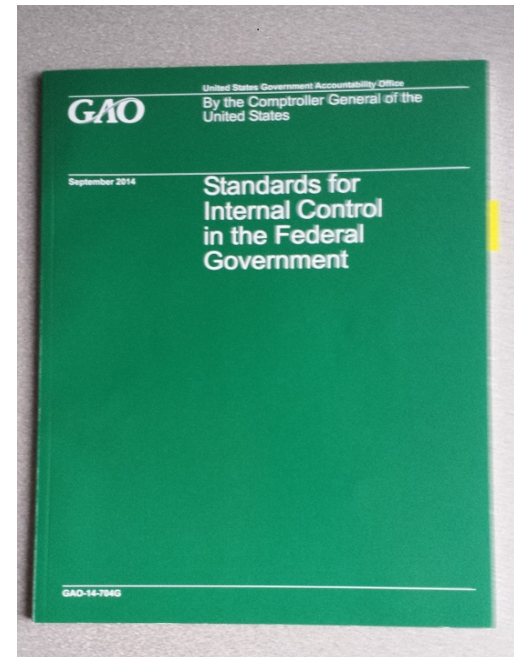
- Assess whether data are sufficiently reliable when they are:
 - computer-processed data (for example, obtained from accounting, administrative, or management systems)
 - Significant to the audit objectives (supports findings, conclusions and recommendations)

See: Assessing the Reliability of Computer-Processed Data (GAO-09-365G)

Internal Controls

- Process used by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objective of an entity will be achieved
 - Operations
 - Reporting
 - Compliance

Standards for Internal Control in the Federal Government GAO-14-704G



Ensuring Accuracy and Validity

- Know the strengths and weaknesses of the various types of evidence and mitigate any weaknesses.
 - Physical Evidence
 - Impact of time on observations
 - Behavioral changes when observed
 - Observation may not be representative

Ensuring Accuracy and Validity

- Knowing evidential strengths and weaknesses
 - Documentary evidence
 - Currency of documents
 - Accuracy of documents (changes in definitions or procedures may make comparisons invalid)
 - Source of evidence may be secondary/tertiary

Let's digress for a moment

- Limiting use of *certain types* of documentary evidence:
 - News media or “media sources”
 - The Internets: Use same caution as for news media, but always consider if the information is authoritative, relevant, valid and reliable.
- Acceptable certainly for research and background, but verify that you're obtaining information from the **PRIMARY** source.

Ensuring Accuracy and Validity

- Knowing evidential strengths and weaknesses
 - Testimonial evidence
 - Respondent Integrity (says what they think you want to hear, distorts, provides incomplete information)

Corroborate! Corroborate!

- Corroborate evidence with other evidence
 - Does data gathered reflect what you're being told during interviews?
 - Do interviewees make similar statements?
 - Do documents reflect the statements that officials made during discussions?
 - Testimonial evidence for factual matters should always be corroborated. Otherwise, statements must be attributed.

Using the Work of Others

- Assess objectives, data and timing of other work
- Assess skills and independence of specialists



Review, Review, Review

- Ensure work is accurate. Work paper review is a staple in quality control.
- Review any analysis to identify any errors
- Utilize specialists to the extent practicable
 - Methodologists, statisticians, subject matter experts

Audit Risk

- Audit risk – what is the possibility that we could come to the wrong conclusion?
 - Higher risk means a higher threshold for the sufficiency test of the evidence
 - Timeframes
 - Complexity
 - Sensitivity of work
 - Size of program

Professional Judgement

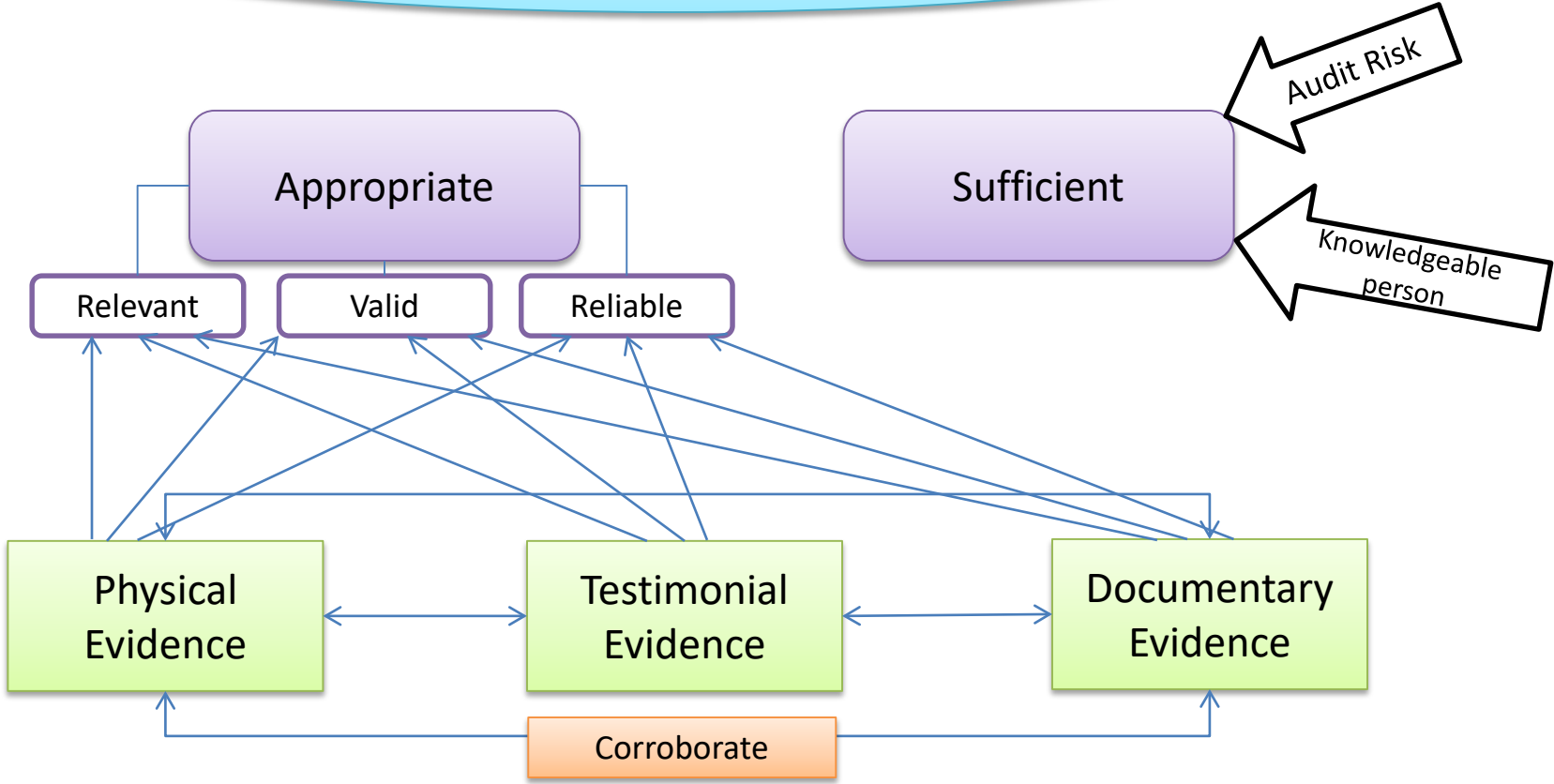
- Professional judgment includes exercising reasonable care and professional skepticism.
- *Reasonable care* includes acting diligently in accordance with applicable professional standards and ethical principles.

Professional Judgement

- *Professional skepticism* is an attitude that includes a questioning mind and a critical assessment of evidence.
 - Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty.



Professional Judgement



Questions?

