SA-200

OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR & THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH SA'S.

This is very basic SA's which needs to be complying with being an Auditor for Proper & Quality audit work.

Premise of Audit

Management & TCWG is responsible for-

1) Preparation & presentation of Financial statement (Not the Auditor)
2) To Provide with information which is necessary and required by the auditor to perform his duties
3) To Design, implement & maintain I.C system of the entity (Not the auditor)

Ethical Requirements- Auditor should have these -

1) Professional Behavior
2) Due care & Professional skills
3) Confidentiality
4) Independence of mind
5) Objectivity

Professional Judgment- in arriving at decisions regarding-

1) Materiality & audit risk associated with it (Auditor can ignore immaterial items)
2) Adoption of audit procedures to obtain Sufficient and appropriate audit evidences
3) Conclusions based upon such audit evidences
4) FRF prepared by the Management

Professional Skepticism

1) An attitude that includes- a questioning mind
2) Being alert to circumstances/indicators which shows/indicates mis-statements due to error or fraud
3) An critical assessment of audit evidences

Why SA's are required?

1) Complying with SA's relevant to the audit (For proper & quality audit work)
2) Objectives stated by individual relevant SA's (It helps auditor to achieve overall objective)
3) **Note: If the auditor decides to depart from a relevant requirement inn SA, he shall perform alternatives audit procedures to achieve the overall aim.**
4) **Note: If he fails to achieve his objective and accordingly modify or withdraw from the engagement**

Inherent Limitations of Audit-

1) Nature of Financial Reporting- Ie: Accounting estimates provided by Management can not be verified accurately.
2) Nature of Audit Procedures- ie: sampling
3) If audit is to be done within stipulated time period & at a reasonable cost
4) Nature of Audit evidence (Persuasive evidence is taken by the auditor rather than conclusive evidence)

Understanding of Persuasive evidence is taken by the auditor rather than conclusive evidence)-actually what does it means?

Examples- 1) when auditors gather evidences on the basis of a test sampling

2- Peoples make mistake both client & auditor

3- Documents could be forged due to increasing in digital technology

4- The client personnel may not always tell the truth

Imp. Points-

1) The audit of the financial statement does not relieve the Management & TCWG from their duties/responsibilities.
2) Due to inherent limitations of Audit, it can not be held as an Absolute level of assurance. It provides reasonable assurance.
3) Auditor shall perform his duties under applicable/relevant SA's and laws or regulations.
4) Auditors shall form his opinion on the basis of audit done under relevant SA's , applicable laws and regulations.

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