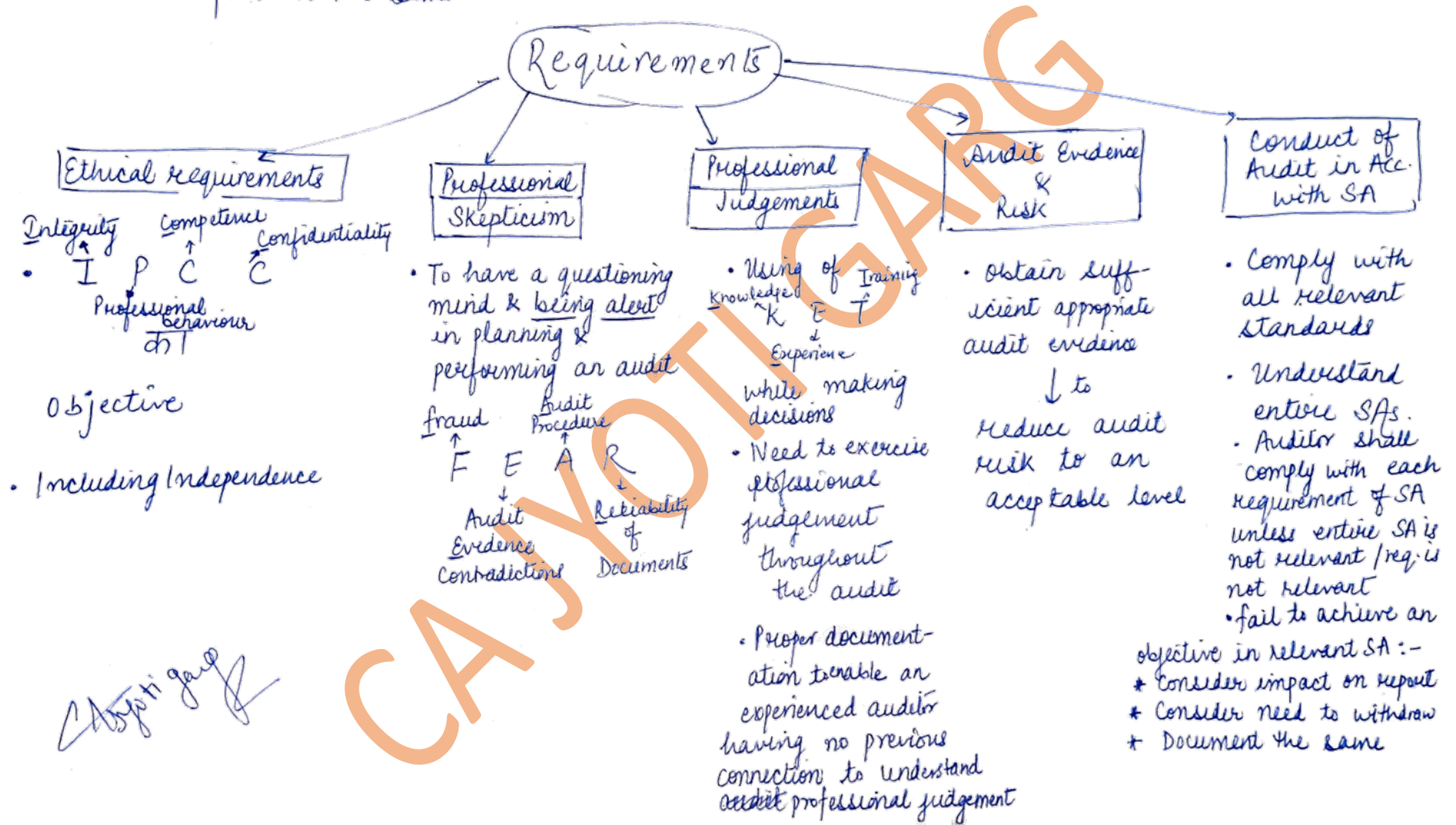
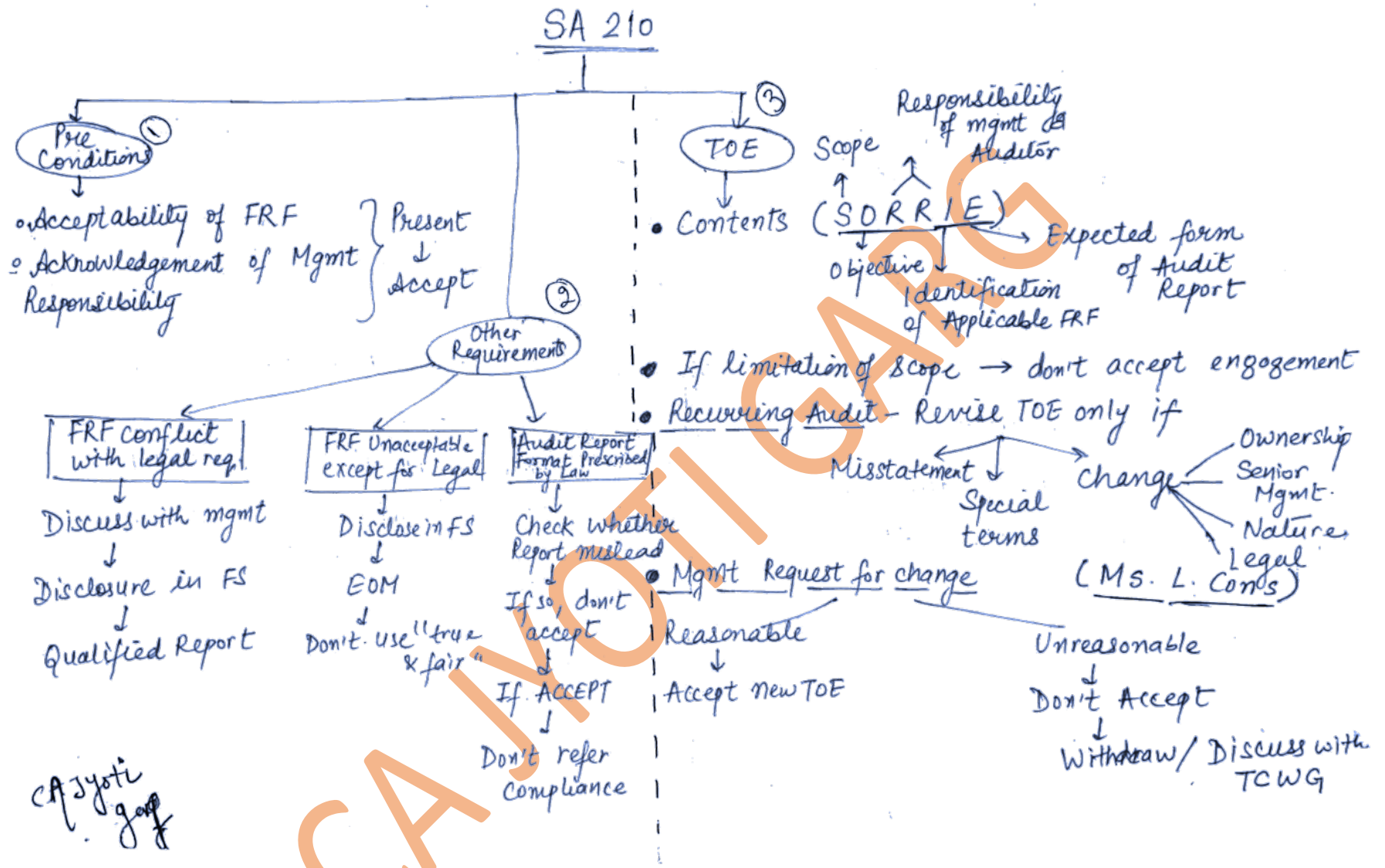


SA 200: Overall objectives of Independent Auditor & Conduct of Audit in accordance with Standards on Auditing.

Objectives: Obtain reasonable assurance to express an opinion on the financial statements & report on the same.



Asyahi gaur



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### Contents of Engagement Letter

- Basis on which fees are computed & any billing arrangements.
- The expectation that mgmt. will provide written representation (SA 580)
- Arrangements regarding the planning & performance of the audit.
- Arrangements concerning the involvement of other auditors & experts in some aspect of the audit. (SA 600)
- Arrangements concerning the involvement of Internal auditors & other staff of the entity.
- The fact that because of inherent limitations of audit, there is an unavoidable risk that some material misstatement may not be detected.



# SA 220: Quality Control for an Audit of FS

Engagement Partner Responsibility → Quality Control Procedures → R.A. → Compliance with SAs/ legal responsibility  
→ Appropriate Audit Report

## I Relevant ethical requirements & Independence

- Identify circumstances that create threat to independence
- Take appropriate actions
- If not resolved → Withdrawal

## II Acceptance & Continuance of Client Relationship

- If information obtained
- Take appropriate actions

## III Assignment of Engagement Team (Auditor Expert)

Competent & Capable

## IV Engagement Performance

- Direction, Supervision & Performance
- Review
  - By engagement partner
  - Firms review policies & procedures
  - Before date of AR
- Consultation
  - Has team took appropriate consultation when required
  - Within the team, between the teams OR others
  - Implementation of results

## V Engagement QC Review

- Listed Cos & others (if required)
- Appointment of Reviewer
- Before date of AR
- Points to be reviewed by reviewer.
  - Significant matters
  - Proposed AR
  - Selected Audit Docs
  - Independence
  - Doc. supports the conclusion

## VI Difference in Opinion

- Follow Firm Policies

## VII Monitoring QC Policies

## VIII Documentation

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## SA 230 - Audit Documentation

Auditor → Responsibility → preparation of Audit Documents → Record

Audit procedure  
Evidence  
Conclusion

### Purpose

- Basis for Opinion
- Evidence for Compliance with SA & legal requirements
- Helps in Planning an Audit
- Helps in direction & supervision
- To ascertain accountability
- To retain significant matters for future Audit
- Helps in QCR
- Helps in external inspection

### Drivers

- Size & complexity of entity
- Nature of Audit Procedures
- RMM
- Significance of Audit Evidence
- Audit Methodology & Tools
- Nature of Exception

### Extent

Able & Experienced Auditor

↓  
No previous experience

↓  
Understand:

- ↳ Audit Procedure
- ↳ Result of AP
- ↳ Significant matters
- ↳ Significant judgement

### Contents

- Discussion with mgmt & TCWG
- Significant matters
- Inconsistent matters
- Time, nature & extent of AP.
- Departure from SA (if any)
- Subsequent events

### Retention

- Documentation prepared on timely basis
- Assemble in Audit File within 60 days from AR
- Addition & Deletion not allowed except for admin. purpose.
- Retention → 7 yrs.

### Ownership

Auditor has an ownership over Audit Documents

### Audit Notebook

Notebook of Queries & classification.

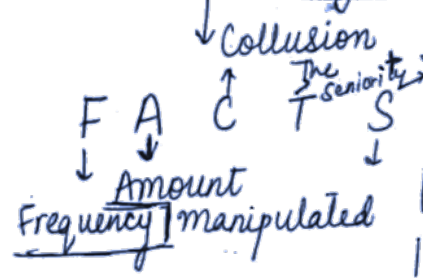
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SA 240

**Auditor's Responsibility**

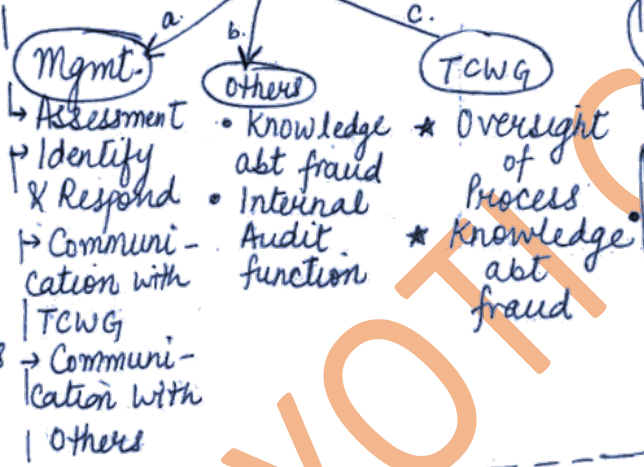
- Obtain reasonable assurance
- Professional Skepticism
- No legal determination of occurrence of fraud.

\* Inherent Limitations  
\* Factors affecting Auditor's ability



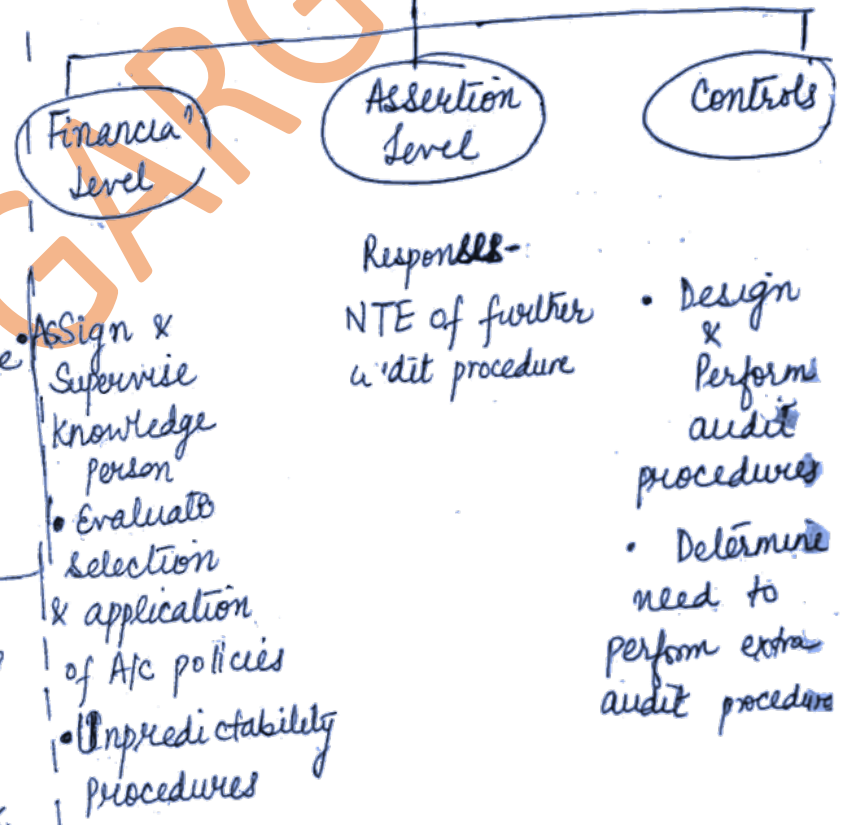
**Risk Assessment Procedures**

1. Inquiry



2. Analytical Procedures
3. Other Information
4. Evaluation of Fraud Risk Factor

**Identifying and Assess Risk**



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### Evaluation of Evidence

- If he finds misstatement, consider whether it is fraud
- If it is fraud then
- Consider reliability of WR &
- Revise the Risk

### Unable to Continue

- Consider whether it is appropriate
- If auditor withdraw
- ↓
- determine professional & legal responsibility
- &
- Discuss

Appropriate level of Mgmt + Reasons

Others

### Communication & Documentation

- If fraud or indicators of fraud then
- ↓
- Communicate at appropriate level on timely basis
- +
- TCWG, if relevant
- Documentation
- SA 315, 330
- Communication
- Significance of Fraud.



SA 250

**Auditor Responsibility**

- Identify non-compliance
- Not Responsible for prevention
- Laws having direct effect on FST
  - ↓
  - Obtain evidence abt compliance
- Other laws
  - ↓
  - Perform audit procedures to identify non-compliance

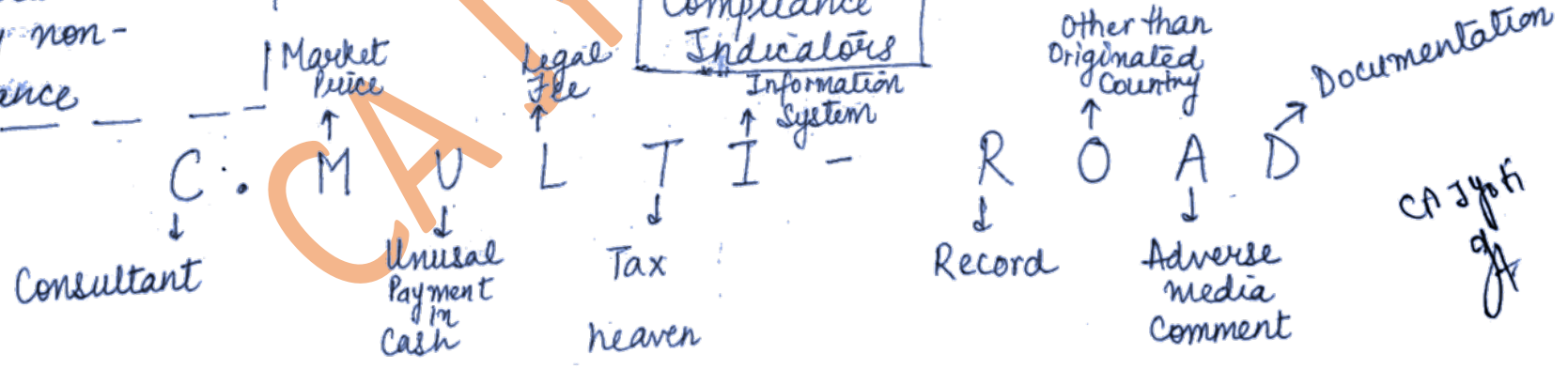
**Audit Procedures**

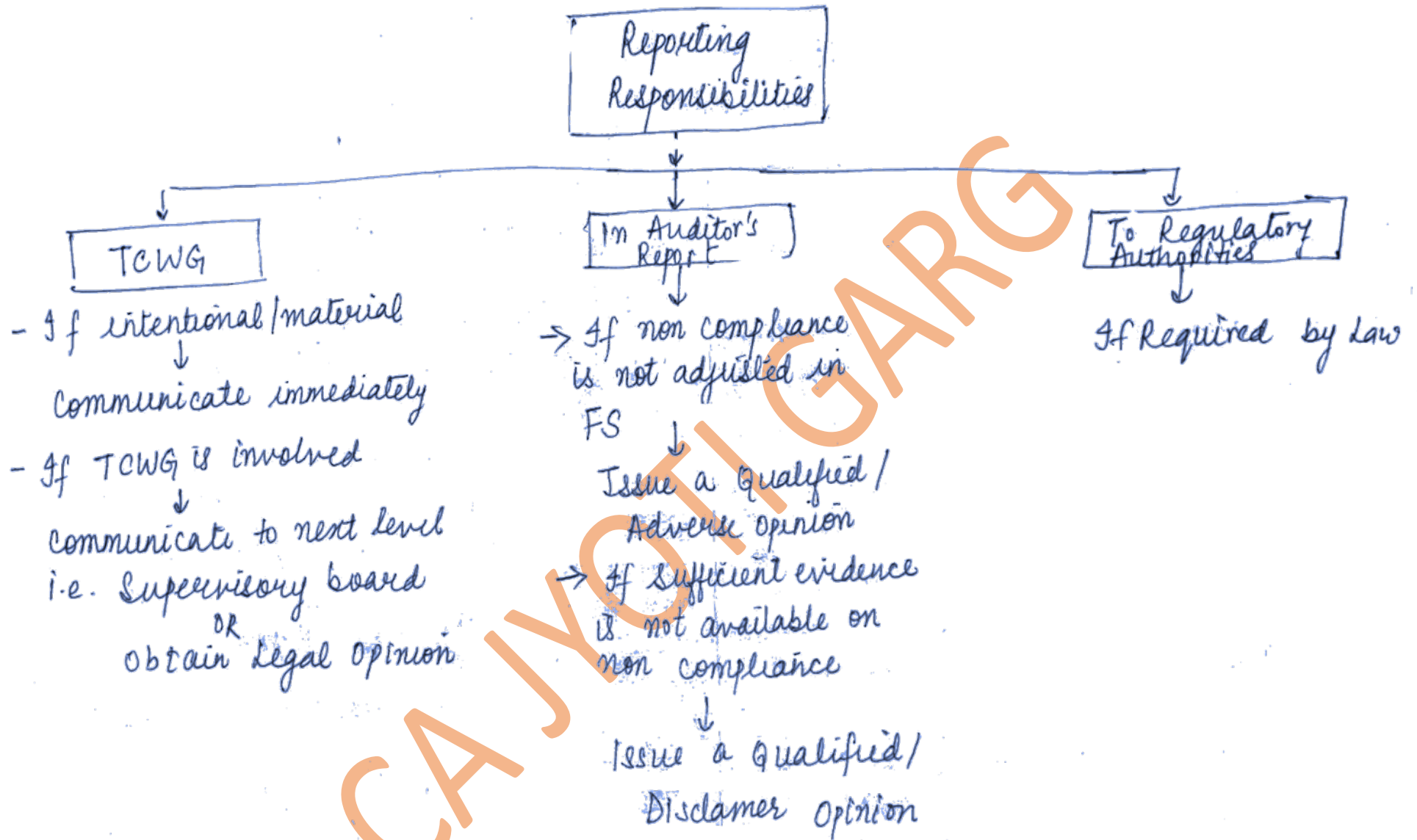
- Understanding of regulatory framework.
- Sufficient evidence regarding compliance with L&R having DE.
- Perform audit procedures (other laws)
- Professional Skepticism
- WR

**In Case of Non Compliance**

- \* In case of Non-Compliance } To understand the nature of non compliance & its impact in FS
- \* In case of suspected Non-Compliance } Discuss with the mgmt & consider taking legal advice
- \* Auditor's inability to confirm a non-compliance } Evaluate its impact in the Audit Report

**Non Compliance Indicators**





# SA-260 "Communicating with Those Charged with Governance"

Auditor's Responsibility → TCWG → Timely Basis

## CONTENT

### 1) Auditor's Responsibility

- Forming & Expressing an opinion
- Audit does not relieve TCWG from their responsibility
- Comply with SA's.

### 2.) Scope

- How the address significant RMM
- Auditor's approach to IC
- Materiality
- Using the work of Internal Audit

### 3.) Significant Findings

#### a) Qualitative aspect

Accounting policies, Estimation disclosure.

#### b) Significant Difficulties

- Unnecessary brief time
- Unavailable Information
- Restrictions
- Significant delay
- Unwillingness of Assessment of going concern

#### c) Content & Form of Audit Report

#### d) Other matters

### 4.) Independence

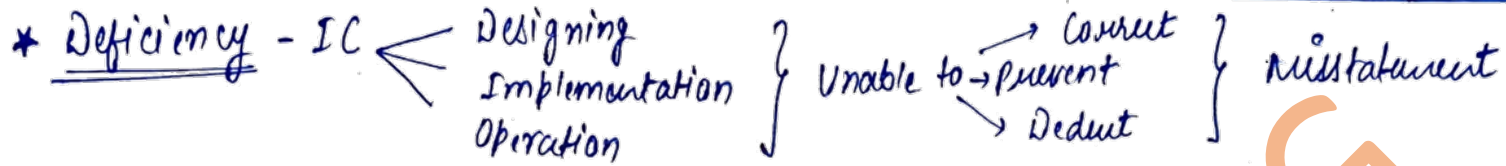
- Listed Co.  
↓  
Statement
- Relationships
- Safeguards

## COMMUNICATION PROCESS

- ⇒ TCWG → writing → Significant findings
- ⇒ Oral → Inadequate
- ⇒ If, no effective two-way communication → Consider RMM.



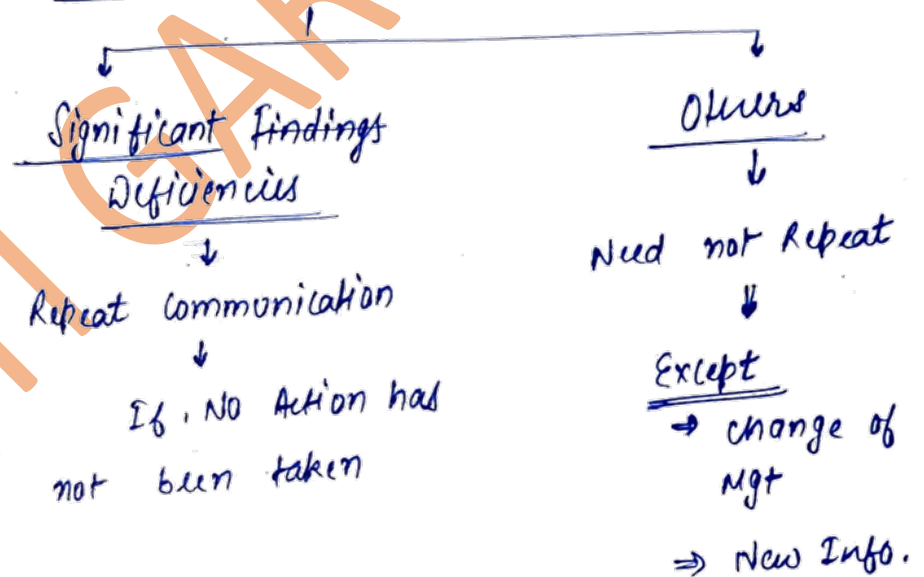
# SA-265 "Communicating Deficiencies in Internal Control to TCM & Management"



⇒ Letter of weakness :-

- 1.) Description of deficiency
- 2.) Potential effect
- 3.) Purpose of Audit
- 4.) Auditor consider IC to design audit procedure not for expressing an opinion thereon.
- 5.) Only those deficiencies which were identified by the auditor

⇒ Previous Communication



## SA 299: Joint Audit of Financial Statement

Joint Audit → Audit of FS by 2 or more auditors

### I Planning

- Involvement of all key members
- Jointly stabilize overall audit strategies
- Things to be considered



- ★ Identify Division & Common Audit Area
- ★ Ascertain the Reporting Objectives
- ★ Consideration of Significant factors
- ★ Result of Preliminary engagement activity
- ★ NTE of necessary resources

### II Risk Assessment

- Each Joint Auditor assess RMM
- Communicate to others
- Documentation

### III Responsibilities

#### I JOINT

- Common Areas
- Common Decisions on Audit Procedures
- Common Agreement on Issues
- Format of AR
- Compliance of FS with Statutes.

#### II INDIVIDUAL

- Execution of AP.

### IV Reporting

- Common AR  
↓  
If all auditors arrive @ an agreed report
- Separate AR  
↓

- If any disagreement with regards to any matter
- Provide "Other Matter Paragraph" in each report.

### Miscellaneous

- Communicate those matters that are relevant to other auditors
- Need not review work of other joint auditors,
- Common engagement letter & MRL
- "Work allocation documents" signed by all joint auditors & communicate to TCWG.

*CA Jyoti Jol*

## SA 300: Planning an Audit of FS

Auditor should → Plan → Work → to Conduct → Effective Audit (involvement of all key members)

### I Audit Strategy (Step I)

(Scope/ Timing/ Direction of AUDIT)

Consideration:

- Identify the characteristic
- Ascertain reporting objectives
- Significant factors
- Result of 'Preliminary engagement activities'
- NTE of Resources

SA 220 → Continuation/ Acceptance of engagement

SA 220 → Compliance with ethical requirements

SA 210 → Term of engagement

### II Audit Plan (Step II)

↓ includes

- NTE of risk assessment procedures (SA 315)
- NTE of further audit procedures (SA 330)
- Other Audit Procedures

Key Points:

- \* Planning is a continuous process
- \* Plan should be revised if required.
- \* Both audit strategy & audit plan are interrelated.
- \* Planning will be done with regards to direction & supervision

Documentation

will include:

- Overall Audit Strategy
- Audit Plan
- Significant Change with reasons

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Jyoti Jang.



SA 315

- For obtaining reasonable assurance, auditor needs to reduce **audit risk** to acceptable level.

function of  
↓  
RMM x DR

Process of Identifying & Assessing RMM

Audit Procedures

- Inquiry with Mgmt. & others
- Observation
- Inquiry
- Analytical Procedures
- Information from
  - Other Engagements
  - Previous Experience
  - Acceptance & Continuance Process
  - Discussion b/w Engagement partners & other Key Engagement members

Info. obtained

- Info. about Industry, regulatory & other external factors
- Nature of Entity (Operations, Ownership, Governance, Type of Investment & financial structure)
- A/cing Policies
- Objectives & Strategies
- Business Risk
- Financial Performance
- Internal Control relevant

Identify & Assess

- Identify Risk
  - ↓ then
  - Assess the Identified Risk
  - ↓ what?
  - Pervasiveness
  - What can go wrong @ Assertion level considering Relevant controls
  - Likelihood

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SA 320: Materiality in Planning & Performing an Audit

Materiality (Amt/Quality)

Meaning:  
Any mis-statement  
↓  
Individual / aggregate  
↓  
Influence economic decision  
↓  
User of FS.

- Assumptions:
- Reasonable knowledge of business / A/cing
  - Willing to study FS with reasonable diligence
  - Preparation / Audit of FS as per materiality
  - Inherent uncertainty
  - Reasonable economic decision

Performance Materiality

Meaning:  
Amt. set by auditor  
↓  
@ less than materiality  
↓  
to reduce probability  
↓  
'Incorrect' & 'Indeducted' mis-statement  
↓  
doesn't exceed materiality level  
↓  
for FS as a whole.

Benchmark

\* Use Normalised Benchmark

Meaning:  
Method to determine  
↓  
materiality level Professional Judgement  
B.M = Benchmark, % = Judgement  
$$\{ B.M \times \% = \text{Materiality} \}$$

Factors that influence BM:

- Element of FS
- Attention of Users
- Nature of entity (Lifecycle)
- Ownership Structure
- Volatility

Examples:

- PBT, Total Revenue, Gross Profit, Total Expense etc.

Additional Pts:

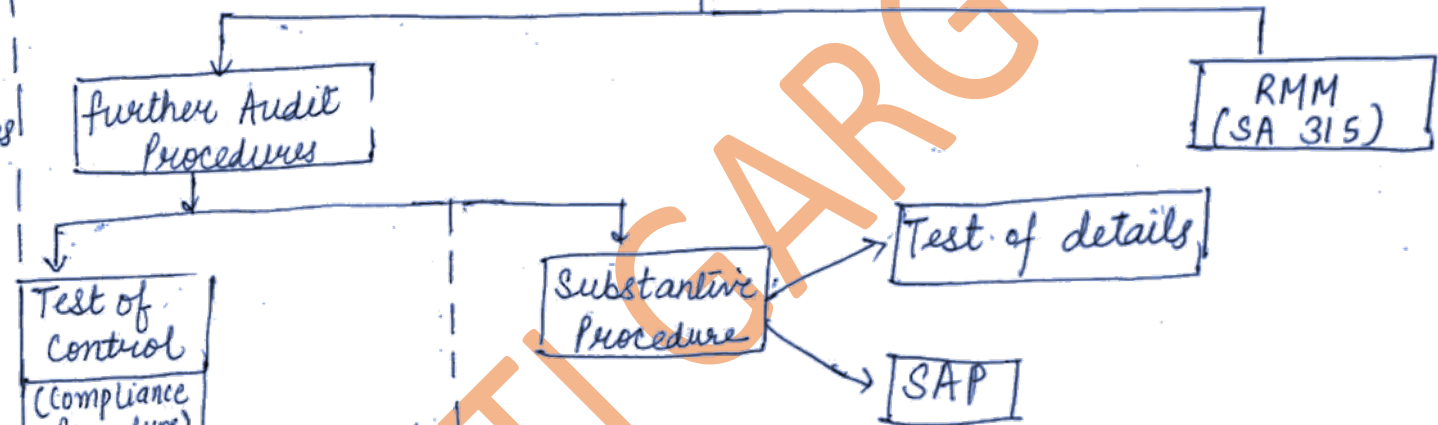
- Revise materiality level if required
- Different materiality levels can be decided for certain transactions if required

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گف

SA 330

**Audit Procedures**



**Significant Risk**

- Risk of fraud
- Significant changes
- Complexity of transactions
- Related party transactions
- Subjectivity Involving in Financial Info.
- Unusual Transactions

**Components of Internal Controls**

- Control Environment
- RAP
- Info. System
- Control Activity
- Monitoring

① Controls are operating effectively  
Substantive Procedure alone can't provide SAAE

• Interim Period → Change Additional Procedure

• Inquiry along with other audit Procedures

• Who, How means controls are applied / consistency

• Previous audit:  $\xrightarrow{\text{no change}} 3\text{yrs.}$   
↳ unless Significant Risk

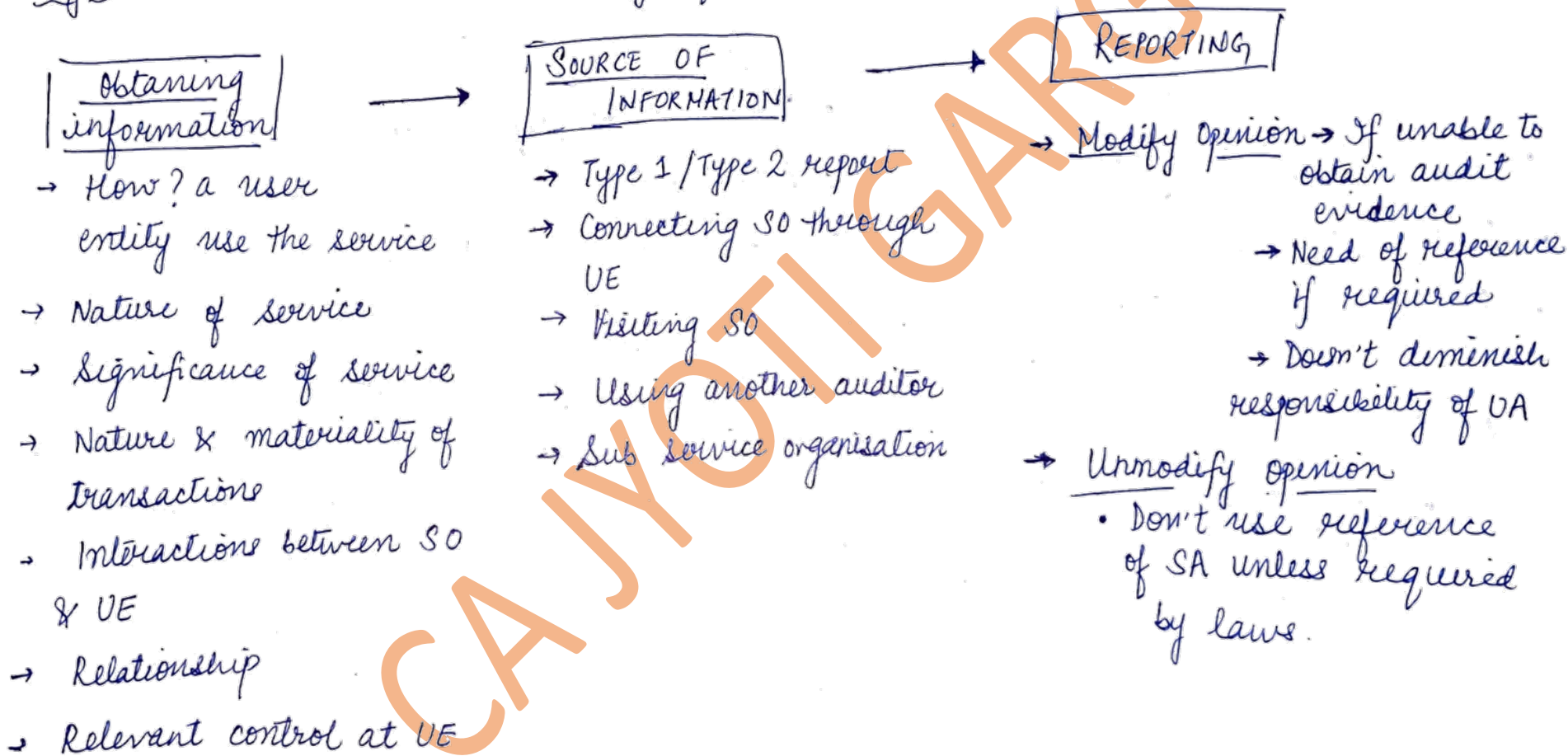
• Evaluate the operating effectiveness of Controls.

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SA 402: AUDIT CONSIDERATIONS RELATING TO ENTITY USING SERVICE ORGANISATION

Objective: Obtain understanding of transactions & internal controls



## TYPE 1 & 2 REPORT

Information  
Provided



CONSIDERATION  
BEFORE  
Using

- Aspect of Controls @ SO
- Flow of significant transactions
- Control objective @ SO
- Effectiveness of Controls

- Competence of professional
- Adequacy of standards
- Enquiring about SA

### ★ Inclusive OR CARVE OUT

- If Type 1 / Type 2 includes services provided by sub-service organisation

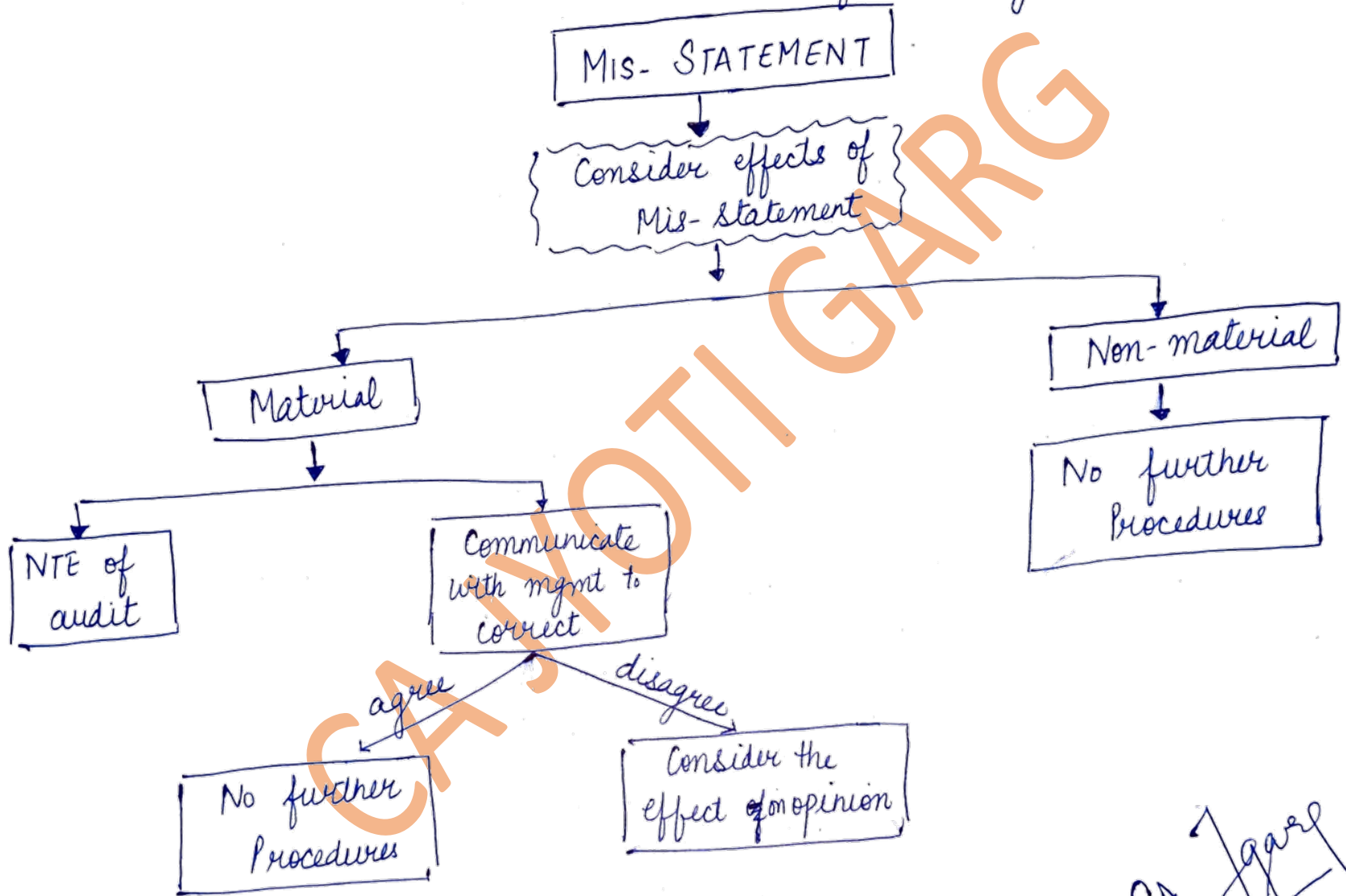


CARVE OUT

Otherwise

CARVE IN

SA-450 { Evaluation of Mis-statement identified during the audit }



CA Jagar



SA 500

Objective → Design Audit Procedure to obtain

Sufficient Audit Evidence

depend  
Risk & Quality of A.E.

Appropriate Audit Evidence

Relevant

Logical connection with Audit Procedure

Reliability

S O C I A L

Source  
Control  
Auditor Direct  
Independent  
Original  
Letter form (writing)

- Inspection
- Observation
- Recalculation
- Inquiry
- Reperformance
- External Confirmation
- Analytical Procedures

Indian Railway OR Indian Aeroplane Coach

Audit Evidence

SOURCE

Information produced by entity

- Accuracy & Completeness
- Precise & Detail

\*Management Expert

- Competence, Capabilities & Objective
- Understanding of work
- Appropriateness of Auditors' work

Inconsistent, OR Doubts over Reliability

◦ Additional procedure to resolve the matter

◦ Consider the effect of the matter on other aspects of audit

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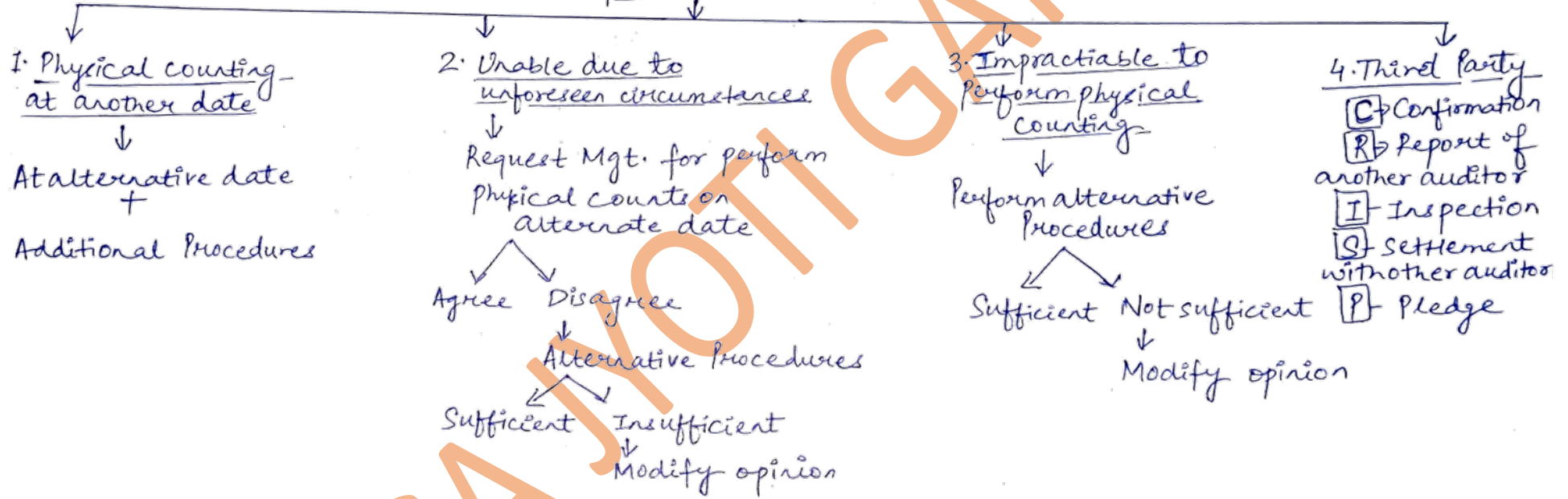
SA = 501 " Audit Evidence - Specific Considerations for selected items

- Inventory
- Litigation & Claims
- Segment Information

1.) Inventory <sup>check</sup> → Only Existence & Condition <sup>Procedures</sup> →

- Observation
- Evaluation of Mgt. Instructions
- Inspection
- Test Count

Special Cases



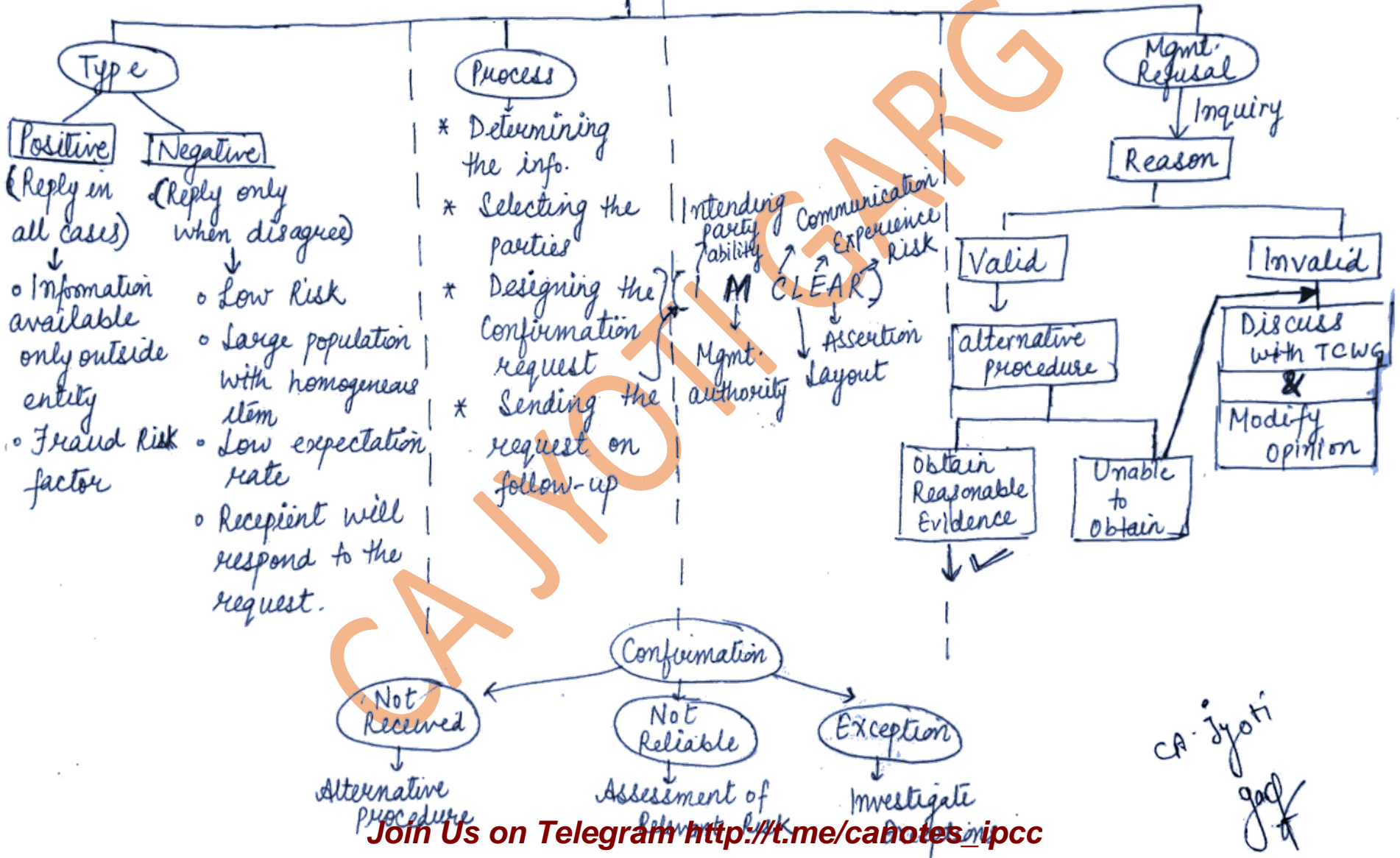
Justi gang





SA 505

Direct Written Response from Third Party - Reliability Factors



CA Jyoti gadi

CA. Jyoti garf

SA 510

Condition :-  
(Initial Audit Engagement)

Objectives :

Opening Balance

- Correctly brought fwd
- Prior period adjustments

Consistency of A/Cing policies

- Whether Consistent
- OR in case of change
- Compliance with F.R.F

Reporting by Predecessor Auditor

◦ Is it relevant or material in current year?

Yes  
↓  
Modify opinion

No  
↓  
Unmodified opinion

Reporting

Unable to obtain audit evidence

Qualified OR Disclaimed Opinion

Opening balance containing misstatement

Does not affect current yr.

Unmodified Opinion

Affects current yr fig.

Properly disclosed in fin. stmts

Unmodified Opinion

Otherwise

Qualified Opinion / Adverse

SA 520

\* Meaning:

Analysis of



include Investigation → Inconsistency

# Initial

- To obtain understanding of entity

\* Timing

# During the audit

- Substantive procedures

# Overall review stage

- For forming an overall conclusion

\* Designing & Performance of SAP

Suitability

- Large Data
- Predictible
- Assessment of risk

Reliability of Data

- Source
- Relevance
- Nature

Expectation

- Sufficient precise to identify a mis-statement

Difference

- Record amount  $\neq$  Expected value

Investigate if any inconsistency

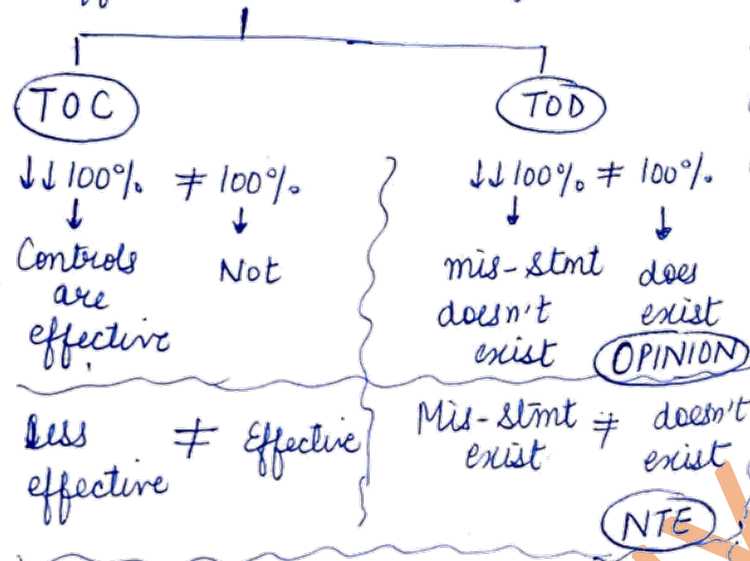


SA 530: AUDIT SAMPLING

Application → AP  $\left\{ \begin{matrix} \text{TOC} \\ \text{TOD} \end{matrix} \right\}$  → Less than 100% Units → To provide → Opinion → Population

Sampling Risk

(difference in conclusion)



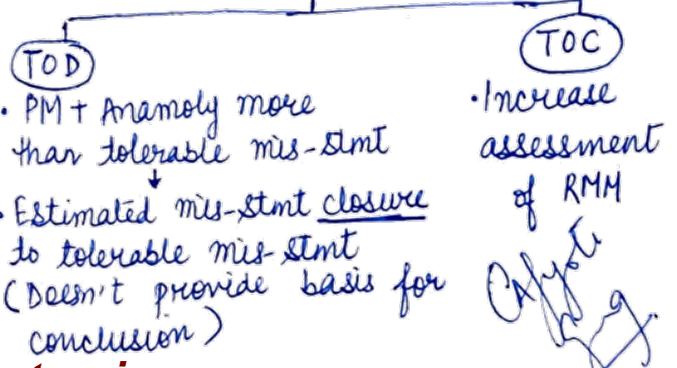
Types of Sampling

- I) Statistical
  - Random selection
  - Use of probability theory.
  - Measurement of Sampling Risk
- II) Non-Statistical
  - Doesn't have above mentioned characteristics.

Auditor's Procedure

Apply Audit Procedure  
 ↓  
 If not applicable  
 ↓  
 Deviation / Mis-statement  
 ↓  
 Identify nature & cause of deviation / mis-statement (if any anomaly → need to obtain high degree of certainty)  
 ↓  
 Project mis-stmt (PM)  
 (\* Not required in case of deviation)

Conclusion on Audit Sampling



Design, Size & Selection for Testing

- Purpose of AP
- Characteristics of Population
- Reduction of Sampling Risk to acceptable level
- Each unit has equal chance of selection.

Size of Sample

Factor	TOD	TOC
RMM ↑	↑	↑
Tolerable Rate ↑	↓	↓
Assurance ↑	↑	↑
No. of Units	↑	↑

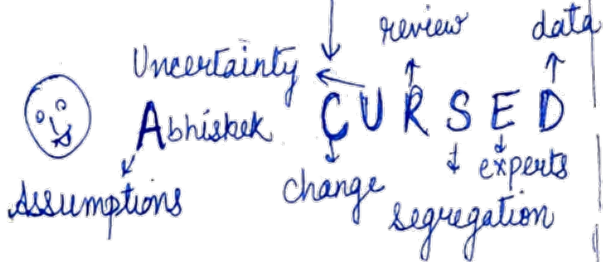
*Handwritten signature/initials*

SA 540

WR

Risk Assessment Procedures

Identify and assessed Risk



- Evaluate the degree of uncertainty
- Determine whether uncertainty arising any **significant risk**.

Response

- How mgmt. has considered alternative assumption & reason of rejection
- Reasonableness of significant assumptions.
- Efforts ~~per~~ taken by mgmt so that estimates are as per FRF.
- Develop a range.

- WR about reasonableness of assumptions.

Documentation

- Whether an estimation is right or wrong.
- Indicators of possible mgmt. bias.

Indicators

Major difference between actual outcome & estimated outcome.

- Change in estimates / method done by mgmt & <sup>done</sup> subjective assessment regarding change in circumstances.
- Use assumptions which are inconsistent with observable market assumptions.
- Assumption indicates favourableness of mgmt's objectives.
- Estimates indicating a pattern of optimism or pessimism
- Estimates made without using recognised measurable techniques.



### SA 550: Related Parties

→ whether RPT/RP identify, account & disclose as per FRF.

Auditor's Responsibility

Audit Procedures

Significant Risk

- ① Enquiry → nature of relationship, transactions or any change.
- ② Understanding of Internal Controls → inspection of records & documents.
- ③ Share information with engagement team → RP, RPT, significant or complex transactions.

① Undisclosed RPT

- Not previously identified or disclosed to auditor. ↓
- Communicate with team
- Identify all transactions
- Why IC Failed?
- SAP → Newly identified RP
- Risk of other parties
- Appropriate Special consideration

② Transaction outside normal course of business

- Inspect contract & agreement
- ↓
- Rationale for business
- Terms as per explanation
- Appropriate Pricing
- Appropriate Approvals

③ Terms Length Basis

- Obtain sufficient appropriate evidence
- Compare terms of RPT with unrelated parties
- Conditions of transactions market price
- Confirmations

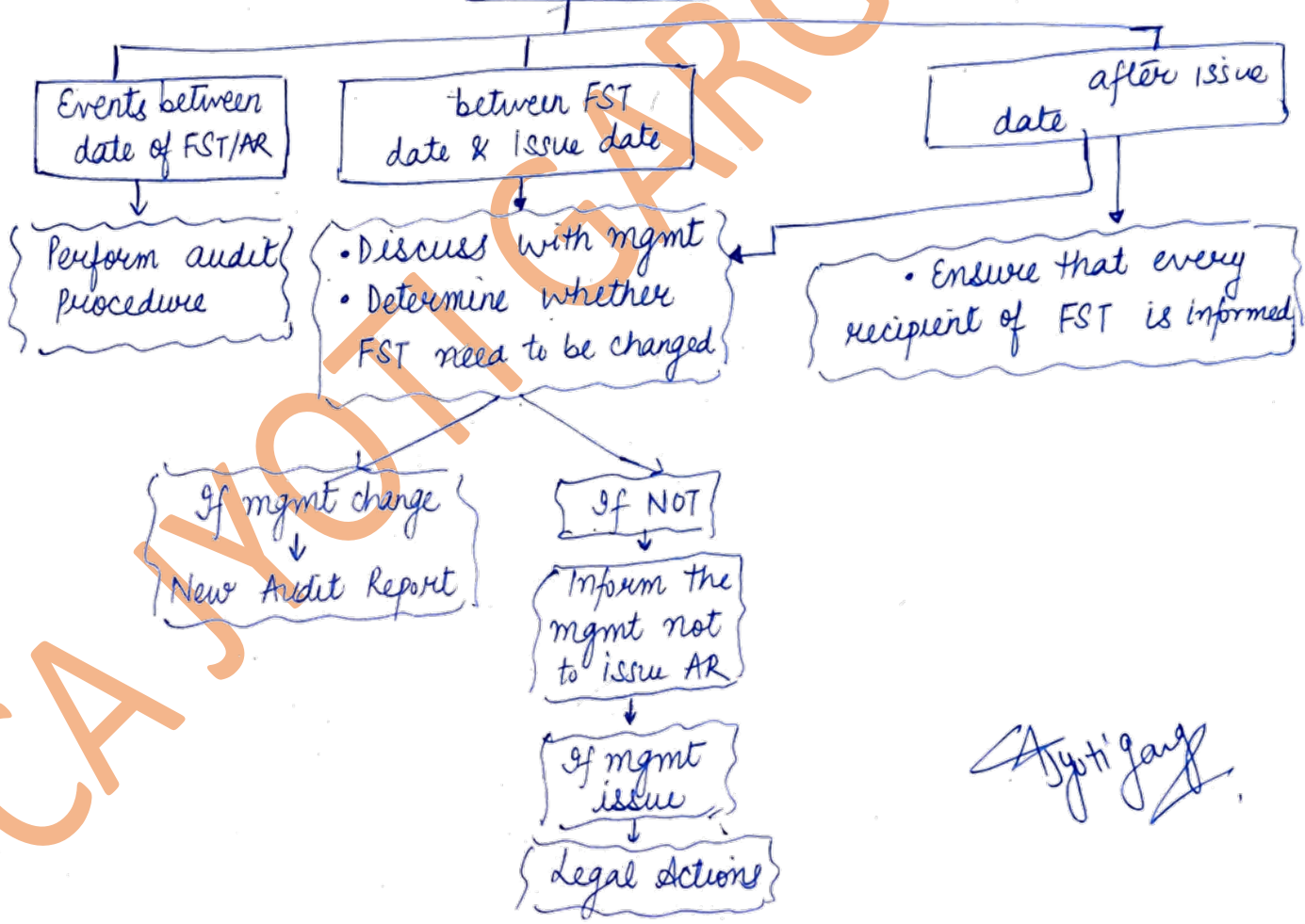
*Chyoti gang*



### SA 560: Subsequent Events

★ Meaning: Events occurring between the date of the financial statements & audit report date AND facts that became known to the auditor after the date of audit report.

#### ★ REPORTING



#### ★ Responsibilities

- Consider effect of SE in FST/AR

#### ★ Audit Procedure

- Enquiry of mgmt
- Review Interim FST
- Read the minutes after BS date
- WR
- Expert opinion

Ajyoti Gang

SA 570

Going concern

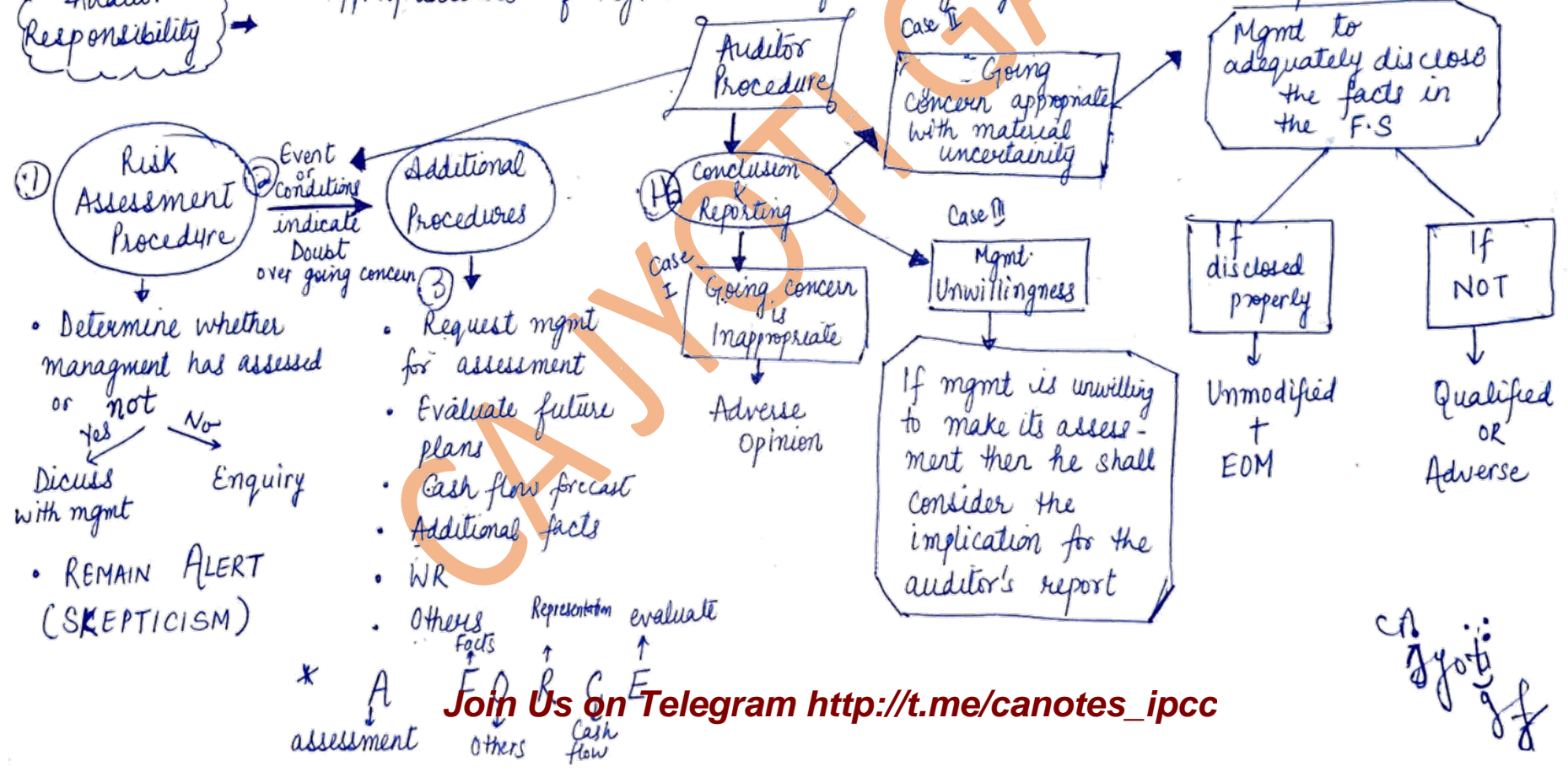
- It is a Fundamental assumption
- "Under this assumption, F.S are prepared on a basis that entity is a going concern & will continue its operation for the foreseeable future."

Mgmt Responsibility

- Assessment of going concern
- Appropriate Disclosure

Auditor Responsibility

- Appropriateness of Mgmt's use of the going concern assumption



CA Jyoti J

Written Statement → Management } to confirm certain matters & support audit evidence } Not include FS, Books of A/c, Records, Public Stmt. of Mgmt.

SA 580: Written Representation (Necessary Evidence Not Sufficient)

**CONTENTS**

**Mgmt. Responsibility**

- Preparation & Presentation of FS.
- Proper recording of all transactions
- Proper disclose of all information to auditor

**Others**

- Selection & application of appropriate AP.
- Carrying value of assets & liabilities
- Liability (Actual & Contingent)
- Title / Control over asset
- Aspects of Law / Agreement that may affect FS.

\* Case 1: Doubt on Reliability

- If doubt over Competence / integrity ↓  
If possible, Withdraw unless TCWG take appropriate action
- Inconsistent with other audit evidence ↓  
Resolve the matter ↓  
If not, consider Integrity of mgmt.

\* Case 2: WR not provided

- ↓  
Discuss with mgmt. ↓  
Take appropriate action (AR)

Key Points :

- WR should be addressed to auditor.
- WR should be obtained before date of AR.
- It is just an additional evidence

CA  
Syrat



**Audit Considerations**

- Determine the need of other auditor's work
- If required

**Audit Procedures**

- Can provide advice regarding:
    - Time table
    - Report
- S ↑ A ↓ R
- Significant Requirement Area

- Ascertain any limitation on the scope
- Findings consideration

**Discussion**

Procedure & finding in form of Questionnaire / Checklist

**Supplementary Test of Records**

→ PA's audit procedures & conclusions  
 → Qualification of OA dealt with it

SA 600  
**Coordination**

**P. A.**

- Written Communication
- Advice about important matters that may have bearing on O.A's work

**O. A.**

- Bringing attention of P.A about matters significant @ entity level
- Compliance with Statutory Requirements

**Documentation**

- PA shall document
  - Components
  - Its significance to the F.S.T
  - Name of OA
  - Conclusions that any component is not material
  - PA's audit procedures & conclusions

**Responsibility of PA.**

- PA is not responsible for OA work
- PA to mention in his report the components audited by OA.
- PA unable to verify components / review OA - Issue qualified / disclaimer report.
- OA gives a qualified report - PA to consider its impact in the FST of entity as a whole & report accordingly.

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SA 610: Using work of Internal Auditors

Applicability:- Using the work of IAF

Using IA to provide direct assistance

USING THE WORK OF IAF

Stage 1:

- Evaluating the IAF
- Objectivity of IA
- Competence of IAF
- Systematic & Disciplined approach using quality controls

↓  
If not present

↓  
DONT USE

Stage 2:

- Extent of using IAF work
- Nature & scope of work
- Relevance to Auditors
- Sufficient Involvement
- Communication with TCWG
- \* Less use of IA
- More judgement
  - Planning
  - Gathering Audit Evidence
- Highest assessed risk
- Low level of competence
- Less support to objectivity

Stage 3:

- Using the work
- Discuss with IA
- Read the Report & findings of IAF
- Perform sufficient audit procedure
  - ↓
  - Proper planning, performance supervision & documentation
  - Reasonableness of conclusion as per circumstances

## USING IA TO PROVIDE DIRECT ASSISTANCE

### Stage 1:

Whether IA assistance use or not

- Prohibited by laws & regulations.
- Objectivity
- Competence

If not present  
↓  
don't use

### Stage 2:

Extent of using direct assistance

- Amt. of judgement involved

Planning Audit evidence

- Assessed Risk
- Communication with TCWG where DA can't be used

- Significant judgement

- Higher Assessed Risk

- Work in which IA involved

- Decision as per SA 610.

- Involvement of fraud

### Stage 3:

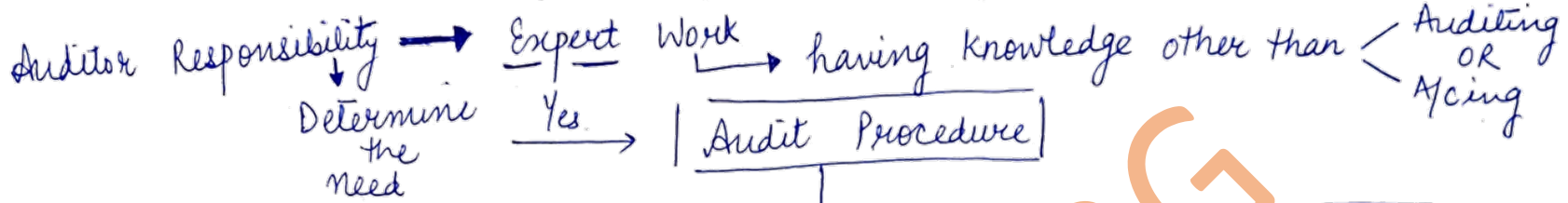
Using Internal Auditors

- WA from authorised Representative of entity

- WA from Internal Auditor
- Supervision & direction

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SA 620 : Using the Work of an Auditor's Expert



Competence / Capability & Objectivity of Expert

\* Identify relationships which may hamper expert independence

SOURCE

- Previous Work Experience
- Discussions with Experts / others
- Qualification / Licence
- Published Books
- Quality Control Procedures

Understanding of Field

- Area of Expertise
- Professional & other Standards
- Assumptions & methods
- Nature of data

Agreement

- Nature, scope & objective of work
- Nature of Role & Responsibility
- Timing of Communication
- Confidentiality

Adequacy of Expert Work

- Reasonableness of findings
- Consistency of findings with other evidence
- Reasonableness of assumptions
- Source of Data

REPORTING

- Unmodified Opinion → Shall not refer Expert Work
- Modified Opinion → Refer, if required to understand the reason of modification

\* Refer does not refer to the expert's responsibility

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## Basic Elements of Audit Report - SA-700

1. Title : Independent Auditor's Report
2. Address :
  - a) Specify to whom the report is to be addressed
  - b) On basis of engagement term, law, regulations
  - c) Shareholders, TCWG.
3. Auditor Opinion :
  - (a) Entity's name
  - (b) - State financial stmts have been audited
  - (c) Title of each component of financial statement
  - (d) Refer notes, significant policies.
  - (e) Period covered
  - (f) Opinion.
4. Basis for opinion :
  - (a) Accordance with SA's
  - (b) Auditor's responsibilities (Para 8)
  - (c) Auditor is Independent & Comply with other Ethical Requirements.
  - (d) Having sufficient appropriate audit evidence
5. Going Concern : (a) Report as per SA 570, if applicable
6. Key audit matters : SA 701



7. Responsibility of mgmt :
- Preparing the financial stmt as per FRF
  - Implementation of Internal Controls
  - Assessing entity's ability of going concern
  - Period covered by letter.

8. Auditor's Responsibilities

I. Objective of Audit  
(SA 200)

II. Meaning of RA.

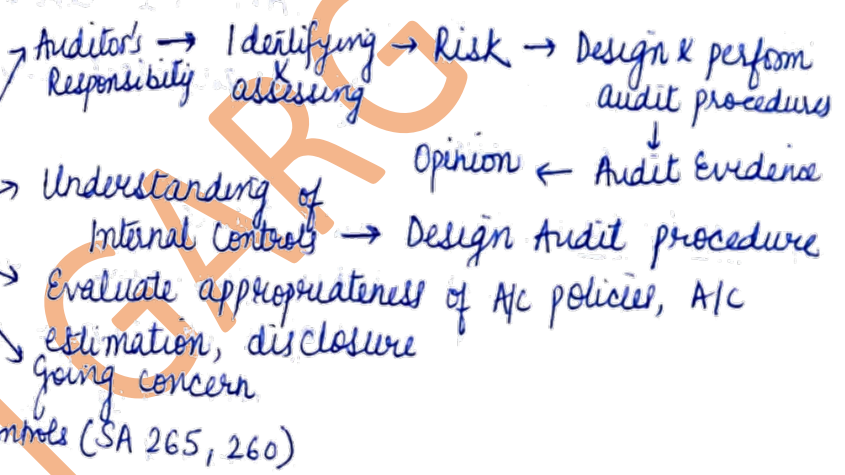
III. Material Misstatement

IV. Communicate → TCWG → Planning/Scope/Deficiency

V. Listed Cos. → TCWG → Independence

VI. Listed Cos → SA 701

IV. Professional Judgement & Skepticism  
• Describe audit by stating the auditor's responsibilities



Understanding of Internal Controls → Design Audit procedure  
Evaluate appropriateness of A/c policies, A/c estimation, disclosure  
going concern

9. Location of Auditor Responsibility :

- body of Auditor Report
- Appendix of Auditor Report
- Website (if allowed by laws)

10. Other Reporting Responsibility (eg. CARO)

11. Signature : Personal Name, Firm name, Membership no., firm no.

12. Address :

13. Date :

¥ Audit Report should be in writing (electronic media) <sup>include</sup>

If the auditor is required by laws & regulations to use a specific layout or wording of the auditor's report, auditor's report shall refer to SA's only if auditor's report includes atleast each of the above elements

## SA 701: KEY AUDIT MATTERS (KAM)

Meaning: Those matters, that in the auditor's professional judgement, were of most significant in the audit of financial statements of the current period. KAM are selected from matters communicated with TCWG.

### PURPOSE of KAM

- To enhance communication value of auditor report
- To provide additional information to users which helps in understanding the entity & nature of significant mgmt judgement

### Objective of Auditor

- Determine KAM
- Communicate in his report

## Applicability of KAM (SA 701)

① Listed Companies ② Required by laws & regulations

## Determining KAM

- Select from the matters communicate with TCWG (SA 260)
- Area of significant risk (SA 315)
- Significant auditor judgement in the area of mgmt judgement / estimates
- Significant events / transaction effect

## Communicating KAM

- Under separate heading, "Key Audit Matter" includes
  - KAM are those matters that in auditor judgement were of the most significant in audit.
  - Matters were addressed in the context of financial stmt & informing the auditor opinion
  - Auditor does not provide the separate opinion on these matters.

## KAM is not substitute for

- Disclosure in financial statements which are required under applicable FRF
- Modify opinion
- Reporting under SA 570 where required
- Separate opinion on individual matters.



Opinion

SA-705

Opinion

Modified Opinion

Unmodified Opinion

On the basis of Audit evidence, auditor concludes that Financial St. are prepared in all material aspects as per FRF

Qualified

Adverse

Disclaimer

• On the basis of sufficient & appropriate audit evidence, auditor concludes that misstatements are material not pervasive.

• On the basis of sufficient & appropriate audit evidence, auditor concludes that misstatements are both material & pervasive

• When auditor is unable to obtain sufficient & appropriate audit evidence but concludes that possible effect of undeducted misstatement could be material as well as pervasive

CONDITIONS:

• Auditor is not able to obtain sufficient & appropriate audit evidence but concludes that possible effects of undeducted misstatement could be material but not pervasive.



SA 706 : Emphasis of matter paragraph & other matter paragraph

(2)

EOM

- As per auditor judgement, these matters are important for understanding of financial statements.
- It includes that matters which already appropriately disclosed & presented in a financial statement, provided

That matter does not give rise to modification in auditor report

These matters should not be classified as KEY AUDIT MATTERS AS PER SA 701.

- Represent under separate heading

OM

- Other than matters that are presented & disclosed in financial stmt, provided
  - not prohibited by laws & regulations
  - not classified as KEY AUDIT MATTERS (SA 701)
- Useful for understanding the audit & auditor's responsibility.
- Represent under separate heading

## SA 710: Comparative Information

(4)

Definition: The amounts & disclosures included in the financial stmt. in respect of one or more prior period in accordance with ~~date~~ the applicable FRF.

### Audit Procedure

- Evaluate that information agree with prior period &
- Consistency of A/c policies in current period, if any change, evaluate whether as per FRF.

Comparative Info

### Corresponding

- Opinion only about current period except
  - modified opinion in prior period & matter is still unresolved.
- Auditor obtain audit evidence that a material misstatement exist in prior period & unmodified opinion has been issued & matter is still not dealt with FRF.
- Unaudited financial stmt. in prior period
  - Auditor is still responsible for obtaining audit evidence about prior period item
  - OM paragraph

### Comparative fin. stmts

- Opinion is referred for each period
- If there is any difference in opinion from previous auditor's expressions
  - OM paragraph

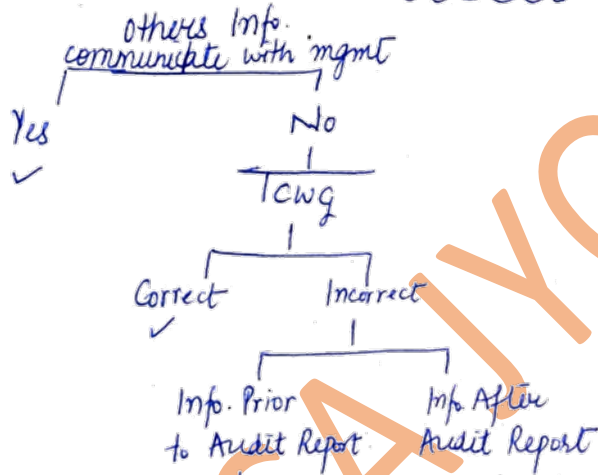
SA 720: Auditor's Responsibilities Relating to Other Information

Auditor's Responsibility → Other Information [ Annual Report ← FX NF data excluding Fin Stmt & Auditor's report ]

- Make appropriate arrangements with management for obtaining Other Info. on timely basis
- Read to ascertain whether there is any inconsistency between  
    — others Info ≠ FST  
    — others Info ≠ Auditor's Knowledge

# Case 1:

- If there is misstatement in Others Info.



- Consider implications for Auditor report
- Withdraw

- Take appropriate action to bring user's attention to incorrect info.

# Case 2:

- If there is misstatement in F.St / Auditor's Knowledge

↓  
Response as per other Standards.

CA Jyoti Gang.