INTOSAI

Financial Audit
Subcommittee

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Description of content of ISSAI 1200

Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing

Reading this description is not a substitute for reading the ISA or ISSAI itself.

ISSAI 1200 is comprised of International Standard on Auditing (ISA) 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing, and a corresponding Practice Note. The ISA and the Practice Note are read together.

Authority

Public Sector auditors using the ISAs or ISSAIs as the authoritative standard shall comply with all ISAs or ISSAIs relevant to the audit. An ISA or ISSAI is relevant to the audit when the ISA or ISSAI is in effect and the circumstances addressed by the ISA or ISSAI exist. The auditor shall not represent compliance with ISAs or ISSAIs in the auditor's report unless the auditor has complied with the requirements of all ISAs or ISSAIs relevant to the audit.

Description of the ISA

ISA 200 deals with the independent auditor's overall responsibilities when conducting an audit of financial statements in accordance with ISAs. Specifically, it sets out the overall objectives of the independent auditor, and 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 ISAs, and includes requirements establishing the general responsibilities of the independent auditor applicable in all audits, including the obligation to comply with the ISAs. The independent auditor is referred to as "the auditor" hereafter.

Objective of the auditor in terms of the ISA

In conducting an audit of financial statements, the overall objectives of the auditor are:

a. 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; and

b. To report on the financial statements, and communicate as required by the ISAs, in accordance with the auditor's findings.

In all cases when reasonable assurance cannot be obtained and a qualified opinion in the auditor's report is insufficient in the circumstances for purposes of reporting to the intended users of the financial statements, the ISAs require that the auditor disclaim an opinion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.

Among other matters, the requirements in this ISA deal with:

a. The need to comply with relevant ethical requirements relating to financial statement audit engagements.
b. The need to plan and perform an audit with professional skepticism recognizing that circumstances may exist that cause the financial statements to be materially misstated.
c. The need to exercise professional judgment in planning and performing an audit of financial statements.
d. The need to obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level in order to obtain reasonable assurance.
e. The need to comply with all relevant ISAs: have an understanding of the entire text of each ISA in order to properly understand its objectives and apply its requirements.
f. An explanation of the status of the objectives in each ISA . The auditor is required to use the objectives stated in each relevant ISA in order to achieve the overall objectives of the auditor. This means that the auditor will need to determine whether any audit procedures in addition to those required by the ISAs are necessary in order to meet the objectives.
g. The need to comply with every requirement in an ISA unless not relevant.
h. The exceptional circumstance when the auditor may judge it necessary to depart from a relevant requirement. In this case, alternative audit procedures must be performed so that the aim of the requirement is still achieved.
i. The situation where an objective in a relevant ISA cannot be achieved. In this circumstance, the auditor is required to evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the audit opinion to be modified or necessitates withdrawal from the engagement.

Description of the Practice Note

The Practice Note provides supplementary guidance for auditors applying ISA 200 when conducting financial audits of public sector entities.

Content of the Practice Note

The Practice Note provides additional guidance for public sector auditors related to:

a. The scope of the ISA in relation to the often broader scope of a public sector regularity (financial) audit.
b. An audit of financial statements in relation to the definitions of a complete set of financial statements in different financial reporting frameworks.
c. Overall objectives of the auditor and public sector auditors' often limited options to withdraw from an assignment.
d. Definitions of applicable financial reporting framework and the terms engagement partner and firm.
e. Ethical requirements relating to an audit of financial statements.
f. Conduct of an audit in accordance with ISAs.
g. Sufficient and appropriate audit evidence and audit risk.