SA-200 "Overall Objectives of the Independent Auditor and Conduct of Audit in Accordance with SAs"

Overall Objectives of the Auditor :-
- Obtain Reasonable Assurance
- Report on FS & Communicate as required by SAs.

* If Reasonable Assurance Cannot be obtained → Qualified Opinion or → Disclaimer of opinion | Withdraw

REQUIREMENTS OF STANDARD

Ethical Requirements
- Comply with ER including Independence
  - of Mind
  - of Appearance
- Comprises of Code of Ethics issued by ICAI. Fundamental Principles are :- OIPCC
  Objectivity, Integrity, Professional Behaviour, Confidentiality, Professional Competence & due Care.
- Independence enhances Auditor's ability to act with INTEGRITY to be objective & to maintain an Attitude of Professional Skepticism

Professional Skepticism
- Attitude that includes Questioning Mind, being Alert to conditions which may indicate possible Misstatement and Critical Assessment of Audit Evidence.

Requirements
- Plan & perform Audit with PS
- It Reduces risk of:-
  - → Overlooking Unusual Circumstances
  - → Overgeneralising when drawing Conclusions from Audit Observations
  - → Inappropriate Assumptions in determining NTE of A.P.
- It includes being alert to:-
  - → Contradictory A.E.
  - → Questions on Reliability of docs.
  - → Conditions indicating possible frauds
  - → Add. A.P. needed

Professional Judgement
Meaning ⇒ Application of Relevant training, Knowledge & Experience provided by Auditing, A/cing & Ethical Standards in making Informed decisions about courses of Action that are appropriate in Audit Engagement.

Requirements
- In planning & performing Audit of FS
- Depends on facts & circumstances known to the Auditor
- exercised throughout the Audit & to be appropriately Documented
- It is imp. when deciding about :-
  - → Materiality & Audit Risk
  - → NTE of A.P.
  - → Evaluating S & A of A.P.
  - → Evaluating Mgt. Judgment in applying FRF.
  - → Drawing Conclusions based on A.E.

SAAE and Audit Risk

- To obtain Reasonable Assurance, Auditor Should Obtain SAAE to reduce Audit Risk to an acceptably low level & Enable Auditor to draw Reasonable Conclusions.

→ high, but not Absolute assurance

→ SAAE → Quantity & Quality

→ Audit Risk Risk that auditor expresses an inappropriate Audit Opinion when the FS are materially misstated.

Audit Risk is a function of

- ROMM
&
- Detection Risk

Conduct of Audit in accordance with SAs

1. Compliance with SAs relevant to Audit
   - Comply with all SAs relevant to Audit when SA is in effect & circumstances as per SA exists.
   - Understanding of entire text of SA
   - Not Represent Compliance in Audit Report Unless Complied
2. Objectives states in Individual SAs.
   - Use this objective to achieve Overall Obj.
   - Regard to Interrelationship b/w SAs.
     - → Add. A.P. required by SA is necessary
     - → whether SAAE obtained.
3. Complying with Relevant Requirements

   Unless
   - SA Not Relevant
   - Requirement is Not Relevant becoz it is Conditional & Condition Not Exist.
   - Perform Alt. A.P.
4. Failure to Achieve an Objective
   - Evaluate if failure
     - → prevents auditor in achieving O. Obj. &
     - → Necessitates Modified Opinion. or Withdraw
   - Documentation Required

SCOPE of Audit :-

- Opinion on FS
- opinion is common to all Audits of FS.
- Opinion does NOT assure, future viability of entity nor efficiency or effectiveness with which mgt. has conducted the affairs of the entity.
- Cases where applicable laws & Regulations may require auditors to provide opinions on specific matters, like effectiveness of Internal Control or Consistency of a separate Management Report with FS.
- Relevant SAs includes requirements & guidances to form opinions, Auditor required to undertake further work if Auditor had additional responsibilities to provide such opinions.

Preparation of F.S.

$\boxed{\text{APIC}}$

Audit in accordance with SAs is conducted on Premise that mgmt. and where appropriate TCWG have responsibility

- Identification of Applicable FRF. Preparation & presentation of F.S in accordance with that FRF. Adequate description in FS.
- for Preparation & presentation of F.S. as per applicable FRF.
- and design, implementation & maintenance of Internal Control.
- Coordinate ⇒ to provide Auditor with
  - i.) All Information relevant for preparation & presentation of FS
  - ii.) Any additional Information requested by auditor
  - iii.) Unrestricted access to those within Entity.

* The preparation of F.S. requires mgmt. to exercise Judgement for making
- A/cing Estimates
- A/cing Policies

Risk of Material Misstatement

- Exists at two levels
  - ↳ Overall FS level
  - ↳ Assertion Level for
    - classes of transactions
    - A/c balances
    - disclosures
- At Overall FS Level
  Pervasively to the FS as a whole & potentially affect many assertions
- At Assertion level
  for Determining NTE of FAP
- ROMM at assertion level Consists of
  - Inherent Risk
  - Control Risk
- SAs refer to a Combined Assessment of both i.e. "ROMM".

Inherent Limitations for an Audit

AS audit cannot reduce Audit Risk to Zero & cannot obtain Absolute Assurance becoz of Inherent Limitations of Audit.

(1.) The nature of Financial Reporting

Management's Judgement ~~in~~ for prepairing FS as per FRF.

(2.) Nature of Audit Procedures

- Mgt. & others do NOT provide Complete Info. Intentionally / Unintentionally
- A.P. to gather A.E. may be ineffective against Fraud Detection
- Not an official Investigation (search & siege nhi kr sakte)

(3.) Balance b/w Benefit & Cost

- User's Expectation that the Auditor will form Opinion
  - Reasonable period of time
  - Reasonable Cost
- Results into TEST CHECKING & putting most of efforts over ROMM areas with corresponding less efforts in other areas.