

Probative Value of Audit Evidence: A Framework and Synthesis

What Do We Know 45 Years After Mautz/Sharaf?

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“Objectively obtaining and evaluating evidence is the essence of auditing.”

(AAA, Committee on Basic Auditing Concepts, 1973, 2)

Auditors must assess whether financial statements present fairly the actual state of a firm's affairs in accordance with GAAP. However, this state usually does not exist when the audit is carried out and can no longer be observed by the auditor. Rather, the auditor is dependent on audit evidence to draw conclusions about the affairs in question. Professional auditing standards require auditors to assess evidence critically, including consideration of possible fraud. Audit quality directly depends on correctly evaluating the probative value of evidence, which is indispensable for a correct reconstruction of the affairs in question. Probative value is more than reliability, as it refers to the evidence's validity as well. It is also different from persuasiveness. Persuasiveness focuses on the auditor's perception of the evidence's value, but the "true" value may deviate from the auditor's perception. Despite the crucial role of evidence and its probative value in auditing, there is no generally accepted theory or any well-founded classification of criteria that would assist the auditor in correctly evaluating the probative value of audit evidence. Prior research that addressed the topic is scattered and examines isolated relationships rather than developing an overall conceptual framework. A synthesis of the findings of this research and their integration into a theoretic framework should help to sharpen our understanding of the problem and to set out "connecting points" for future research. Doing this is the purpose of this article. At its heart is a conceptual framework of the determining factors of audit evidence's probative value.
