SA-200: Overall objectives of the independent auditor and the conduct of audit in accordance with standards of auditing

Objective of Auditor:

1. Financial statements free from material misstatement &

Whether as per applicable **financial reporting framework**-law/regulations

Responsibility of mgmt/those charged with governance to implement/ design and maintain internal control for preparation of financial statements

2. **Report and communicate** on financial statements

1. **Complying with SA's relevant to audit**
2. **Objectives stated in individual SA's**- additional procedure required and sufficient evidence received
3. **Comply with relevant requirement**- unless SA not applicable
4. In case of **failure to achieve objective in SA**- modify the report or withdraw from engagement

Scope of Auditor

1. Obtain reasonable assurance whether free from material misstatement
2. Sufficient and appropriate **audit evidence**

1. Does not mean **absolute assurance**
2. Arises due to inherent limitations

Nature of financial reporting- involves judgment and subjective decisions- has to consider whether reasonable

Nature of audit procedures- mgmt may not provide complete information, fraud is carefully concealed so can't be revealed easily

Time and cost- auditor resorts to test procedures, he directs more efforts to risky areas

Professional Judgment

1. Make proper decision during audit
2. Considers consultation if required

Professional Skepticism

1. Recognize conditions indicating possible misstatement
2. Necessary to reduce risk of
   a. Overlooking unusual circumstances
   b. Drawing conclusion before observation
   c. Inappropriate assumption of nature timing and extent of audit procedure required

Sufficient audit evidence to reduce AUDIT RISK

Risk of material misstatement and detection risk

Material misstatement includes- inherent risk and control risk

Ethical requirements

1. **Integrity**- straight forward and honest
2. **Objectivity**- unbiased
3. **Professional competence**- up to date development in practice
4. **Confidentiality**
5. **Professional behavior**- refrain from conduct of discredit to profession
6. **Technical standard**

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