

# IAASB CAG PAPER

**IAASB CAG Agenda (April 2007)**

**Agenda Item E.1.4**

**Clarity – ISA 200 Mapping Document – Preface and Extant ISA 200 – April 2007 IAASB Agenda Item 4-D**

## Mapping Document - Preface and Extant ISA 200

Preface	New ISA 200 Ref.	Comment on proposed deletion or reposition of highlighted material, and other notes.
<b>International Standards on Auditing</b>		
10. ISAs are written in the context of an audit of financial statements <sup>1</sup> by an independent auditor. <sup>2</sup> They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.	2	
11. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.  It is undertaken to enhance the degree of confidence of intended users in the financial statements.  ISAs, taken together, provide the standards for the auditor's work in fulfilling this objective.	4  A1.3 <sup>3</sup> A51.1	
12. In conducting an audit, the overall objective of the auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to report on the financial statements in accordance with the auditor's findings.  In all cases when this overall objective has not been or cannot be achieved, the ISAs require that the auditor modifies the auditor's opinion accordingly or withdraws from the engagement.	5  6.2	

<sup>1</sup> Unless otherwise stated, "financial statements" mean financial statements comprising historical financial information.

<sup>2</sup> Referred to hereafter as "the auditor."

<sup>3</sup> To be read as "ISA 200, paragraph A1, second sentence"

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13.	The auditor applies each ISA relevant to the audit. An ISA is relevant when the ISA is in effect and the circumstances addressed by the ISA exist.	12.2-12.3	
14.	<p>The ISAs deal with the general responsibilities of the auditor, as well as the auditor's further considerations relevant to the application of those responsibilities to specific topics.</p> <p>An ISA contains objectives and requirements together with related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context essential to a proper understanding of the ISAs, and definitions.</p> <p>It is, therefore, necessary to consider the entire text of an ISA to understand and apply its requirements.</p>	<p>A51.2</p> <p>A56</p> <p>13.1 &amp; 18 (b)</p>	
<i>ISA Objectives</i>			
15.	<p>Each ISA contains an objective or objectives, which provide the context in which the requirements of the ISA are set.</p> <p>The auditor aims to achieve these objectives, having regard to the interrelationships amongst the ISAs.</p> <p>For this purpose, the auditor uses the objectives to judge whether, having complied with the requirements of the ISAs, sufficient appropriate audit evidence has been obtained in the context of the overall objective of the auditor.</p> <p>Where an individual objective has not been or cannot be achieved, the auditor considers whether this prevents the auditor from achieving the auditor's overall objective.</p>	<p>15.1</p> <p>16.1</p> <p>20.1</p> <p>16.2</p>	
<i>Requirements</i>			
16.	The requirements of each ISA are contained in a separate section and expressed using the word "shall."	17.1	

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	The auditor applies the requirements in the context of the other material included in the ISA.	18(b)	
17.	<p>The auditor complies with the requirements of an ISA in all cases where they are relevant in the circumstances of the audit. In exceptional circumstances, however, the auditor may judge it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement.</p> <p>The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective.</p>	<p>18(a) &amp; A67</p> <p>A67.3</p>	
18.	<p>A requirement is not relevant only in the cases where: the ISA is not relevant; or the circumstances envisioned do not apply because the requirement is conditional and the condition does not exist.</p> <p>The auditor is not required to comply with a requirement that is not relevant in the circumstances of the audit; this does not constitute a departure from the requirement.</p>	<p>A68</p> <p>A69</p>	
<i>Application and Other Explanatory Material</i>			
19.	The application and other explanatory material contained in an ISA is an integral part of the ISA as it provides further explanation of, and guidance for carrying out, the requirements of an ISA, along with background information on the matters addressed in the ISA. It may include examples of procedures, some of which the auditor may judge to be appropriate in the circumstances. Such guidance is, however, not intended to impose a requirement.	A57	
20.	Appendices, which form part of the application and other explanatory material, are an integral part of an ISA. The purpose and intended use of an appendix are explained in the body of the related ISA or within the title and introduction of the appendix itself.	A58	
<i>Introductory Material and Definitions</i>			

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21.	Introductory material may include, as needed, such matters as explanation of: the purpose and scope of the ISA, including how the ISA relates to other ISAs; the subject matter of the ISA; specific expectations on the auditor and others; and the context in which the ISA is set.	A59	
22.	An ISA may include, in a separate section under the heading ‘Definitions’, a description of the meanings attributed to certain terms for purposes of the ISAs. These are provided to assist in the consistent application and interpretation of the ISAs, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the ISAs. The Glossary of Terms in the Handbook contains a complete listing of terms defined in the ISAs. It also includes descriptions of other terms found in ISAs to assist in common and consistent interpretation and translation.	A60	
<b>Professional Judgment</b>			
27.	The nature of the International Standards requires the professional accountant to exercise professional judgment in applying them.	13.2	
<b>Applicability of the International Standards</b>			
28.	The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the professional accountant is permitted to apply an International Standard before the effective date specified therein.	A52	
29.	International Standards are relevant to engagements in the public sector.  When appropriate, additional considerations specific to public sector entities are included: (a) Within the body of an International Standard in the case of ISAs and ISQCs, or (b) In a Public Sector Perspective (PSP) appearing at the end of other International Standards.	A55.1        A57.4	        Deleted; not relevant to ISA 200.

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Extant ISA 200	New ISA 200 Ref.	Comment on proposed deletion or reposition of highlighted material, and other notes.
<b>Introduction</b>		
<p>1. The purpose of this International Standard on Auditing (ISA) is to establish standards and provide guidance on the objective and general principles governing an audit of financial statements. It also describes management's responsibility for the preparation and presentation of the financial statements and for identifying the financial reporting framework to be used in preparing the financial statements, referred to in the ISAs as the "applicable financial reporting framework."</p>	1	Deleted; unnecessary to state and principal concepts cover these points amongst others.
<b>Objective of an Audit of Financial Statements</b>		
<p>2. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework.</p>	4	
<p>3. An audit of financial statements is an assurance engagement, as defined in the International Framework for Assurance Engagements. The Framework defines and describes the elements and objectives of an assurance engagement. The ISAs apply the Framework in the context of an audit of financial statements and contain the basic principles and essential procedures, together with related guidance, to be applied in such an audit. Paragraphs 34-35 in this ISA discuss the meaning of the term "financial statements" and management's responsibility for such statements. As discussed in the Framework, a condition for acceptance of an assurance engagement is that the criteria referred to in the definition are "suitable criteria" and available to intended users.</p>	A1.1	Deleted; unnecessary to repeat Framework, and may be inappropriate to do so as Framework may not be adopted nationally.

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Paragraphs 37-48 in this ISA discuss suitable criteria and their availability to intended users for an audit of financial statements through the auditor’s consideration of the acceptability of the financial reporting framework. <sup>4</sup>		
<b>Ethical Requirements Relating to an Audit of Financial Statements</b>		
4. <b>The auditor should comply with relevant ethical requirements relating to audit engagements.</b>	10	
<p>5. As discussed in ISA 220, “Quality Control for Audits of Historical Financial Information,” ethical requirements relating to audits of financial statements ordinarily comprise Parts A and B of the International Federation of Accountants’ <i>Code of Ethics for Professional Accountants</i> (the IFAC Code) together with national requirements that are more restrictive.</p> <p>ISA 220 identifies the fundamental principles of professional ethics established by Parts A and B of the IFAC Code and sets out the engagement partner’s responsibilities with respect to ethical requirements. ISA 220 recognizes that the engagement team is entitled to rely on a firm’s systems in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement (for example, in relation to capabilities and competence of personnel through their recruitment and formal training; independence through the accumulation and communication of relevant independence information; maintenance of client relationships through acceptance and continuance systems; and adherence to regulatory and legal requirements through the monitoring process), unless information provided by the firm or other parties suggests otherwise. Accordingly, International Standard on Quality Control (ISQC) 1, “Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements,” requires the firm to establish policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements.</p>	<p>A48</p> <p>A49</p>	<p>Deleted; unnecessary to repeat aspects of ISA 220.</p>
<b>Conduct of an Audit of Financial Statements</b>		
6. <b>The auditor should conduct an audit in accordance with International Standards on Auditing.</b>		Deleted; effectively covered

<sup>4</sup> Implementation of the final sentence of paragraph 3 has been deferred until such time as ISA 800 (Revised), “Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement” becomes effective (a date yet to be determined).

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		by proposed paras 200.12 & 200.18.
7. ISAs contain basic principles and essential procedures together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of explanatory and other material that provide guidance for their application. The text of a whole Standard is considered in order to understand and apply the basic principles and essential procedures.		Deleted; replaced with relevant Preface provisions incorporated in ISA 200.
8. In conducting an audit in accordance with ISAs, the auditor is also aware of and considers International Auditing Practice Statements (IAPSs) applicable to the audit engagement. IAPSs provide interpretive guidance and practical assistance to auditors in implementing ISAs. An auditor who does not apply the guidance included in a relevant IAPS needs to be prepared to explain how the basic principles and essential procedures in the Standard addressed by the IAPS have been complied with.		Deleted; authority of IAPS covered by Preface.
9. The auditor may also conduct the audit in accordance with both ISAs and auditing standards of a specific jurisdiction or country.	A54.1	
<b>Scope of an Audit of Financial Statements</b>		
10. The term “scope of an audit” refers to the audit procedures that, in the auditor’s judgment and based on the ISAs, are deemed appropriate in the circumstances to achieve the objective of the audit.		Deleted; not considered to add further to the clarity of ISA 200 or other ISAs.
11. In determining the audit procedures to be performed in conducting an audit in accordance with International Standards on Auditing, the auditor should comply with each of the International Standards on Auditing relevant to the audit.	12.2	
12. In performing an audit, auditors may be required to comply with other professional, legal or regulatory requirements in addition to the ISAs. The ISAs do not override the local laws and regulations that govern an audit of financial statements. In the event that those laws and regulations differ from the ISAs, an audit conducted in accordance with the local laws and regulations will not automatically comply with ISAs.	A53	

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Reasonable Assurance		
<p>17. An auditor conducting an audit in accordance with ISAs obtains reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether due to fraud or error.</p> <p>Reasonable assurance is a concept relating to the accumulation of the audit evidence necessary for the auditor to conclude that there are no material misstatements in the financial statements taken as a whole. <b>Reasonable assurance relates to the whole audit process.</b></p>	<p>5 &amp; A46.1</p> <p>A46.2</p>	<p>Deleted; not necessarily accurate</p>
<p>18. An auditor cannot obtain absolute assurance because there are inherent limitations in an audit that affect the auditor's ability to detect material misstatements. These limitations result from factors such as the following:</p> <ul style="list-style-type: none"> <li>• The use of testing.</li> <li>• The inherent limitations of internal control (for example, the possibility of management override or collusion).</li> <li>• The fact that most audit evidence is persuasive rather than conclusive.</li> </ul>	<p>A47.1&amp;2</p> <p>A39</p> <p>A37</p> <p>A41.1</p>	
<p>19. Also, the work undertaken by the auditor to form an audit opinion is permeated by judgment, in particular regarding:</p> <p>(a) The gathering of audit evidence, for example, in deciding the nature, timing and extent of audit procedures; and</p> <p>(b) The drawing of conclusions based on the audit evidence gathered, for example, assessing the reasonableness of the estimates made by management in preparing the financial statements.</p>	<p>A29</p>	
<p>20. Further, other limitations may affect the persuasiveness of audit evidence available to draw conclusions on particular assertions<sup>5</sup> (for example, transactions between related parties). In these cases certain ISAs identify</p>	<p>A35, A36 and A41</p>	<p>Redrafted substantially</p>

<sup>5</sup> Paragraphs 15-18 of ISA 500, "Audit Evidence" discuss the use of assertions in obtaining audit evidence.

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<p>specified audit procedures which will, because of the nature of the particular assertions, provide sufficient appropriate audit evidence <b>in the absence of:</b></p> <p>(a) Unusual circumstances which increase the risk of material misstatement beyond that which would ordinarily be expected; or</p> <p>(b) Any indication that a material misstatement has occurred.</p>		
<p>21. Accordingly, because of the factors described above, an audit is not a guarantee that the financial statements are free from material misstatement, because absolute assurance is not attainable.</p> <p>Further, an audit opinion does not assure the future viability of the entity nor the efficiency or effectiveness with which management has conducted the affairs of the entity.</p>	<p>A33.2</p> <p>A45.2</p>	
<b>Audit Risk and Materiality</b>		
<p>22. Entities pursue strategies to achieve their objectives, and depending on the nature of their operations and industry, the regulatory environment in which they operate, and their size and complexity, they face a variety of business risks. Management is responsible for identifying such risks and responding to them. However, not all risks relate to the preparation of the financial statements. The auditor is ultimately concerned only with risks that may affect the financial statements.</p>		Deleted; covered by ISA 315 (Redrafted) A25-A27, and A30
<p>23. The auditor obtains and evaluates audit evidence to obtain reasonable assurance about whether the financial statements give a true and fair view or are presented fairly, in all material respects, in accordance with the applicable financial reporting framework.</p> <p>The concept of reasonable assurance acknowledges that there is a risk the audit opinion is inappropriate.</p>	5&A2	Deleted; covered by discussion of principal concepts of audit risk and reasonable assurance

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<p>The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated is known as “audit risk.”<sup>6</sup></p>	9c	
<p>24. <b>The auditor should plan and perform the audit to reduce audit risk to an acceptably low level that is consistent with the objective of an audit.</b></p> <p>The auditor reduces audit risk by designing and performing audit procedures to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base an audit opinion.</p> <p>Reasonable assurance is obtained when the auditor has reduced audit risk to an acceptably low level.</p>	<p>7, 19.2, A2.3, A13, A46, A47.3</p> <p>A46.3</p> <p>7, 19.2, A13, A46, A47.3</p>	<p>Supplanted by the auditor’s overall objective. However, the need for the auditor to reduce audit risk to an acceptably low level in obtaining reasonable assurance has been emphasized in the paragraphs noted.</p>
<p>25. Audit risk is a function of the risk of material misstatement of the financial statements (or simply, the “risk of material misstatement”) (i.e., the risk that the financial statements are materially misstated prior to audit) and the risk that the auditor will not detect such misstatement (“detection risk”).</p> <p>The auditor performs audit procedures to assess the risk of material misstatement and seeks to limit detection risk by performing further audit procedures based on that assessment (see ISA 315, “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement” and ISA 330, “The Auditor’s Procedures in Response to Assessed Risks”). The audit process involves the exercise of professional judgment in designing the audit approach, through focusing on what can go wrong (i.e., what are the potential misstatements that may arise) at the assertion level (see ISA 500, “Audit Evidence”) and performing audit procedures in response to the assessed risks in order to obtain sufficient appropriate audit evidence.</p>	<p>9i &amp; A13</p> <p>A46.3</p>	
<p>26. The auditor is concerned with material misstatements, and is not responsible for the detection of misstatements that are not material to the financial statements taken as a whole.</p>	A12.2	

<sup>6</sup> This definition of audit risk does not include the risk that the auditor might erroneously express an opinion that the financial statements are materially misstated.

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<p>The auditor considers whether the effect of identified uncorrected misstatements, both individually and in the aggregate, is material to the financial statements taken as a whole. Materiality and audit risk are related (see ISA 320, “Audit Materiality”).</p> <p>In order to design audit procedures to determine whether there are misstatements that are material to the financial statements taken as a whole, the auditor considers the risk of material misstatement at two levels: the overall financial statement level and in relation to classes of transactions, account balances, and disclosures and the related assertions.<sup>7</sup></p>	<p>A12.4</p> <p>A14</p>	<p>Redrafted to reflect ED ISAs 320 (Revised and Redrafted) &amp; 450 (Revised and Redrafted)</p>
<p>27. The auditor considers the risk of material misstatement at the overall financial statement level, which refers to risks of material misstatement that relate pervasively to the financial statements as a whole and potentially affect many assertions.</p> <p>Risks of this nature often relate to the entity’s control environment (although these risks may also relate to other factors, such as declining economic conditions), and are not necessarily risks identifiable with specific assertions at the class of transactions, account balance, or disclosure level. Rather, this overall risk represents circumstances that increase the risk that there could be material misstatements in any number of different assertions, for example, through management override of internal control. Such risks may be especially relevant to the auditor’s consideration of the risk of material misstatement arising from fraud.</p> <p>The auditor’s response to the assessed risk of material misstatement at the overall financial statement level includes consideration of the knowledge, skill, and ability of personnel assigned significant engagement responsibilities, including whether to involve experts; the appropriate levels of supervision; and whether there are events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern.</p>	<p>A14 &amp; A15</p>	<p>Moved and redrafted as part of ISA 315 (Redrafted) A98-A99</p> <p>Deleted; repetitive of ISA 330 (Redrafted)</p>
<p>28. The auditor also considers the risk of material misstatement at the class of transactions, account balance, and disclosure level because such consideration directly assists in determining the nature, timing, and extent of further</p>	<p>A16</p>	

<sup>7</sup> ISA 315 (Redrafted), “Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement” provides additional guidance on the auditor’s requirement to assess risks of material misstatement at the financial statement level and at the assertion level.

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<p>audit procedures at the assertion level. The auditor seeks to obtain sufficient appropriate audit evidence at the class of transactions, account balance, and disclosure level in such a way that enables the auditor, at the completion of the audit, to express an opinion on the financial statements taken as a whole at an acceptably low level of audit risk. Auditors use various approaches to accomplish that objective.<sup>8</sup></p>		
<p>29. <b>The discussion in the following paragraphs provides an explanation of the components of audit risk.</b> The risk of material misstatement at the assertion level consists of two components as follows:</p> <ul style="list-style-type: none"> <li>“Inherent risk” is the susceptibility of an assertion to a misstatement that could be material, either individually or when aggregated with other misstatements, assuming that there are no related controls.</li> </ul> <p>The risk of such misstatement is greater for some assertions and related classes of transactions, account balances, and disclosures than for others. For example, complex calculations are more likely to be misstated than simple calculations. Accounts consisting of amounts derived from accounting estimates that are subject to significant measurement uncertainty pose greater risks than do accounts consisting of relatively routine, factual data. External circumstances giving rise to business risks may also influence inherent risk. For example, technological developments might make a particular product obsolete, thereby causing inventory to be more susceptible to overstatement. In addition to those circumstances that are peculiar to a specific assertion, factors in the entity and its environment that relate to several or all of the classes of transactions, account balances, or disclosures may influence the inherent risk related to a specific assertion. These latter factors include, for example, a lack of sufficient working capital to continue operations or a declining industry characterized by a large number of business failures.</p> <ul style="list-style-type: none"> <li>“Control risk” is the risk that a misstatement that could occur in an assertion and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control.</li> </ul> <p>That risk is a function of the effectiveness of the design and operation of internal control in achieving the</p>	<p>A17.1</p> <p>9i</p> <p>A18</p> <p>9i</p>	

<sup>8</sup> The auditor may make use of a model that expresses the general relationship of the components of audit risk in mathematical terms to arrive at an appropriate level of detection risk. Some auditors find such a model to be useful when planning audit procedures to achieve a desired audit risk though the use of such a model does not eliminate the judgment inherent in the audit process.

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entity's objectives relevant to preparation of the entity's financial statements. Some control risk will always exist because of the inherent limitations of internal control.	A19	
<p>30. Inherent risk and control risk are the entity's risks; they exist independently of the audit of the financial statements.</p> <p>The auditor is required to assess the risk of material misstatement at the assertion level as a basis for further audit procedures,</p> <p>though that assessment is a judgment, rather than a precise measurement of risk.</p> <p>When the auditor's assessment of the risk of material misstatement includes an expectation of the operating effectiveness of controls, the auditor performs tests of controls to support the risk assessment.</p> <p>The ISAs do not ordinarily refer to inherent risk and control risk separately, but rather to a combined assessment of the "risk of material misstatement." Although the ISAs ordinarily describe a combined assessment of the risk of material misstatement, the auditor may make separate or combined assessments of inherent and control risk depending on preferred audit techniques or methodologies and practical considerations. The assessment of the risk of material misstatement may be expressed in quantitative terms, such as in percentages, or in non-quantitative terms. In any case, the need for the auditor to make appropriate risk assessments is more important than the different approaches by which they may be made.</p>	<p>A17.2</p> <p>A13.2</p> <p>A20</p>	<p>Deleted; repetitive of ISA 315 (Redrafted)</p> <p>Deleted; repetitive of ISA 315 (Redrafted)</p>
<p>31. "Detection risk" is the risk that the auditor will not detect a misstatement that exists in an assertion that could be material, either individually or when aggregated with other misstatements. Detection risk is a function of the effectiveness of an audit procedure and of its application by the auditor.</p> <p>Detection risk cannot be reduced to zero because the auditor usually does not examine all of a class of transactions, account balance, or disclosure and because of other factors. Such other factors include the possibility that an auditor might select an inappropriate audit procedure, misapply an appropriate audit procedure, or misinterpret the audit results. These other factors ordinarily can be addressed through adequate planning, proper</p>	<p>9d</p> <p>A22</p>	

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assignment of personnel to the engagement team, the application of professional skepticism, and supervision and review of the audit work performed.		
32. Detection risk relates to the nature, timing, and extent of the auditor's procedures that are determined by the auditor to reduce audit risk to an acceptably low level. For a given level of audit risk, the acceptable level of detection risk bears an inverse relationship to the assessment of the risk of material misstatement at the assertion level. The greater the risk of material misstatement the auditor believes exists, the less the detection risk that can be accepted. Conversely, the less risk of material misstatement the auditor believes exist, the greater the detection risk that can be accepted.	A21	
<b>Responsibility for the Financial Statements</b>		
33. While the auditor is responsible for forming and expressing an opinion on the financial statements, the responsibility for the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework is that of the management <sup>9</sup> of the entity, with oversight from those charged with governance. <sup>10</sup> The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.	A3	
34. The term "financial statements" refers to a structured representation of the financial information, which ordinarily includes accompanying notes, derived from accounting records and intended to communicate an entity's economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term can refer to a complete set of financial statements, but it can also refer to a single financial statement, for example, a balance sheet, or a statement of revenues and expenses, and related explanatory notes.	9e	
35. The requirements of the financial reporting framework determine the form and content of the financial statements		Replaced by approved ISA

<sup>9</sup> The term "management" has been used in this ISA to describe those responsible for the preparation and presentation of the financial statements. Other terms may be appropriate depending on the legal framework in the particular jurisdiction.

<sup>10</sup> The structures of governance vary from country to country, reflecting cultural and legal backgrounds. Therefore, the respective responsibilities of management and those charged with governance vary depending on the legal responsibilities in the particular jurisdiction.\_

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	and what constitutes a complete set of financial statements. For certain financial reporting frameworks, a single financial statement such as a cash flow statement and the related explanatory notes constitutes a complete set of financial statements. For example, the International Public Sector Accounting Standard (IPSAS), “Financial Reporting Under the Cash Basis of Accounting,” states that the primary financial statement is a statement of cash receipts and payments when a public sector entity prepares and presents its financial statements in accordance with that IPSAS. Financial statements prepared by reference to International Financial Reporting Standards (IFRSs), on the other hand, are intended to provide information about the financial position, performance and cash flows of an entity. A complete set of financial statements under IFRSs includes a balance sheet; an income statement; a statement of changes in equity; a cash flow statement; and notes, comprising a summary of significant accounting policies and other explanatory notes.		800 conforming amendments
36.	<p>Management is responsible for identifying the financial reporting framework to be used in the preparation and presentation of the financial statements. Management is also responsible for preparing and presenting the financial statements in accordance with that applicable financial reporting framework. This responsibility includes:</p> <ul style="list-style-type: none"> <li>• Designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error;</li> <li>• Selecting and applying appropriate accounting policies; and</li> <li>• Making accounting estimates that are reasonable in the circumstances.</li> </ul>		Replaced by approved ISA 800 conforming amendments
<i>[Paragraphs 37-48 deferred and being considered as part of ISA 200, and therefore not reproduced here.]</i>			
<b>Expressing an Opinion on the Financial Statements</b>			
49.	When the auditor is expressing an opinion on a complete set of general purpose financial statements prepared in accordance with a financial reporting framework that is designed to achieve fair presentation, the auditor refers to ISA 700, “The Independent Auditor’s Report on a Complete Set of General Purpose Financial Statements,” for standards and guidance on the matters the auditor considers in forming an opinion on such financial statements and on the form and content of the auditor’s report. The auditor also refers to ISA 701 when expressing a		Replaced by approved ISA 800 conforming amendments



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	modified audit opinion, including an emphasis of matter, a qualified opinion, a disclaimer of opinion or an adverse opinion.		
50.	<p>The auditor refers to ISA 800 when expressing an opinion on:</p> <p>(a) A complete set of financial statements prepared in accordance with an other comprehensive basis of accounting;</p> <p>(b) A component of a complete set of general purpose or special purpose financial statements, such as a single financial statement, specified accounts, elements of accounts, or items in a financial statement;</p> <p>(c) Compliance with contractual agreements; and</p> <p>(d) Summarized financial statements.</p>		Replaced by approved ISA 800 conforming amendments
51.	In addition to addressing reporting considerations, ISA 800 also addresses other matters the auditor considers in such engagements related to, for example, engagement acceptance and the conduct of the audit.		
<b>Effective Date</b>			
52.	This ISA is effective for audits of financial statements for periods beginning on or after June 15, 2006.	3	
<b>Public Sector Perspective</b>			
1.	Irrespective of whether an audit is being conducted in the private or public sector, the basic principles of auditing remain the same. What may differ for audits carried out in the public sector is the audit objective and scope. These factors are often attributable to differences in the audit mandate and legal requirements or the form of reporting (for example, public sector entities may be required to prepared additional financial reports).	A55	Revised based on INTOSAI input
2.	When carrying out audits of public sector entities, the auditor will need to take into account the specific requirements of any other relevant regulations, ordinances or ministerial directives which affect the audit mandate and any special auditing requirements, including the need to have regard to issues of national security. Audit mandates may be more specific than those in the private sector, and often encompass a wider ranged of objectives and a broader scope than is ordinarily applicable for the audit of private sector financial statements. The mandates	A55	Revised based on INTOSAI input

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and requirements may also effect, for example, the extent of the auditor's discretion in establishing materiality, in reporting fraud and error, and in the form of the auditor's report. Differences in audit approach and style may also exist. However, these differences would not constitute a difference in the basic principles and essential procedures.		
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