

### **Statistical and Non Statistical Sampling**

Non-statistical sampling also known as judgmental sampling involves the use of experience on a clients' business to select a sample without the use of any mathematical calculation on the size of the sample. The experienced auditors view is correct. This is because judgmental sampling is well understood by an experienced auditor. It is also refined by the fact that the experienced auditor has experience on the circumstances of the clients business.

Non statistical sampling creates an opportunity for the experienced auditor to bring his expertise and experience in selecting and testing of samples. Another reason is that non-statistical sampling requires no special knowledge on statistics. It also has another advantage that no time is wasted through the use of mechanical statistical tools. In fact more time is spent on auditing the sample units rather than on the mechanics of obtaining statistical samples.

Statistical methods are more favorable as compared to non statistical samples since they are scientific and defensible. This means that there exists a rationale in which an auditor can use to justify the items selected since they were selected at random. Another major reason why statistical sampling is more reliable is that there is no personal bias by the auditor. In this regard, the sample selected is unbiased.

Statistical methods are also efficient because small samples are picked. Statistical tools and mechanisms such as probability are used to determine the exact sample that is required. It is also advantageous from the audit firm's point of view as it creates uniformity in different audit firms and hence comparisons are possible.

In conclusion it is quite clear that both statistical and judgmental sampling have their own limitation and advantages. The only factor that stands out to determine the kind of sampling to use is the experience of the auditor in the circumstance of the audit.

An audit program is a plan that shows the steps to follow in the course of the audit. It determines the audit objective and stipulates the exact process the audit should undergo in order to accomplish the purpose of the audit.

### **1. Audit program for statistical sampling of trade receivables**

#### (a) Planning the sample

- The population and sampling units. Obtain an appropriate sample from the debtors listing.

#### (b) Determination of the sample size

The auditor needs to determine an appropriate size of the sample of debtor's balances on which the audit procedures will be applied. The size is determined by:

- The tolerable error or deviation rate- the larger the tolerable error or deviation rate, the smaller the sample size.
- Auditor's assessment of inherent risk. The higher the auditor's assessment of inherent risk, the larger the sample size. Higher inherent risk implies that there is a greater risk that the financial balance will be misstated. To reduce this risk the auditor will need to extend the level of testing. This is achieved by testing a larger sample.
- Auditor's assessment of control risk. The higher the auditor's assessment of control risk, the larger the sample size. A high control risk implies that little reliance can be placed on effective operation of internal controls. To reduce the audit risk the auditor will need to extend the level of testing. This is achieved by increasing the size of the sample.

#### (c) Selecting the items to be tested

- Apply statistical procedures on the debtors listing

(d) Testing the items

After selecting the sample units, the auditor should carry out the pre- determined audit tests on each item of debtors listing.

(e) Evaluating the results of the tests

The following procedures should be followed in evaluating the results of the tests:

- All errors in the debtors or trade receivable balances should be identified and deviations should be evaluated;

**2. Audit programme for trade payables**

- Verification of trade payables

**Audit objectives**

- To obtain an audit statistical sample of trade payables
- To verify the completeness, accuracy and existence of creditors

**Audit procedures**

a) Analytical review procedures

- Compare the current year creditors with the previous year and obtain explanations for the significant movement/change.

b) Tests of details

- Obtain a creditors listing and agreed the total balance to the general ledger.
- Select a statistical sample of creditor's statement reconciliations as at the end of the year.

Confirm that the reconciliation is correctly prepared and that all reconciling items are genuine and where necessary that they have been adjusted in the ledger.

- Obtain a listing of all unpaid creditors' invoices and verify that all invoices that relate to the year under review have been posted to the ledger.

Work cited

Gary, white, and Philip, Herman. *Principles of Auditing. (6th Ed.)*New Delhi: Prentice-hall of India. 2001.