



# **SA 200**

**Overall Objectives of the  
Independent Auditor  
&  
The Conduct of an Audit  
in Accordance with SA.**

# Standards on Auditing

<b>Standard</b>		<b>Application</b>
Standards on Quality Control	<b>SQC</b>	Quality Control of a Firm
Standards on Auditing	<b>SA</b>	Audit of Historic Financial Information
Standards on Review Engagements	<b>SRE</b>	Review of Historic Financial Information
Standards on Assurance Engagements	<b>SAE</b>	Assurance Engagements other than Audit & Reviews of Historic Financial Information
Standards on Related Services	<b>SRS</b>	Agreed upon Procedures regarding Financial Information & Compilation of Financial Information

# Scope

- SA 200 establishes the independent auditor's overall responsibilities when conducting an audit of FS in accordance with SA's.
- The authority of SA's is set out in SA 200.

# Audit

- **Purpose of audit:** enhance the degree of confidence of intended users of the FS.
- **Express an opinion** as to whether the Financial Statements reflect a true and fair view of the financial position of the enterprise

# **Assumption – Management Responsibility**

## **Audit is conducted on the premise that:**

- Management has prepared the FS in accordance with applicable FRF.
- FS are free from material misstatements.
- Proper internal controls are in place.
- Management will provide auditor with all information and documents that are relevant and unrestricted access to those within the entity.

# Objectives of the Auditor

- To obtain reasonable assurance about whether the FS as a whole are free from material misstatement;
- An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management.
- To report on the FS and communicate as required by SA's, in accordance with auditors' findings. – i.e, to give an Opinion.

# Reasonable Assurance

- Obtain reasonable assurance about whether the FS as a whole are free from material misstatements.
- Reasonable assurance is not absolute assurance because there are inherent limitations in an audit.
- A high level of assurance.

# Reasonable Assurance

- Reasonable assurance is obtained when auditor has obtained sufficient, appropriate audit evidence, to reduce the audit risk to an acceptably low level.



# Audit Risk

- Audit Risk is the risk that the auditor expresses an inappropriate opinion when the Financial Statements are materially misstated.
  - Risk of Material Misstatement.
  - Detection Risk

# Risk of Material Misstatement

- 2 levels:
  - Overall Financial Statement Level
  - Assertion level for classes of transactions, account balances & disclosures.



# **Responsibilities and Requirements**

# Responsibilities of an Auditor

## I. Ethical Requirements:

- Fundamental principles of ethics:
  - Integrity
  - Objectivity
  - Professional competence and due care
  - Confidentiality
  - Professional behaviour

# Responsibilities of an Auditor

## II. Professional Skepticism

- Being alert to:
  - Audit evidence that contradicts other audit evidence obtained.
  - Conditions that may indicate possible fraud.

# Responsibilities of an Auditor

## III. Professional Judgement

- Making judgement about materiality and audit risk.
- Nature, timing and extent of audit procedures.
- Evaluating audit evidence.
- Drawing conclusions.

# Responsibilities of an Auditor

## IV. Sufficient Appropriate audit evidence:

- To reduce audit risk
- Draw reasonable conclusions.

Audit evidence is cumulative in nature and is primarily obtained from audit procedures performed.

# Responsibilities of an Auditor

## **V. Conduct of an audit in accordance with SA's:**

- Understanding of an SA
- Whether SA is relevant to the audit.



## Failure to achieve an objective

- If an objective of a relevant SA cannot be achieved:
  - Modify opinion or
  - Withdraw from engagement.
  - Proper Documentation

# Form of Auditors Opinion

- In accordance with the applicable financial reporting framework.

**Thank You....**

***Bigger, Better, Bolder.....***

