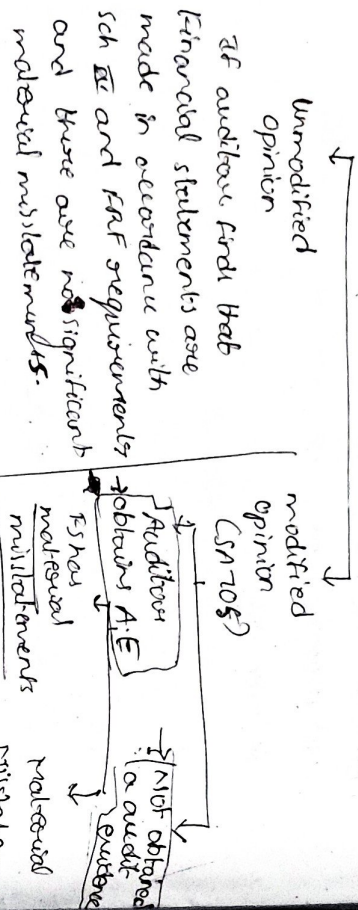


CH8

SA 700 ✓
SA 701 ✓
705 ✓
710 ✓
299 ✓
600

Auditor's opinion on financial statements



Circumstances where auditor gives a modified opinion:

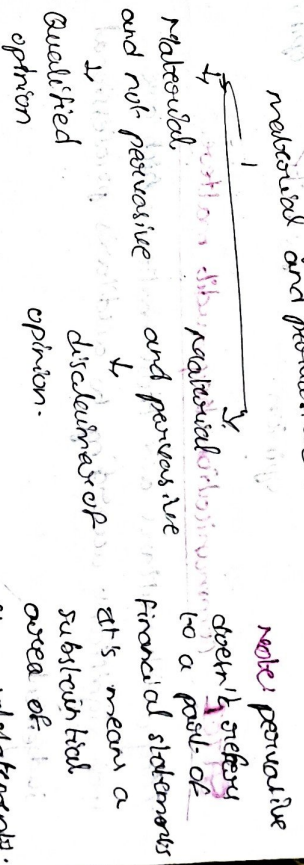
- auditor obtained audit evidence that FS are not ~~correct~~ above free from material misstatements
- Auditor is unable to obtain audit evidence that whether the FS are free from material misstatements or not.

Objective of auditor in accordance with SA 705

- Auditor should clearly express an appropriate modified opinion when:
 - auditor conclude based on audit evidence obtained, that FS are not free from material misstatements (or)
 - auditor unable to obtain sufficient evidence.

In Extremely rare circumstances auditor

- undetected/overstated material misstatements
- auditor can't find judgment and find whether they are material and pervasive
- auditor gives disclaimer of opinion.



Which type of opinion is appropriate depends on

- Nature of the matter given suit to modification
- a) If FS are materially misstated
- b) auditor unable to obtain sufficient audit evidence.
- Auditor Judgment regarding persuasive nature

possible effects of matter on FS:

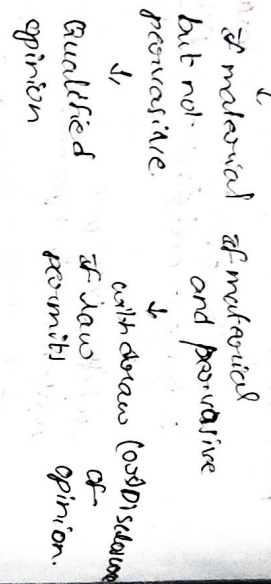
note: pervasive directly affects financial statements. It's means a substantial area of financial statements. If it's stated that there's a persuasive effect it means in financial statement.

If management imposes limitation on scope of audit then

If reserves limitations
continue the work to obtain audit evidence

If reserves to remove limitations
undetected

perform alternative procedures



SA 701 : communication key audit matters

Key audit matters are those matters which are most significant according to auditor's professional judgement.

Purpose of SA 701

- To enhance communicative value of Auditor's Report.
- By providing greater transparency
- provide additional information
- Assist intended users

Objective of auditor (SA 701)

→ Determine key audit matters and communicate those key audit matters.

Determining key audit matters

→ Areas of high assessed risk of material misstatement

→ By significant auditor judgments

→ Areas where management judgment was evaluated and includes high estimation uncertainty

Communicating key audit matters

→ maintain a separate section in audit report

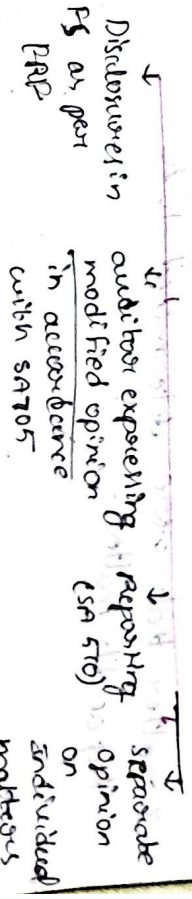
for key audit matters

introducing language/statements of audit support

Key audit matters are those which are found significant by auditor judgments

and where found this matter when he is conducting audit to form an opinion on financial statements and auditor doesn't provide a separate opinion on these matters

Communicating key audit matters is not substitute for



→ Communication with terms the key audit matters and its applicable auditor's determination that these are key audit matters to communicate in auditor's report.

SATOC: emphasis of matter paragraph and other matter paragraphs.

Emphasis of matter paragraph
↓
Other matter paragraphs

→ contents
→ matters that are disclosed in financial statement
→ which is important as per auditor's judgment
→ and which are fundamental or essential understanding of FS.

Ex: Accounting policies and estimates changed.

Other matter paragraphs
↓
→ matters

→ those are not disclosed in FS
→ that are relevant as per auditor's judgment.
→ understanding of error on Audit, auditor's responsibility and auditor's report, issuance.

Ex: Audit strategy, audit plan, scope of audit.

* Impress shall not include:
→ Don't include such matters because of which the auditor has modified his opinion.

→ matters that were determined to be key audit matters.

When to include emphasis of matter paragraph in audit report:

- in separate section.
- with appropriate heading "Emphasis of matter".
- clear reference to matter being emphasized.
- or relevant disclosures shall fully describe the matter, can be found in FS.
- indicate that ~~same~~ the auditor's opinion is not modified in respect of that matter.

* Circumstances considered to be included in emphasis of matter paragraphs:

Examples:

- Early application of new accounting standards which has material effect on financial statement
- uncertainty relating to future outcomes as a result of ongoing litigation or regulatory action.
- subsequent events occur plus date of FS and date of audit report.
- major catastrophe that have or continued to have effect on entity's financial position.

Auditor's Report

Title → Indicates that it is the report of an independent auditor.

333

Emphasis matter paragraph is not substitute of

- A modified opinion (error)
- Disclosure of FS
- Reporting in accordance with ISA 700 (going concern)

Other matters aren't include
 → Those which are prohibited by law
 → and those which were already mentioned in
 Key audit-matters or prior IFRS.

auditors shall include other matters in different paragraph

Audit Report

1. Title: Indicates reports is of an independent auditor

2. Addressee: Auditor report is addressed to such person for whom it was made/prepared and applicable law of Regulator, as per circumstances.

3. Auditor opinion: → Identify entity have been audited
 → State that FS audited
 → Identifying title of each statements that comprises FS
 → Refer to notes, Accounting policies summary.
 → specific date provided covered by FS.

4. Basis for: what are basis of opinions mentioned opinion above.

RISE → states that audit in accordance to SA's full filled auditor Responsibility

E → is audit evidence sufficient and appropriate
 I → Independence fulfilled

5. Going concern: fundamental accounting assumption. (ISA 700)

CO's argmt before preparing FS exists that entity is a going concern → prepares FS accordingly

not a going concern → follows

publishes publication concept in preparing FS.

Auditor checks whether following going concern concept by management was sought or not ^{redundant}

means appropriate or not

If auditor feels that going concern concept was not being appropriate by seeing some events then he may report on going concern in audit report under going concern paragraph.

6. Key audit-matters: The auditor shall communicate key audit matters in auditor's report in accordance with SA 701.

For listed companies it's necessary to include key audit matters in audit report.

7. Other information: where applicable auditor shall report (SA 720)

8. Mgmt responsibility: TO describe:

→ preparing FS in accordance with applicable IAF

→ internal control as to prepare FS that are free from material misstatements

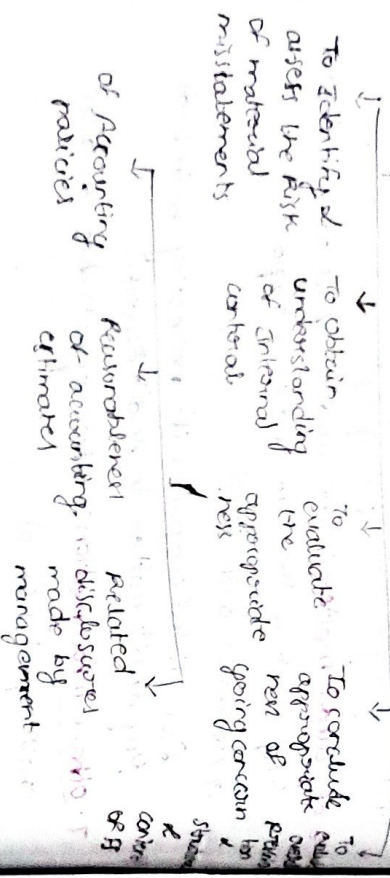
→ assess the ability of entity to continue as going concern

9. Auditor's responsibilities:

- Objective as per S1000
- Reasonable assurance is high level of assurance but it is no guarantee, that audit conducted as per S1, will detect all material misstatements
- ~~misstatement~~ misstatement will be considered material if it influences economic decision of users.

Auditor's responsibilities:

- To ~~exercise~~ exercise professional judgement and maintain professional skepticism being alert and keep a questioning mind.
- To describe audit by stating auditor's responsibilities



- (10) State that the auditor communicates with TCMS regarding matters:
- planning scope and timing of audit.
 - significant audit finding.
 - Any significant deficiencies in internal controls.

Independent auditor's Report

To, the shareholder
Opinion
Basis for opinion
RISK
Being concerned
Report responsibilities
Auditor's responsibilities

10. Location:

- Within the body of the auditor's report.
- Within appendix to auditor's report, to which shall include reference of location of operator's
- By specific reference of location of the audit site appropriate authority, or law or standards permit.

11. Other Reporting Responsibilities:

- IF other reporting responsibilities are presented in same section as related report elements
- IF law requires other reporting then report under other Reporting Responsibilities.

12. Signature of auditor signed in:

- personal name
- membership number
- firm name

13. place of signature

14. Date of auditor's Report

unique document identification number, form 1/9/19 these disclosed accountants who were in practice for full time shall register on UDIN portal

SATOO

Forming an opinion and reporting IS

Scope of SATOO

-> Auditor's responsibility to form an opinion.

-> Form and content of auditor's Report.

-> promotes consistency and comparability in audit-report.

Objective

-> To form opinion on the FS based on evaluation of conclusion drawn from the audit evidence

-> To express opinion on whether step.

-> To form an opinion -> have to obtain reasonable assurance that FS are free from material misstatement due to fraud or error.

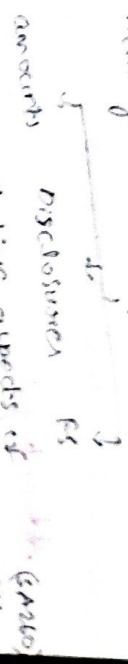
Auditor's conclusion - Shall take into account:

- a) sufficient appropriate audit evidence
- b) unexpected misstatement are not material
- c) the evaluation

reliable, not necessary

Qualitative aspects of ethics accounting practices

-> consider management judgement on



-> discussion of qualitative aspects of accounting practices with management

-> possibility of biasness in management judgements, auditor decides mgmt joint neutrality.

neutrality

-> unexpected / undetected misstatements cause the FS to be materially misstated

Specific evaluations by auditor

-> Accounting policies appropriately disclosed

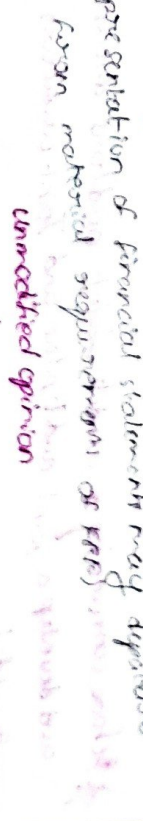
-> accounting estimates -> reasonable

-> FS Info is reliable, reasonable, comparable & understandable

adequate disclosures

-> compliance frame work (complies the material requirements stated in IFR)

-> Fair presentation frame work (fair a fair presentation of financial statements may disclose form material requirements of IFR)



compliance frame work

fair presentation frame work

↓ in audit report

↓ in audit report

accompanying with all material requirements

to own opinion highly preferred

in accordance with IFR

as per IFR requirements

Present in all material respects as per FRF.

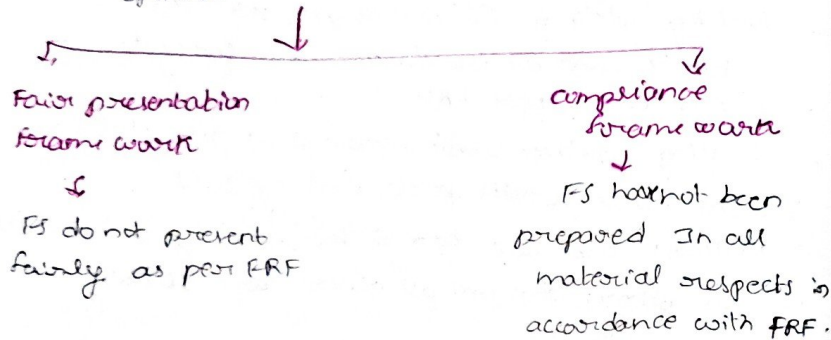
in all material respects as per FRF.

→ If modification arises due to inability of obtaining audit evidence then its explicit in addition to following statements, the except for the possible effects of matters for the modified opinion.

→ If obtained audit evidence then,

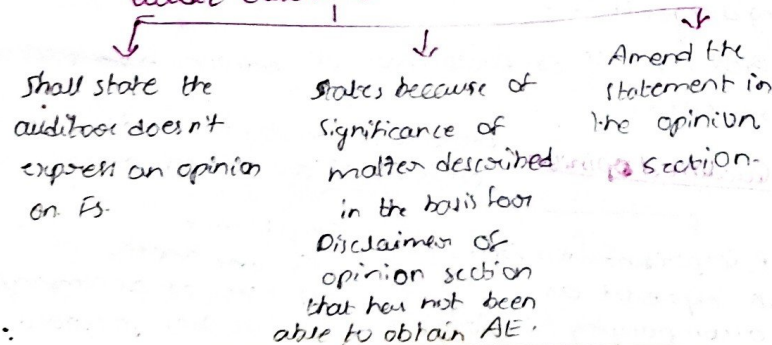
Adverse opinion:

expressed, in auditor's opinion because of significance of the matters described in basis of a adverse opinion.

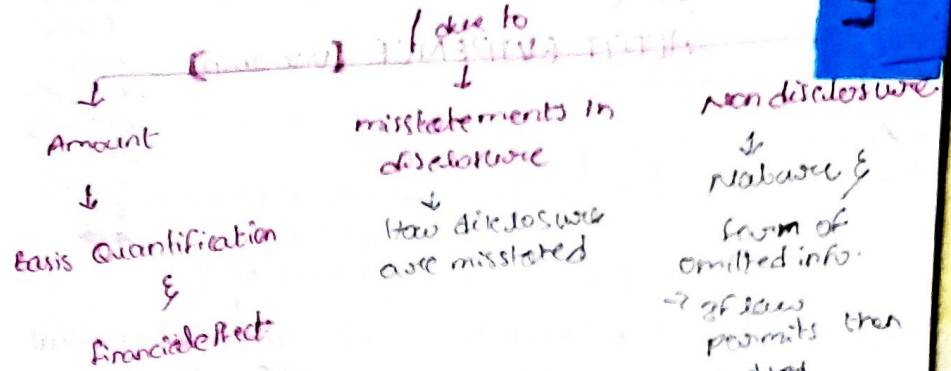


Disclaimer of opinion:

Auditor ~~expresses~~ disclaims an opinion due to inability to obtain sufficient appropriate audit evidence



Modified opinion



→ When auditor is only giving disclaimer of opinion on the FS. Auditor shall not include key audit matters as per SATO.

→ When auditor expects to modify opinion then should communicate to TCMA.

As per sec 143(1) of companies Act Duties of auditor: auditor inquiries:

→ loan and advances given by the company secured or not and whether they are not in against the interests of members of company.

→ whether loans and advances shown as deposits

→ personal expenses are not charged to revenue account

→ Transactions done by company entered in books were not in against the interest of members.

→ If your co is not investment or banking co then Assets, shares, debentures have not sold at price less than market price (price purchased)

→ whether cash entered in books was realized.

