

Proposed Conforming Amendments to Proposed ISA 200 (Revised and Redrafted), “Overall Objective of the Independent Auditor, and the Conduct of an Audit in Accordance with International Standards on Auditing”

[No amendments are proposed to paragraphs 1-6.]

Preparation of the Financial Statements

7. An audit by an independent auditor is premised on the fact that the financial statements subject to audit are those of the entity, prepared and presented by management of the entity with oversight from those charged with governance,¹ with the auditor engaged for purposes of forming and expressing an opinion on them. The audit of the financial statements does not relieve management and those charged with governance of their responsibilities. ~~The auditor is also entitled to expect that management and those charged with governance will make available to the auditor all the information the auditor requires for the purposes of the audit.~~
8. Accordingly, although ISAs do not impose responsibilities on management ~~and or~~ those charged with governance ~~and do not override laws and regulations that govern their responsibilities; an audit in accordance with ISAs are written, and audits are is~~ conducted, on the premises that management and, where appropriate, those charged with governance have responsibility:
 - (a) ~~Acknowledge and understand their responsibility for preparing and presenting~~ For the preparation and presentation² of the financial statements in accordance with the applicable financial reporting framework; ~~this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and~~ (Ref: Para. A2-A8);
 - (b) ~~Acknowledge and understand their responsibility for 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; and~~
 - (c) ~~Will To~~ provide ~~complete information to~~ the auditor with;

¹ The terms “management” and “those charged with governance” are ~~described~~ defined in [proposed] ISA 260 (Revised and Redrafted), “Communication with Those Charged with Governance.”

² In the case of a fair presentation framework, management is responsible for the preparation and fair presentation of the financial statements in accordance with the financial reporting framework; or the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework. This applies to all references to “preparation and presentation of the financial statements” in the ISAs.

- (i) All information that is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters that support the financial statements;
- (ii) Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and
- (iii) Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

[No amendments are proposed to paragraphs 9-15.]

Definitions

16. For purposes of the ISAs, the following terms have the meanings attributed below
...

(g1) Premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted – That management and, where appropriate, those charged with governance have the following responsibilities that are fundamental to the conduct of an audit in accordance with ISAs. That is, responsibility:

- (i) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and
- (ii) To provide the auditor with:
 - a. All information that is relevant to the preparation and presentation of the financial statements, such as records, documentation, and other matters that support the financial statements;
 - b. Any additional information that the auditor may request from management and, where appropriate; and
 - c. Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence.

The “premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit is conducted” may also be referred to as the “premise.” ...

[No amendments are proposed to paragraphs 17-29 and A1.]

Preparation of the Financial Statements (Ref: Para. 8(a))

A2. As part of ~~its~~ their responsibility for ~~preparing and presenting the preparation and presentation of~~ the financial statements, management ~~and, where appropriate, those charged with governance~~³ ~~is are~~ responsible for ~~identifying the identification of~~ the applicable financial reporting framework, in the context of any relevant law or regulation. ~~Management is~~ They are also responsible for ~~preparing and presenting the preparation and presentation of~~ the financial statements in accordance with that framework, and ~~adequately describing for an adequate description of~~ that framework in the financial statements. ~~Management's responsibility for preparing and presenting the financial statements in accordance with the applicable financial reporting framework includes:~~

- ~~Designing, implementing and maintaining internal control relevant to preparing and presenting financial statements that are free from material misstatement, whether due to fraud or error;~~
- ~~Selecting and applying appropriate accounting policies; and~~
- ~~Making accounting estimates that are reasonable in the circumstances.~~

[No amendments are proposed to paragraphs A3-A7.]

A8. [Proposed] ISA 210 (Redrafted), "Terms of Audit Engagements" establishes requirements and provides guidance on determining the acceptability of the applicable financial reporting framework.⁴ [Proposed] ISA 800 (Revised and Redrafted), "Special Considerations—Audits of Special Purpose Financial Statements and Specific Elements, Accounts or Items of a Financial Statement" contains additional considerations for special purpose frameworks.⁵

A8a. Because of the significance of the premise to the conduct of an audit, the auditor is required to obtain the agreement of management and, where appropriate, those charged with governance that they acknowledge and understand their responsibilities set out in paragraph 8 as a precondition for accepting the audit engagement.⁶ The auditor is also required to obtain written representations about whether management and, where appropriate, those charged with governance have fulfilled those responsibilities.⁷

Considerations Specific to Public Sector Entities

A8b. The mandates for audits of the financial statements of public sector entities may be broader than those of other entities. As a result, the premise, relating to management's responsibilities, on which an audit of the financial statements of a public sector entity is conducted may include additional responsibilities, such as

³ ~~With oversight from those charged with governance.~~

⁴ [Proposed] ISA 210 (Redrafted), "Agreeing the Terms of Audit Engagements," paragraph [4(a)].

⁵ [Proposed] ISA 800 (Revised and Redrafted), "Special Considerations—Audits of Special Purpose Financial Statements and Elements, Accounts or Items of a Financial Statement," paragraphs [9-10].

⁶ [Proposed] ISA 210 (Redrafted), paragraph [4(b)].

⁷ [Proposed] ISA 580 (Revised and Redrafted), "Written Representations," paragraph [10-11].

the responsibility for the execution of transactions and events in accordance with legislation or proper authority.

[No amendments are proposed to paragraphs A9-A63.]