

# AUDIT EVIDENCE

The network of national audit experts have produced this non-binding reference document based on agreed good practices to provide guidance on audit evidence, developed to implement the provisions of Regulation (EC) No 882/2004, can be assured..

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Version 1

## The National Audit Systems (NAS) Network

The NAS network<sup>1</sup> is a network of officials (auditors) from national competent authorities, responsible for the performance of audits of official control systems as provided for by article 4(6) of Regulation (EC) No 882/2004<sup>2</sup>. The network meets regularly, under the chairmanship of, and facilitated by, the FVO to exchange experiences in implementing national audit systems on official control activities. During the course of these exchanges; discussions, workshops etc. good principles and practices are identified and agreed by the network.

To enable dissemination of information the network, working in plenary session and through sub-groups, facilitated by the FVO, consolidate agreed principles and good practices on specific topics into reference documents. These reference documents may be used as guidance documents, however, they do not constitute an audit standard and are not legally binding.

## Audit Evidence

### OBJECTIVES

The objective of this document is to guide and support Competent Authorities (CA) and audit bodies in dealing with audit evidence.

The aim is:

- To provide principles and definitions regarding audit evidence
- To identify characteristics, types, and sources of audit evidence
- To outline evidence collection planning
- To provide principles for verification, recording and retention of audit evidence

This document is intended to assist in the implementation of Section 6 of the Annex to Commission Decision 2006/677/EC.

### SCOPE AND INTENDED AUDIENCE

#### Scope

This guidance applies to carrying out of audits (including planning) as required by Article 4(6) of Regulation (EC) No 882/2004.

#### Target audience

For use by competent authorities and audit bodies that carry out audits on official control (systems) according to the requirements of Article 4(6) of Regulation (EC) No 882/2004.

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<sup>1</sup> [Cross reference to introduction and overall picture of the NAS network \[link to be added\]](#)

<sup>2</sup> OJ L 191, 28.5.2004

# Audit Evidence

It supports the development of good practice in audit evidence collection and verification in the area of official control activities e.g. feed, food, animal health and welfare and plant health.

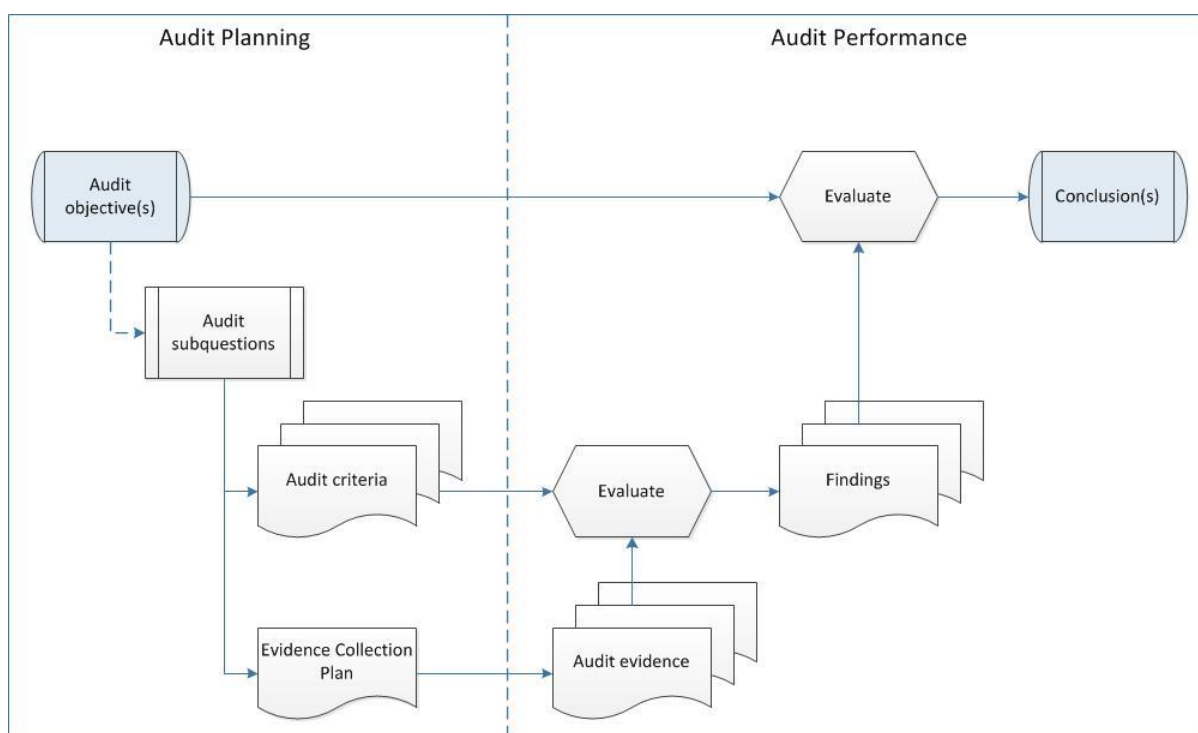
## DEFINITIONS

This document should be read in conjunction with the definitions contained in Regulation (EC) No 882/2004 and Commission Decision 2006/677/EC bearing in mind that the definitions of those documents apply.

## I. BACKGROUND AND CONTEXT

The collection of audit evidence is a familiar and important step in the audit process. The quality of the evidence collected has a direct and significant effect on the audit findings and conclusions.

The audit team should, at the audit planning stage of an audit, consider what audit evidence should be required. Planning the evidence needed and how, when and where to collect it is an integral part of the audit planning process.



Refer to Annex I for examples of audit questions.

During the audit process, the audit team should verify the audit evidence collected and ensure it is appropriate and sufficient to achieve the audit objectives.

Audit evidence needs to be compared to the audit criteria and the audit objectives to allow the audit team produce audit findings and present persuasive audit conclusions. Only audit evidence that is appropriate and sufficient will effectively support audit findings and

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conclusions which are capable of withstanding challenge and satisfy internal and external scrutiny.

*For the purpose of this document:*

**Audit criteria** means the set of policies, procedures or requirements used as a reference against which audit evidence is compared, i.e. the standard against which the auditee's activities are assessed (from Commission Decision 677/2006).

**Findings** are the results of the evaluation of the evidence collected during the audit against the applicable audit criteria, described in an objective manner.

**Conclusions** are statements made by the audit team concerning the outcome of the audit which are based on and after consideration of all the findings and the audit objectives but which do not propose any course of action.

## II. AUDIT EVIDENCE

Audit evidence is the information that supports or refutes an audit objective. Not all information collected during an audit is evidence.

**Audit Evidence:** records, statements of fact or other information which are relevant to the audit criteria and verifiable. (ISO 19011:2011 from ISO 9000:2005)

The quality of audit findings and conclusions relies on the judgements the auditor makes and these judgements are directly dependent on the methodology employed for evidence collection, the quality of the audit evidence collected, and the competence of the auditor collecting it.

During system audits for the purpose of Art 4(6) of Regulation 882/2004 evidence needs to be collected to verify the suitability and the effective implementation of planned arrangements to achieve the objectives of the relevant legislation, including compliance with national control plans. Qualitative evidence is required to determine the suitability and the effective implementation of planned arrangements.

By comparison, for compliance audits, evidence only needs to be collected to demonstrate that activities are being carried out in accordance with planned arrangements.

To facilitate the work of the audit team the following tables illustrate the characteristics, different sources and types of audit evidence as well as some techniques and considerations.

# Audit Evidence

## A. Characteristics of audit evidence

Evidence collected should be persuasive to convince the stakeholders of the validity of the findings and conclusions. Persuasiveness is linked to appropriateness (relevant and reliable) and sufficiency of the evidence.

Persuasiveness is determined by the extent to which the evidence meets the characteristics set out in the table below:

Characteristic	Description
Sufficient	Amount of evidence considered enough: <i>i)</i> for the auditor to form a reasonable opinion (sample size, representativeness) <i>ii)</i> to convince stakeholders of validity of auditors opinions <i>iii)</i> representative of the audit universe and relevant period of time
Relevant	Extent to which the evidence has a clear and logical relationship to the audit objectives and criteria.
Reliable	Evidence that can be considered trustworthy (accurate, credible and where integrity has not been compromised); the likelihood of coming up with the same answers if audit test is repeated or information is obtained from a different source or test.
Verifiable	Evidence which can be confirmed by cross-checking with other evidence
Objective	Evidence free from bias (e.g. <i>the auditors preconceived ideas</i> ) Evidence which accurately reflects the functioning of a system, or part of a system, operated by the auditee and that does not intentionally support/defend the interests of the auditee

## B. Factors to consider when judging the quality and quantity of audit evidence

the <b>purpose</b> for which the evidence will be used	a higher standard is required for evidence supporting audit findings than for background information provided in the audit report
the level of the <b>significance</b> of the audit finding	in general, the higher the level of significance, the higher the standard of evidence that is required
the degree of <b>independence</b> of the source of the evidence	greater reliance can be placed on evidence which emanates from independent sources
the <b>cost (money or time)</b> of obtaining additional evidence relative to likely benefits in terms of supporting findings and conclusions	at some point, the cost of obtaining more evidence will outweigh the improved persuasiveness of the total body of evidence
the <b>risk</b> involved in making incorrect findings or reaching invalid conclusions	the greater the risk of legal action, controversy or surprise from reporting an audit finding, the higher the standard of evidence needed
the <b>care</b> taken in collecting and analysing the data	Including the extent of the auditors' skills in these areas

## Audit Evidence

### C. Sources

Source	Type of Evidence	Examples / Techniques	Considerations
Obtained directly by the auditors	Observed (and Physical)	Direct inspection, On-site verification Observation	The auditors can determine the methods that will provide the best quality of evidence for the particular audit. However, their skills in designing and applying the methods will determine the quality of the evidence.
	Oral / Inquiry	Interviews, Preparation of questionnaires	
	Analytical	Previous audit reports from the audit bodies, Analysis	
Provided by the auditee	Documentary	Information from databases, documents, activity statements and files (e.g. procedures, instructions, legal acts, inspection reports, management reviews, organisational and planning documents, certifications).	Auditors must determine the reliability of data that is significant to the audit questions by review and corroboration, and by testing the auditee's internal controls over information, including general and application controls over computer-processed data.
	Oral / Inquiry	Answers to questionnaires Oral replies during interviews	
Provided by third parties	Documentary	Information which may have been verified by others or whose quality is well known, e.g. national statistical data. Information belonging to third parties (Business Operators, Customs, Stakeholder representatives, other CAs, etc.) Third parties audit reports Websites	The degree to which such information can be used as audit evidence depends on the extent to which its quality can be established and its significance in relation to the audit findings.
	Oral / Inquiry	Answers to questionnaires Oral replies during interviews	

# Audit Evidence

## D. Types

Evidence types is a classification of evidence on the basis on how it is obtained and is distinct from the way the evidence is recorded (see section V).

Type	Description	Techniques	Considerations
Observed (or Physical)	Information gathered by the auditor through personal observation of people, events and physical.	<u>Techniques:</u> Direct inspection or observation of people, property or events. Listening On-site verification Witness audit <sup>3</sup> / Review audit <sup>4</sup>  <u>Examples:</u> Visual control Sample	Whilst usually the most persuasive evidence, the auditor must be aware that a risk exists that his/her presence may distort or prejudice what would normally occur, thus reducing the quality of the evidence.  Recording of evidence
Documentary	Information prepared by others than the auditor. Documentary information can exist both in paper and electronic form.	<u>Techniques:</u> Review of documents, reports, manuals, literature, external and internal websites, postal or web-based surveys.  <u>Examples:</u> Documents containing routines website information, etc. Photos Internal/external documents Paper/electronic Legal/work	This evidence may be in electronic or hardcopy format. However, useful information may not always be documented, thus necessitating the use of other approaches. Be sure to record the date on which the information was gathered as the information may change later on.
Oral / Inquiry	Information gathered from people through interviews and focus groups. Such information may take the form of written or oral statements.	<u>Techniques:</u> Interviews Presentations Questionnaires  <u>Examples:</u> Oral / written interview Single / group	Oral evidence is generally important in performance audits, as information obtained in this manner is up-to-date and may not be available elsewhere.  However, information should be corroborated and statements confirmed if they are being used as evidence.
Analytical	Indirect or derived evidence / information constructed by the auditor combining information from different sources and analysing that information to reach a conclusion.	<u>Techniques</u> Analysis through reasoning, reclassification, computation and comparison  <u>Examples:</u> Comparison Computation Ratio Cross-checking	Such evidence is obtained by using professional judgement to evaluate physical, documentary and oral evidence.  Be aware of importance of Audit experience and skills

<sup>3</sup> Observation by the auditor of an inspection by the inspector of CA (auditee).

<sup>4</sup> Audit of the food business operator without the presence of the inspector.

## III. EVIDENCE COLLECTION PLANNING

The main purpose of evidence collection planning is to allow a targeted evidence gathering to support robust audit findings and conclusions. This should focus on the audit objective and scope.

Evidence collection planning is done during the preparation of the audit, however it may be refined, developed and adapted during the performance of the audit.

The benefits of good evidence collection planning is to identify what needs to be targeted, to gather appropriate and sufficient evidence (enough and not more than needed) and avoid wasting time and resources. It allows the audit to be planned in a way so that enough evidence can be obtained to be able to draw conclusions which meet the objectives of the audit.

To prepare an Evidence Collection plan the following steps should be considered:

- **Identify evidence required by the audit objectives and criteria**

The audit objectives determine the main questions that need to be answered by the audit. In order to answer the audit objective you need to collect an appropriate range of evidence. By breaking down these main questions into sub-questions they will point to the evidence needed.

Not all information available to the auditor constitutes audit evidence. The auditor needs to identify which information can be compared with the audit criteria in order to make audit findings. It is this information that is the audit evidence.

See table A, Section III on evidence characteristics to help you identify the most useful and appropriate information and table B on factors to consider when judging the quality and quantity of audit evidence.

- **Identify techniques to collect evidence**

Once the evidence is identified the auditor should determine where the evidence can be obtained. Sometimes multiple sources may be required. At this stage it is important to identify if it will be necessary to engage external experts (e.g. in data analysis) and to make arrangements for their availability.

Evidence collected on-site is particularly important when the audit is being used to verify the suitability and the effective implementation of planned arrangements to achieve the objectives of the relevant legislation, including compliance with national control plans.

See table C, Section II on evidence sources, for examples and considerations.

Once the potential sources have been identified the auditor selects the appropriate evidence collection techniques, taking account of the types of evidence required.

See table D, Section II on evidence types, for examples.

As the audit progresses the evidence collection plan may need to be modified because of new information available to the auditor.



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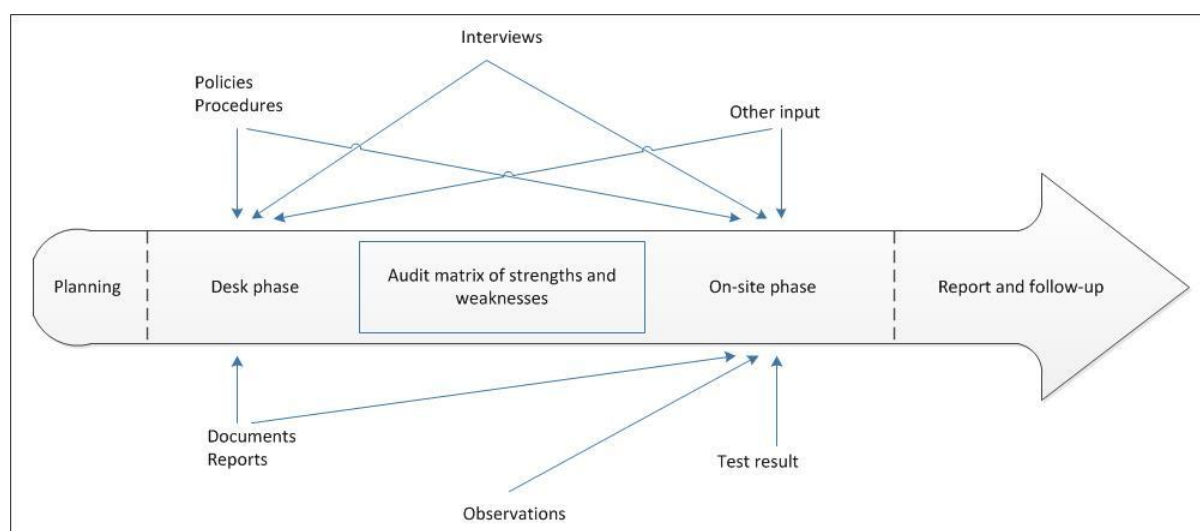
Example of an Audit evidence matrix and an evidence collection plan can be found in Annexes II and III respectively .

## IV. VERIFICATION OF AUDIT EVIDENCE

At this stage the auditor verifies, as it is collected, the evidence that will be used as the basis for the findings.

The information collected should not be used as audit evidence until its relevance and reliability is confirmed.

In some cases, in order to be sufficient, the audit evidence will require to be supported and confirmed by other evidence. For example cross-checking, comparison, etc. The diagram below gives examples of possible cross-checks performed during the audit:



Overall the body of evidence collected should meet the characteristics described in tables A and B, section II.

For an internal auditor the access to some sources (such as databases, internal procedures) enables the auditor to collect some evidence directly. However it is important to verify this evidence with supporting evidence from the auditee (e.g. on-site verification).

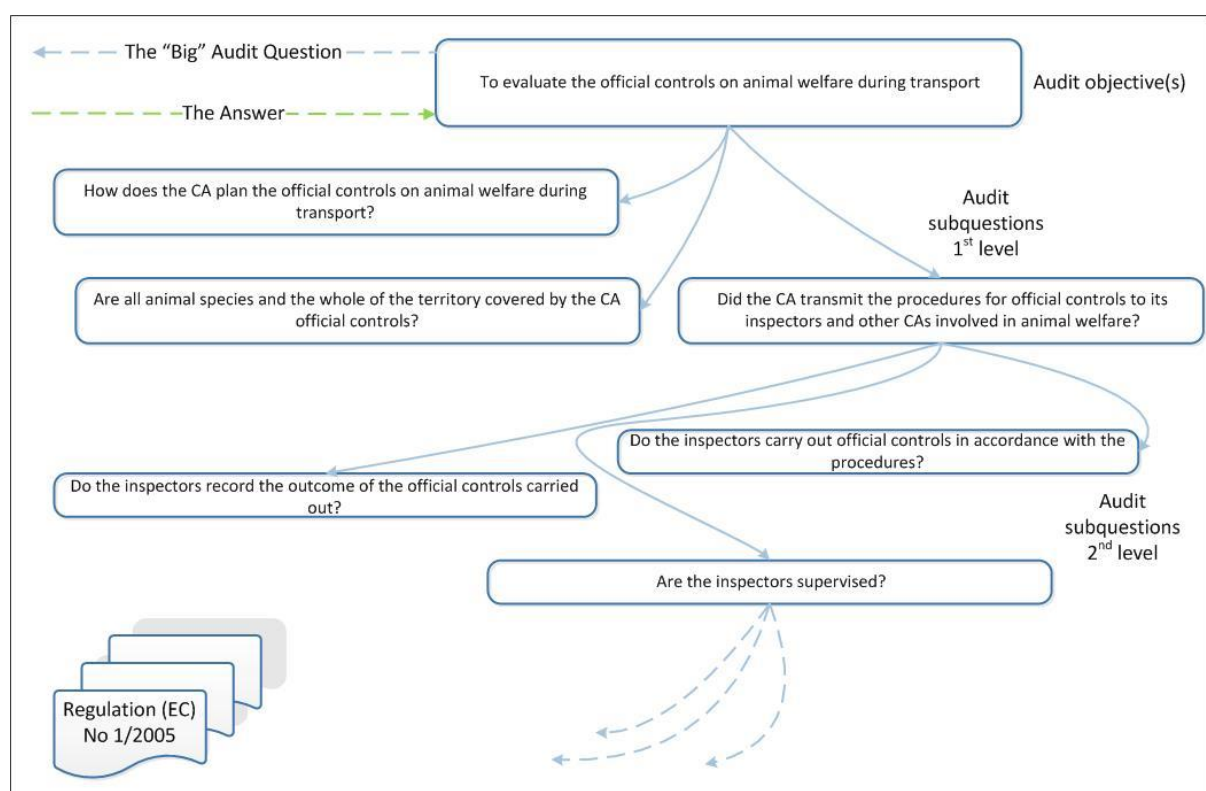
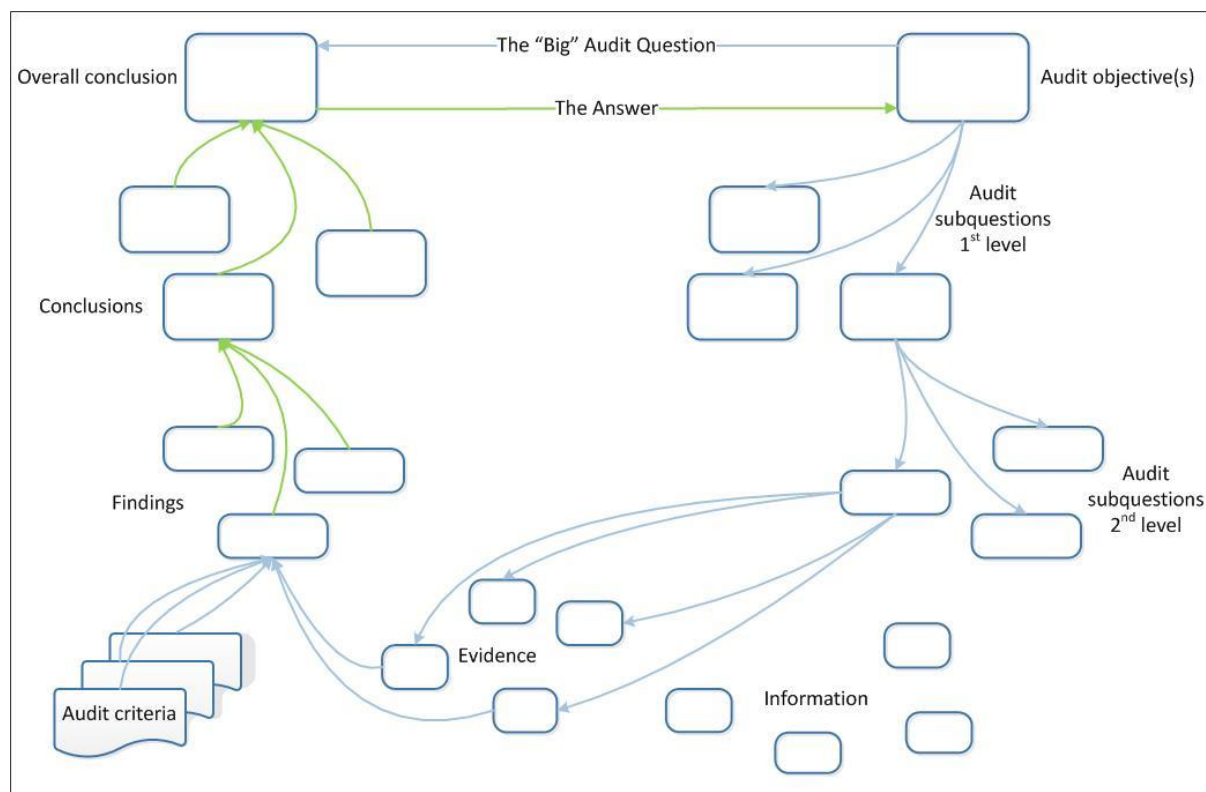
## V. RECORDING AND RETENTION OF AUDIT EVIDENCE

Recording and retention of evidence has particular significance in respect of independent scrutiny, evaluation of or challenge to an audit system and /or its findings (see table D, section II).

Evidence should be kept during a period described by the audit body internal procedures or national rules.

# Audit Evidence

## Annex I – Examples of audit questions



## Audit Evidence

### Annex II - Audit evidence matrix:

- 1 - The risk mapping of the competent authority identified “species substitution” as a high risk.
- 2- Therefore an audit in this area was planned limiting the scope to horse meat, because it appears to be, one of the easiest products to substitute with a cheaper one, hard to detect and enables quick and strong profits.
- 3 – An example of an audit evidence collection plan is summarised in the following matrix:

Audit Objective	Steps and requirements (criteria)		Audit evidence						
			Type of evidence				Sufficiency of evidence		
			Documentary	Observ	Oral/inquiry	Analytical	enough	Not enough	Too much
Is the CA effective in detecting horse meat species substitution?	Planning	All the country is covered, all year long	The annual control plan The Y-1 synthesis		Interview of the meat board manager	Data registered in the information system related to the meat control plan	Yes		
		From the production to the distribution chain					Yes		
		the orders are efficiently transmitted to the inspectors	Message and instructions given to the inspector through the country		Local interview of meat inspectors		Yes		
	Execution	The control plan is respected (quantity, quality, data recorded)	Local planning reflects the national instructions		Interviews of management and inspectors	Local results vs local objectives in the information system			Interview of inspectors not needed
		The inspector knows how to make a sampling	Training records of inspectors on the subject		Interviews of inspectors			Need to add an on-site observation to conclude	
		The inspector knows the product, the law, the internal procedures,	Evaluation of the inspectors			Quality of local records	Yes		
	Analyse	The labs use the right equipment and methods							
		The analysts have the competencies							
		The lab is accredited							
	Sanctions	The sanction is proportionate to the seriousness of the fraud							
		The application of sanctions is consistent across the territory							
		The conviction rate by the court is high							

# Audit Evidence

## Annex III - Evidence collection plan

This example illustrates how an evidence collection plan could be done

**Audit objective: To evaluate...**

	Audit questions	Level 2 questions	Level 3 questions	Level 4 questions	Criteria	Evidence	Evidence sources	Data collection methods	Data analysis methods
	What do we want to know?				What standards do we measure against?	What evidence will answer the question?	Where are we going to get the evidence?	How are we going to get the evidence?	What will we do once we get it?
Plan	Answers can be "yes", "no", "yes but" or "no but". Answerable Logical				Legislation, regulations, professional standards	Facts (numerical evidence; descriptive evidence, qualitative information)	The entity, other public entities, published research, beneficiaries, suppliers, interest groups	In person (observation, examine documents, interviews, focus groups)	Quantitative evidence (e.g. trends, comparisons, ratios)
					Standards, measures or results commitments of auditee	Experiences / Perceptions / Opinions		By post, telephone, e-mail (request documents, questionnaires)	Qualitative evidence (coding, matrices)
					Performance of comparable organisations, best practice, or standards developed by auditor			Sample surveys (which could be either in person or by post, e-mail)	Systems analysis (e.g. flowcharts)
								Benchmark against comparable entities	Case studies
Planning									
Do									
Results									
Check									
Reports									
Act									
Change									

# Audit Evidence

**Audit objective: To evaluate how the Competent Authority ensures that food business operators comply with the requirements for pasteurisation or Ultra High temperature (UHT) treatment, when raw milk, colostrum, dairy or colostrum-based products undergo heat treatment.**

Audit questions	Level 2 questions	Level 3 questions	Level 4 questions	Criteria	Evidence	Evidence sources	Data collection methods	Data analysis methods
What do we want to know?				What standards do we measure against?	What evidence will answer the question?	Where are we going to get the evidence?	How are we going to get the evidence?	What will we do once we get it?
How does the CA ensure that FBOs comply with requirements for pasteurisation or UHT when milk products undergo heat treatment?	How does the CA implement official controls to verify that FBOs heat treating milk comply with the requirements for pasteurisation or UHT?	Are the official controls implemented in accordance with the defined documented procedures?	Inspections? Sampling? Audits? Verifications? Actions taken / Sanctions imposed in case of non-compliance? Staff follows procedures?	Reg 882; Reg 854; Reg 853, Annex III, Section IX, Chapter II, Part II.1	Staff carrying out official controls (inspections, sampling, audits, verifications) and taking actions or imposing sanctions; Documented procedures	At the FBOs and at the Laboratories	Observation, Physical examination, Analytical Procedures, Interviews, Re-calculation	Quantitative, qualitative and comparative analysis
			Consistency of official controls in the country?	Reg 882; Reg 854; Reg 853, Annex III, Section IX, Chapter II, Part II.1	Staff from different parts of the country carrying out official controls (inspections, sampling, audits, verifications) and taking actions or imposing sanctions; Documented procedures	At the FBOs and at the Laboratories	Observation, Physical examination, Confirmation, Analytical Procedures, Interviews, Re-calculation, Cross-checking	Quantitative, qualitative and comparative analysis
		Are the results of the official controls recorded?	Inspection reports? Analysis results reports? Follow-up of actions to address recommendations?	Reg 882; Reg 854	Inspections / Verifications / Audits reports, Sampling reports, Analysis results reports	At the FBOs, the CA (different levels) and the Laboratories	Documentation review, Confirmation, Cross-checking	Quantitative, qualitative and comparative analysis
			Consistency in the country when recording the results of official controls?	Reg 882; Reg 854	Inspections / Verifications / Audits reports, Sampling reports, Analysis results reports from different parts of the country	Published MANCP Annual Reports, at the FBOs, the CA (different levels) and the Laboratories	Documentation review, Confirmation, Cross-checking	Quantitative, qualitative and comparative analysis