

AAS-1

**BASIC PRINCIPLES GOVERNING AN
AUDIT****Purpose**

Describes principles that govern auditor's professional responsibilities which should be complied with whenever an audit is carried out.

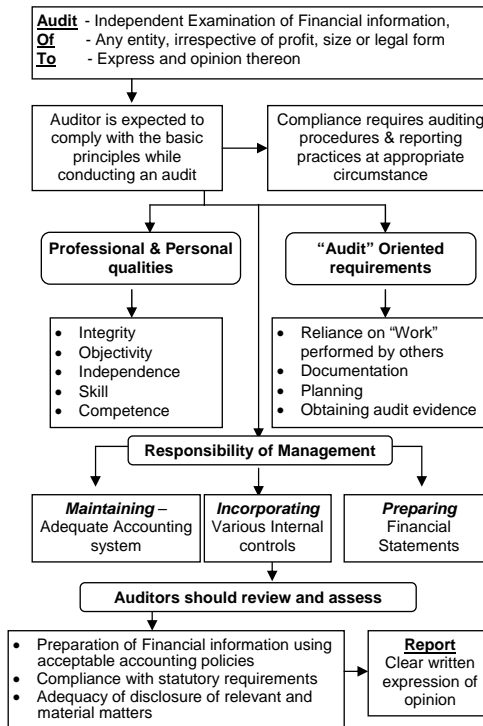
Key Terms

- ❖ An audit is the independent examination of financial information of any entity, whether profit oriented or not, and irrespective of its size or legal form, when such an examination is conducted with a view to expressing an opinion thereon. In this Standard, the term "financial information" encompasses financial statements
- ❖ Compliance procedures are tests designed to obtain reasonable assurance that those internal controls on which audit reliance is to be placed are in effect.
- ❖ Substantive procedures are designed to obtain evidence as to the completeness, accuracy and validity of the data produced by the accounting system

Effective Date

April 1, 1985

Diagrammatic representation



Synopsis

An auditor is expected to comply with certain basic requirements and responsibilities while conducting an audit. Such compliance requires application of auditing procedures and reporting practices at appropriate circumstances.

Professional and personal requirements include:

- **Integrity:** Moral excellence, honesty
- **Objectivity:** Straightforwardness and fair
- **Independence:** Self governing, Unprejudiced and unbiased
- **Confidentiality:** Non disclosure and respect to certain information
- **Skill and Competence:** Possess expertise & ability to perform work well

Audit Oriented requirements include:

- **Work performed by others:** Auditor stands responsible for the work that is performed by others. He is entitled to rely on work performed by others
- **Documentation:** Auditor should record relevant information in providing evidence that audit was carried out in accordance with basic principles
- **Planning:** Auditor should plan his work to conduct an effective and efficient audit

- **Audit evidence:** Auditor should obtain sufficient and appropriate evidence through compliance and substantive procedures which would enable him to draw reasonable conclusions

Management is responsible to maintain an adequate accounting system incorporating various internal controls. An auditor should gain understanding of the accounting system, study and evaluate the internal controls in place and reasonably assure its adequacy.

An auditor should review and assess the conclusions based on the audit evidence and express an opinion. Such opinion should be a clear written expression in the form as per any prescribed agreement or statute. Adequate reasons need to be given in case of a qualified, adverse or disclaimer of opinion.