

# [Auditing auditors](https://assignbuster.com/auditingauditors/)

## Auditing/Auditors

Auditing/Auditors Table of Contents Question 3 Question 2 5 Question 3 6 References 7 Question The prime motive of the auditor is to cover conformity with the client’s objective of maximization of profit, performance evaluation and developing working standards. There are basically two types of sampling ways, the statistical method and the non-statistical method. Statistical sampling is more focused upon objective criteria and it is quantifiable. Non-statistical sampling involves the judgments that are subjective and in which possibility of biasness prevails (Resource Management Services, Inc, 1994).   
Sampling methods   
Random Sampling   
Random sampling involves the assigning of a sequential number to the items of the universe. This sampling is used where sequential numbering of the universe exists.   
Systematic Sampling   
Systematic sampling method is used by taking the every nth item, selecting a starting point from a random number.   
Stratified Sampling   
Stratified method uses the breaking of the sample into sub groups. Each of the subgroup will be sampled independently.   
Cluster Sampling   
Cluster Sampling is done to increase the speed with which certain samples are drawn on cluster basis (Resource Management Services, Inc, 1994).   
Methods to Use   
The statistical method needs to be used for its validity. Simple random, Systematic and stratified sampling are to be used.   
Affects   
The statistical sampling is based upon the mathematical sound values and pre-determined values giving a total reliability and verified data. Non-statistical sampling is upon auditor’s judgment and subjected to biasness (Resource Management Services, Inc, 1994).   
Question 2   
In the process of performing auditing procedures, the population needs to be well defined for its true and perfect representation which will help in providing effective decision to the client’s reliability and internal control of daily transactions. The pre-defined sample provides a systematic and simple procedural approach while auditing and tends to increase the work speed (Indiana University–Purdue University Fort Wayne, n. d.).   
There are certain risks and errors while determining the sample size. The risk, the tolerable error and the expected error are the significant factors that are liable to affect the sample. In such cases, the sample size will be misleading and the probability of biasness will be high.   
The sample which is not properly designed and selected is subjected to risks and errors. This will increase the viability of truth and validity of the data and provide a misrepresentation of the facts. The misrepresentation will provide a false situation of the financial condition and facilitate deceptive course of action to be taken, hampering the performance of the business in due course of time (Hong Kong Institute of Certified Public Accountants, 1997).   
Question 3   
The auditor needs to evaluate the result of auditing procedures based upon certain facts. The audit process should provide a premise of analytical review for the test of transactions and balances. The audit program should be detailed out properly with proper compliance to the generally accepted auditing standards (Fayetteville State University, n. d.).   
The qualitative factors that need to be considered while encountering an error may be due to misrepresentation of documentation, representation by management in providing guidelines, misinterpretation of facts and mistakes in application of accounting principles related to measurement, classification, recognition, disclosure and presentation. The mistake in processing and gathering data from which financial statement are prepared can be a cause for such scenario (Hong Kong Institute of Certified Public Accountants, 2004).   
The audit conclusion gets affected in terms of inefficiency to verify all the items to be audited causing reliability upon the specific sample size. The probability of conclusion may be risky and subject to validity with proper reasoning and reliability of the fact may be in question.   
  
  
References   
Fayetteville State University, (No Date). Auditing Study Guide. Types of audits and other services. Retrieved Online on September 2, 2010 from http://faculty. uncfsu. edu/jbalogun/Balogun-422-studyguide. pdf   
Hong Kong Institute of Certified Public Accountants, (1997). Statement of Auditing Standards. Design of the sample. Retrieved Online on September 2, 2010 from http://app1. hkicpa. org. hk/professionaltechnical/pronouncements/handbook/volume3a/sas430. htm   
Hong Kong Institute of Certified Public Accountants, (2004). Statement of auditing standards. The auditors responsibility to consider fraud and error in an Audit of Financial Statements. SAS 110. Retrieved Online on September 2, 2010 from http://app1. hkicpa. org. hk/ebook/HKSA\_Members\_Handbook\_Master/volumeIII/sas110. pdf   
Indiana University–Purdue University Fort Wayne, (No Date). Audit Sampling for Tests of Controls and Substantive Tests of Transactions. A424: Chapter 15. Retrieved Online on September 2, 2010 from http://users. ipfw. edu/pollockk/A424Chapter\_15. pdf   
Resource Management Services, Inc., (1994). Audit sampling requires auditor judgment. The Agency Examiner. Retrieved Online on September 2, 2010 from http://www. resourcemanagement. com/audit\_sampling. html