Policy of Verification/verification Statement

Purpose

Types of statements of decision can be issued by validation and verification bodies (VVBs) based on the evaluation of claims made by clients, according to Clause 9.7 of ISO/IEC 17029 and ISO 14065.

Definition

N/A

The decision-making process regarding the issuance of validation or verification statements by validation and verification bodies (VVBs), clause 9.7 in ISO 17029 and ISO 14065:

1) **Completion of Review:** The VVB must ensure that all validation/verification review activities are completed before making a decision to confirm claims.
2) **Decision-Making Authority:** The decision to confirm or deny a claim must be made by individuals who were not involved in the execution of the validation or verification activities, ensuring impartiality.
3) **Issuance of Statements:** Based on the review's outcome, the VVB will either issue a validation/verification statement or decide not to issue one, following the program requirements.
4) **Communication with Client:** If a validation/verification statement is not issued, the VVB is required to inform the client about this decision and provide reasons for not issuing the statement.
5) **Documentation:** The decision-making process must be documented, including any significant findings and the rationale for the decision.

Types of Statements of Decision, according to Clause 9.7 of ISO/IEC 17029 and ISO 14065, several types of statements of decision can be issued by validation and verification bodies (VVBs) based on the evaluation of claims made by clients.

1) **Validation Statement:** This statement confirms that the claims made by a client regarding a specific project or assertion have been validated. It reflects that the requirements for a particular intended use have been met based on objective evidence.

2) **Verification Statement:** Similar to a validation statement, this confirms that the claims made by a client have been verified against specified requirements. It attests to the truth of the claims based on evidence gathered during the verification process.
3) **Unmodified Opinion:** This type of statement indicates that the project meets all required standards without any modifications or conditions. It signifies full compliance with the applicable criteria.
4) **Modified Opinion:** A modified opinion is issued when the project meets the standards but with certain modifications or conditions attached. This indicates that while there are some issues, they do not fundamentally undermine the validity of the claims.
5) **Adverse Opinion:** An adverse opinion is issued when the project does not meet the required standards, indicating significant issues that need to be addressed before compliance can be confirmed.
6) **Disclaimed Opinion:** A disclaimed opinion is provided when there is insufficient information available to form a conclusive opinion on the claims made by the client. This typically occurs when critical data is missing or when significant uncertainties exist.

Process for identification of misstatements during the validation or verification process by the validation and verification bodies (VVBs)

Identification of Misstatements

1. **Review of Evidence:** VVBs must thoroughly review all evidence related to the claims made by clients. This includes examining documentation, data, and other relevant information to identify any discrepancies or inaccuracies.
2. **Assessment of Materiality:** Misstatements must be assessed for their materiality. VVBs should determine whether identified misstatements could influence the decision-making process of stakeholders regarding the validation or verification statement.
3. **Independence in Evaluation:** The evaluation of misstatements should be conducted by individuals who were not involved in the execution of the validation or verification activities, ensuring an objective assessment.

Addressing Misstatements

1. **Communication with Clients:** If misstatements are identified, VVBs are required to communicate these findings to the client promptly. This communication should include a clear explanation of the nature and implications of the misstatements.
2. **Request for Correction:** VVBs should request that clients correct any identified misstatements. This involves discussing the necessary adjustments and ensuring that clients understand the impact of these corrections on their claims.
3. **Documentation:** All identified misstatements and actions taken to address them must be documented. This includes recording the nature of each misstatement, the rationale for its classification as material or immaterial, and any corrective actions requested from the client.
4. **Follow-Up Actions:** If a client refuses to correct certain misstatements, VVBs must seek to understand the reasons for this decision and evaluate whether it affects the overall validity of the verification statement. Further discussions may be warranted to clarify the implications for both parties.
5. **Final Decision on Statement Issuance:** After addressing the identified misstatements, VVBs must make a final decision on whether to issue a validation or verification statement based on the corrected information and any remaining discrepancies.

Type of Misstatement

Factual Misstatements

1) **Definition:** Factual misstatements are errors for which there is no doubt. There are clear discrepancies between the reported financial statement items and the applicable accounting framework.
2) **Examples:** An example might be an incorrect figure in the financial statements, such as failing to disclose earnings per share (EPS) for a listed company or misclassifying an expense as revenue.
3) **Detection:** These misstatements are straightforward to identify and evaluate because they involve objective data that can be verified against records.

Judgmental Misstatements

1) **Definition:** Judgmental misstatements arise from management's subjective decisions regarding accounting estimates or the application of accounting policies that the auditor considers unreasonable or inappropriate.
2) **Examples:** These may include disagreements over the valuation of assets, such as determining the fair value of non-current assets or estimating provisions for liabilities where management's assumptions differ significantly from the auditor's conclusions.
3) **Detection:** Identifying judgmental misstatements often involves discussions with management and requires auditors to present robust evidence to justify their conclusions.

Projected Misstatements

1) **Definition:** Projected misstatements are estimates made by auditors regarding the total misstatement in a population sample based on findings from audit samples. They involve extrapolating identified misstatements to a larger population sample.
2) **Examples:** For instance, if an auditor finds several errors in a sample of transactions, he may project these findings to estimate the total potential misstatement for all transactions in that sample.
3) **Detection:** These misstatements are not specific errors but rather statistical estimation, requiring auditors to consider sampling risks and apply their findings to broader contexts.