(SA 200) OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR & THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH SA

Scope:

- Establishes the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with SAs.
- Explains the nature and scope of an audit designed to enable the independent auditor to meet those objectives
- It also explains the scope, authority and structure of the Sas.

OVER ALL OBJECTIVES OF THE AUDITOR

- To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.
- Thereby enabling the auditor to express an opinion on whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.
- To report on the financial statements , and communicate as required by the SAs, in accordance with the auditor's findings.

Applicable Financial Reporting Framework

- The financial reporting framework adopted by management and, where appropriate, those charged with governance,
- In the preparation and presentation of the financial statements.
- That is acceptable in view of the nature of the entity and the objective of the financial statements, or that is required by law or regulation.

Audit evidence

- Information used by the auditor in arriving at the conclusions on which the auditor's opinion is based.
- Audit evidence includes both information contained in the accounting records underlying the financial statements and other information

Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted.

- For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework, this includes the design, implementation and maintenance of internal control.

To provide the auditor with:

- ✓All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements
- ✓Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

Financial statements

- A structured representation of historical financial information, including related notes.
- intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework.

Audit Risk

- The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated.
- It is a function of the risks of material misstatement and detection risk.

Reasonable assurance

- In the context of an audit of financial statements, a high, but not absolute, level of assurance.

Professional judgment

- The application of relevant training, knowledge and experience, within the context provided by auditing, accounting and ethical standards.
- In making informed decisions, in the circumstances of the audit engagement.

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Those charged with governance

➢The person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity.

➢This includes overseeing the financial reporting process. The financial reporting framework adopted by management and, where appropriate.

REQUIREMENTS of Auditor

➢Ethical Requirements Relating to an Audit of Financial Statements

➢Professional Skepticism

➢Professional Judgment

➢Sufficient Appropriate Audit Evidence and Audit Risk

➢Complying with SAs Relevant to the Audit

Risk of material misstatement

➢The risk that the financial statements are materially misstated prior to audit. This consists of two components

(Inherent risk) – (Control risk)

These risks, that a misstatement that could occur in an assertion about a class of transaction, account balance or disclosure and that could be material. either individually or when aggregated with other misstatements , will not be prevented, or detected and corrected, on a timely basis by the entity's internal control.

Professional skepticism

➢ An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence .

The Basic Principles that an auditor should follow while discharging his professional responsibilities

➢**Integrity, Objectivity & Independence:** The auditor should be a person of Integrity, honest & character. He should be straight forward, sincere and objective in approach. He should be impartial and free from bias. He should be free of any interest and appear to be as such. He should be independent and not allow himself to be influenced by others.

➢**Confidentiality:** The auditor should keep all the information acquired during the course of audit in strict confidence. He should not disclose the information to third parties, unless permitted by his client or a legal obligation to disclose.

➢**Skill and Competence:** Only persons with adequate training, experience and competence in auditing should perform an audit. These qualities are acquired through general education, technical knowledge, formal training and experience.

➢**Work Performed by others:** The auditor can delegate authority to his assistants but not responsibility. He is responsible for the opinion on financial information, though it is based on the opinion of experts, he must exercise due care and skill while placing such reliance.

➢**Documentation:** The auditor should document all matters which are important in providing evidence that the audit was carried out in accordance with the **Basc Prin.**

➢**Planning:** The auditor should plan his work so that he can conduct the audit in an efficient and timely manner. Plans should be based on knowledge of client's business, accounting system, policies and internal control procedures. They should be revised as necessary during the course of the audit.

➢**Audit evidence:** the auditor should obtain sufficient and appropriate evidence through the performance of compliance and substantive procedures so that he can draw reasonable conclusions on the basis of which he can express his opinion on the financial information.

➢**Accounting system and Internal control:** Maintenance of adequate accounting system is the responsibility of management. The auditor should study the accounting system and related internal control and then decide upon the nature, timing and extent of audit procedures.

➢**Audit conclusions and reporting:** The auditor should review and assess audit evidence to draw conclusions on the fallowing matters:

✓Whether the financial information has been prepared according to the accounting principles and whether such principles are consistently applied.

✓Whether the financial information complies with statutory requirements .

✓Whether there is adequate disclosure of all material matters in the financial statements.

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