



SA-700 Forming Opinion & Reporting on FS

Basic Elements of Auditor's Report

- **Title** - That clearly **indicates** that it is report of **independent auditor**
- **Addressee** - As **required by circumstances** of engagement. Eg - **Members** (**General** purpose FS) & **BOD** (**Special** purpose FS)
- **Auditor's Opinion** - **First section** of Report & shall have heading "Opinion" -
 - **Identify entity** whose FS is audited
 - State that **FS** have been **audited**
 - **Identify title** of each statement in FS
 - **Specify date** or period of FS
 - **Refer to notes**, including A/cing policies
- **Basis for Opinion** - Directly following Opinion section, with heading "Basis for Opinion" -
 - States whether auditor believes that **SAAE is obtained** for opinion
 - Refers to **auditor's responsibilities** section
 - State that **audit** was conducted **as per SAs**
 - Includes statement that **auditor is independent** of entity
- **Going Concern** - Report as per **SA 570**
- **Key Audit Matters** - Report as per **SA 701**
- **Other Info** - Report as per **SA 720**
- **Responsibilities of Mgt for FS** - Describes Mgt Responsibility (**SA 210**)
- **Auditor's Responsibilities for Audit of FS** - Describes Auditor's Responsibility
- **Location of description of auditor's responsibilities for audit** - shall be included -
 - Within auditor's **report**
 - Within **appendix** to report
 - On **website** of appropriate authority, where L&R **expressly permit auditor** to do so
- **Other Reporting Responsibilities** - Separate section with heading "**Report on Other L&R Requirements**" Eg. **CARO**
- **Sign of Auditor** - By auditor in his **personal name** & name of **firm**, mentioning **membership & registration** number of **firm & UDIN**
- **Place of Sign** - **City** where report is signed
- **Date of Report** - **Not earlier than** date on which auditor has obtained **SAAE** & -
 - All statements in **FS are prepared**
 - Those with authority have taken **responsibility for FS**

Report Prescribed by L&R

- If auditor is required by L&R to use **specific layout, or wording** of Report, Report shall **refer to SAs ONLY** if Report includes, at **minimum** -
 - **ALL Elements** listed above
 - **Except** - Other Info (**SA 720**), Location of Auditor's **Responsibility & Other Reporting Responsibility**

Report for Audits Conducted as per Both SAs & International SAs or Auditing Standards of Any Other Jurisdiction

In this case, Report **may refer to SAs** in addition to ISAs or Other standards **ONLY if** -

- There is **no conflict** b/w ISAs/Other standards & SAs that would lead auditor -
 - to form **diff opinion** or
 - **not include EOM/OM** para required by SA
- Report includes **ALL minimum elements** discussed in just above para

When Report refers to both ISAs/Other standards & SAs, it shall **clearly identify** same including **jurisdiction of other standards**

Supplementary Info presented with FS

If supplementary Info, **not required by AFRF**, is presented with audited FS, auditor shall evaluate whether **it is integral part** of FS due to its **nature or how it is presented** -

- **If Integral Part** - It shall be **covered by auditor's opinion**
- **If not Integral Part** -
 - Auditor shall evaluate whether such supplementary Info is **presented** in way that sufficiently & clearly **differentiates it from audited FS**
 - If this is **not the case**, then auditor shall **ask Mgt to change** how unaudited supplementary Info is presented
 - If **Mgt refuses**, auditor shall **explain** in Report that such supplementary **Info has not been audited**

<p>KAM are those, in auditor judgment, were of most significance in audit of current period. They are selected from matters communicated with TCWG</p> <p>Objective</p> <ul style="list-style-type: none"> To assist user in understanding matters that were of most significance To enhance communicative value of Report by providing greater transparency about audit 	<p>Applicability of SA 701</p> <p>Audit of complete set of general-purpose FS of -</p> <ul style="list-style-type: none"> Listed entities & Otherwise, when auditor decides to communicate KAM Required by L&R to communicate KAM <p>SA 705 prohibits auditor from communicating KAM when auditor disclaims opinion, unless It is required by L&R</p>
<p>Scope</p> <p>Communicating KAM in Report is NOT -</p> <ul style="list-style-type: none"> Substitute for disclosures in FS as per AFRF Substitute for reporting as per SA 570 Substitute for expressing modified opinion required by circumstances as per SA 705 Separate opinion on individual matters 	<p>Placement of KAM section in Report</p> <ul style="list-style-type: none"> After Basis for Opinion & Material Uncertainty section & before Mgt Responsibility section EOM may be either directly before or after KAM, as per auditor's judgment
<p>Communicating KAM</p> <p>Introductory language of this section shall state -</p> <ul style="list-style-type: none"> KAM are those matters that were of most significance in audit of current period These matters were addressed in context of audit of FS & auditor does not provide separate opinion on these matters <p>If there is no KAM, report must have Paragraph mentioning that there are no KAM as below -</p> <p>"Except for matter described in Basis for Qualified (Adverse) Opinion or Material Uncertainty Related to GC section, We have determined that there are no other KAM to communicate"</p>	<p>Determining KAM</p> <p>Auditor shall determine KAM, from matters communicated with TCWG considering -</p> <ul style="list-style-type: none"> Effect on audit of significant events or transactions Significant auditor judgments for areas involving significant Mgt judgment Areas of higher assessed ROMM <p>KAM may also be those matters that are not disclosed in FS, such as New IT system, which are areas of significant auditor attention</p>

<p>Objective of Auditor To express appropriately modified opinion when -</p> <ul style="list-style-type: none"> • Auditor concludes, FS are not free from MM • Auditor is unable to obtain SAAE to conclude that FS are free from MM <p>Decision regarding which type of modified opinion is appropriate depends upon -</p> <ul style="list-style-type: none"> • Nature of matter giving rise to modification • Auditor's judgement about pervasiveness of effects of matter on FS 	<p>Definition of Pervasive A term used to describe effects on FS of misstatements or possible effects on FS of misstatements that are undetected due to inability to obtain SAAE. Pervasive effects on FS are those that, in auditor's judgement -</p> <ul style="list-style-type: none"> • Are not confined to specific a/c of FS • If so confined, represent a substantial proportion of FS • For disclosures, are fundamental to users' understanding of FS 										
<p>Types of Modifications/Modified Opinion</p>											
<p>Qualified Opinion</p>	<ul style="list-style-type: none"> • When auditor obtains SAAE to conclude that misstatements are material, but not pervasive to FS or • Auditor is unable to obtain SAAE, but he concludes that possible effects on FS of undetected misstatements could be material but not pervasive 										
<p>Adverse Opinion</p>	<p>Auditor shall express adverse opinion when he obtained SAAE, concludes that misstatements are both material and pervasive to FS</p>										
<p>Disclaimer of Opinion</p>	<p>Auditor shall disclaim an opinion when he is unable to obtain SAAE and he concludes that possible effects on FS of undetected misstatements could be both material & pervasive</p>										
<p>Nature of Matter Giving Rise to Modification</p>	<p align="center">Auditor's Judgement about Pervasiveness of Effects on FS</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 35%; text-align: center;">Material but not Pervasive</th> <th style="width: 35%; text-align: center;">Material and Pervasive</th> </tr> </thead> <tbody> <tr> <td>FS are materially misstated</td> <td align="center">Qualified opinion</td> <td align="center">Adverse opinion</td> </tr> <tr> <td>Inability to obtain SAAE</td> <td align="center">Qualified opinion</td> <td align="center">Disclaimer of opinion</td> </tr> </tbody> </table>			Material but not Pervasive	Material and Pervasive	FS are materially misstated	Qualified opinion	Adverse opinion	Inability to obtain SAAE	Qualified opinion	Disclaimer of opinion
	Material but not Pervasive	Material and Pervasive									
FS are materially misstated	Qualified opinion	Adverse opinion									
Inability to obtain SAAE	Qualified opinion	Disclaimer of opinion									
<p>Inability to Obtain SAAE Due to Mgt Imposed Limitation after Auditor Has Accepted Engagement</p> <ul style="list-style-type: none"> • If, after accepting engagement, Mgt has imposed limitation on scope of audit, auditor shall request Mgt to remove limitation • If Mgt refuses, auditor shall communicate to TCWG & determine if it is possible to perform alternative procedures to obtain SAAE • If auditor concludes that possible effects of undetected misstatements could be material but not pervasive, he shall qualify opinion or • If auditor concludes that possible effects of undetected misstatements could be both material & pervasive, he shall - <ul style="list-style-type: none"> ○ Withdraw, if possible, under L&R ○ If withdrawal is not possible before issuing report, disclaim opinion on FS 	<p>Where Auditors' withdrawal is not permitted - As per SEBI, If auditor proposes to resign -</p> <ul style="list-style-type: none"> • Within 45 days from end of quarter - issue report for such quarter • After 45 days from end of quarter - issue report for such quarter as well as next quarter • If report is issued for all 3 quarters - issue report for full year before resigning <p>Other Considerations for Adverse or Disclaimer of Opinion</p> <ul style="list-style-type: none"> • When auditor expresses adverse or disclaimer of opinion, Report shall not include unmodified opinion for same FRF on single FS or specific items of FS 										

<ul style="list-style-type: none"> If auditor withdraw, before withdrawing, communicate to TCWG any misstatement identified during audit that would have given rise to modification of opinion 	<ul style="list-style-type: none"> To include unmodified opinion in same report, would contradict adverse or disclaimer of opinion on FS
<p>Form & Content of Report When Opinion is Modified</p> <p>Auditor's Opinion When auditor modifies opinion, he shall use heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," for Opinion section</p> <p>Qualified Opinion</p> <ul style="list-style-type: none"> Auditor shall state that, "except for effects of matter described in Basis for Qualified Opinion" When modification arises from inability to obtain SAAE, auditor shall use corresponding phrase "except for possible effects of matter(s) ..." for modified opinion <p>Adverse Opinion When auditor expresses adverse opinion, auditor shall state that, "Because of significance of matters described in Basis for Adverse Opinion -</p> <ul style="list-style-type: none"> When fair presentation framework - FS do not present fairly (or give true & fair view of) When compliance framework - FS are not prepared, in all material respects <p>Disclaimer of Opinion When auditor disclaims opinion, auditor shall -</p> <ul style="list-style-type: none"> State that auditor does not express opinion State that auditor is not able to obtain SAAE to provide basis for opinion Amend statement which indicates that FS have been audited, to state that auditor was engaged to audit FS 	<p>Basis for Opinion When auditor modifies opinion, auditor shall -</p> <ul style="list-style-type: none"> Amend heading "Basis for Opinion" to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion" Include a description of matter giving rise to modification Auditor shall also include quantification of financial effects of misstatement. If not practicable, auditor shall so state <p>If there is MM of disclosures, auditor shall include explanation of how disclosures are misstated. If there is MM for non-disclosure of info required to be disclosed, auditor shall -</p> <ul style="list-style-type: none"> Discuss non-disclosure with TCWG Describe in Basis for Opinion section, nature of omitted info Unless prohibited by law, include omitted disclosures, if it is practicable & auditor has obtained SAAE for omitted info <p>If modification results from inability to obtain SAAE, auditor shall include reasons for that inability. When auditor disclaims opinion, report shall not include -</p> <ul style="list-style-type: none"> Statement about whether SAAE is obtained Reference to auditor's responsibilities section <p>Even if auditor has expressed adverse or disclaimer of opinion, he shall describe other matters of which he is aware that would have required modification to opinion & its effects</p>
<p>Description of Auditor's Responsibilities When Auditor Disclaims Opinion - to include only -</p> <ul style="list-style-type: none"> Statement that auditor's responsibility is to conduct audit of FS as per SAs Statement that auditor was not able to obtain SAAE to provide basis for opinion Statement for independence & other ethical responsibilities 	
<p>Communication with TCWG When auditor expects to modify opinion, auditor shall communicate with TCWG, circumstances that led to expected modification & wording of modification</p>	

<p>Objective of auditor</p> <p>To draw users' attention, when in auditor's judgement it is necessary, by way of clear additional communication in report, to -</p> <ul style="list-style-type: none"> • A matter, although appropriately disclosed in FS, of such importance that it is fundamental to users' understanding of FS or • Any other matter that is relevant to users' understanding of audit or report <p>EOM Paragraph</p> <p>A Para included in report that refers to matter appropriately presented in FS that is fundamental to users' understanding of FS</p> <p>Auditor shall include EOM Para in report provided</p> <ul style="list-style-type: none"> • He is not required to modify opinion as result of matter • Matter is not determined to be KAM <p>These circumstances include</p> <ul style="list-style-type: none"> • When fact is known to auditor after date of report & he provides new or amended report • When FRF would be unacceptable but for fact that it is prescribed by L&R • To alert users that FS are prepared as per special purpose framework 	<p>When auditor includes EOM Para, he shall</p> <ul style="list-style-type: none"> • Include Para in separate section with heading "Emphasis of Matter" • Include reference to matter being emphasized & where disclosures can be found in FS • Indicate that auditor's opinion is not modified for matter <p>Examples of circumstances where EOM Para may be necessary</p> <ul style="list-style-type: none"> • Early application of new a/c standard having material effect on FS • Major catastrophe having significant effect on financial position • Significant subsequent event that occurs b/w date of FS & date of report • Uncertainty relating to future outcome of litigation <p>EOM Para is not a substitute for</p> <ul style="list-style-type: none"> • Disclosures in FS required by AFRF • Reporting as per SA 570 • Modified opinion as per SA 705
<p>OM Para</p> <p>A Para included in report that refers to matter other than those presented in FS that is relevant to users' understanding of audit or report</p> <p>Auditor shall include OM Para in report, if necessary, provided</p> <ul style="list-style-type: none"> • This is not prohibited by L&R • Matter is not determined to be KAM • There should be Separate section for OM Para 	<p>Communication with TCWG</p> <p>If auditor expects to include EOM or OM Para, he shall communicate with TCWG regarding this expectation & wording of this Para</p> <p>Report vs Certificate</p> <p>'Report' is used where expression of opinion is involved, 'Certificate' is preferable where auditor verifies facts</p>

<p>There are 2 broad approaches</p> <p>Corresponding figures & Comparative FS. Approach to be adopted is specified by L&R & may also be in terms of engagement. Diff b/w approaches are -</p> <ul style="list-style-type: none"> • Corresponding figures - Auditor's opinion refers to current period only • Comparative FS - Auditor's opinion refers to each period for which FS are presented <p>Audit Procedures regarding comparative info</p> <ul style="list-style-type: none"> • Perform Specific Procedure - To Determine if FS include comparative info as per AFRF, auditor shall ensure - <ul style="list-style-type: none"> ○ Comparative info agrees with amounts & disclosures presented in prior period ○ A/c policies are consistent with those applied in current period ○ If there are changes, whether those changes are properly disclosed • Evaluating Impact on FS - If auditor becomes aware of MM in comparative info then - <ul style="list-style-type: none"> ○ He shall perform procedure to obtain SAAE ○ If auditor had audited prior period's FS then he should follow requirements of SA 560 (Subsequent Events) • WR - Auditor shall request WR for all periods. He shall also obtain specific WR regarding any prior period item that is separately disclosed in current year's P/L 	<p>Audit Reporting</p> <p>For Corresponding Figures</p> <p>Auditor's opinion shall not refer to Corresponding Figures except -</p> <ul style="list-style-type: none"> • If auditor's report of previous period contains modified opinion & matter which gave rise to modification is still unresolved, auditor shall modify opinion on current period's FS • If auditor has obtained evidence that MM exists in FS of prior period on which unmodified opinion has been issued, auditor shall verify whether misstatement has been dealt as per AFRF &, if not, auditor shall express qualified or adverse opinion in report on current period FS <p>For Comparative FS</p> <ul style="list-style-type: none"> • Auditor's opinion - to refer each period • If auditor's opinion on prior period FS differs from opinion auditor previously expressed, auditor shall disclose reasons for diff opinion in OM paragraph • If auditor concludes that MM exists on which predecessor auditor had reported unmodified opinion, he shall communicate misstatement with Mgt & TCWG & request that predecessor auditor be informed. If prior period FS are amended & predecessor auditor agrees to issue new auditor's report, auditor shall report only on current period
<p>Reporting Treatment common to both</p> <p>If FS of prior period were audited by predecessor auditor, auditor (if permitted by L&R to refer to predecessor audit report) shall state in his report -</p> <ul style="list-style-type: none"> • That FS of prior period were audited by predecessor auditor • Type of opinion expressed by predecessor auditor • Date of that audit report <p>If prior period FS were not audited then he shall report same in OM para in his report that comparative info is unaudited. However, disclosure does not relieve him from his responsibility of obtaining SAAE that opening balances do not contain MM affecting current period's FS</p>	

<ul style="list-style-type: none"> This SA deals with auditor's responsibilities relating to Other info, whether financial or non-financial (other than FS & audit report) included in entity's annual report This SA requires auditor to read other info as other info which is materially inconsistent with FS or auditor's knowledge obtained in audit may indicate that there is MM of FS or that MM of other info exists. Such MM may inappropriately influence economic decisions of users This SA does not apply to preliminary announcements of financial info or securities offering docs, including prospectus 	<p>Obtaining Other info - Auditor shall</p> <ul style="list-style-type: none"> Determine from Mgt, which docs is annual report & timing of its issuance Make arrangements to obtain final version of annual report, prior to date of Report, if possible When Annual Report will not be available at date of Report, request Mgt to provide WR that final version of annual report will be provided to auditor prior to its issuance by entity, such that auditor can complete procedures required by this SA
<p>Reading & Considering Other info</p> <p>Auditor shall read other info & -</p> <ul style="list-style-type: none"> Consider if there is material inconsistency b/w other info & FS, by comparing amounts in other info with such amounts in FS Consider if there is material inconsistency b/w other info & auditor's knowledge obtained in audit While reading other info, auditor shall remain alert for indications that other info not related to FS or auditor's knowledge appears to be materially misstated 	<p>Responding When Material Inconsistency Appears to Exist or Other info Appears to Be Materially Misstated</p> <p>Auditor shall discuss with Mgt & perform other procedures to conclude whether -</p> <ul style="list-style-type: none"> MM of other info exists MM of FS exists or Auditor's understanding of entity needs to be updated
<p>Responding When Auditor Concludes That MM of Other info Exists</p> <p>Auditor shall request Mgt to correct other info. If Mgt -</p> <ul style="list-style-type: none"> Agrees to make correction, auditor shall determine that correction is made Refuses to make correction, auditor shall communicate with TCWG & request for correction <p>If auditor concludes that MM exists in other info obtained prior to date of Report & other info is not corrected after communicating with TCWG, auditor shall take appropriate action, including -</p>	<p>Reporting</p> <p>Report shall include separate section with heading "Other info", when, at date of Report -</p> <ul style="list-style-type: none"> For audit of FS of listed entity, auditor has obtained, or expects to obtain, other info or For audit of FS of unlisted entity, auditor has obtained some or all of other info <p>When Report is required to include Other info section, this section shall include -</p> <ul style="list-style-type: none"> Identification of - <ul style="list-style-type: none"> Other info obtained by auditor prior to date of Report For audit of listed entity, other info expected to be obtained after date of Report

- Considering **implications for Report** & communicating with TCWG about how auditor plans to address MM in Report
- **Withdrawing**, where possible under L&R

If auditor concludes that **MM exists** in other info obtained **after date of Report**, auditor shall -

- If other info is **corrected**, perform procedures as necessary
- If other info is **not corrected** after **communicating with TCWG**, take appropriate action considering auditor's **legal rights & obligations**, to have uncorrected MM appropriately **brought to attention of users**

Responding When MM in FS Exists or Auditor's Understanding of Entity Needs to Be Updated

Auditor shall respond as per **other SAs (705)**

- Statement that **Mgt is responsible** for other info
- Statement that auditor's **opinion does not cover** other info
- Description of **auditor's responsibilities** for **reading, considering** & reporting on other info
- When other info has been **obtained prior to date** of Report, either -
 - Statement that auditor has **nothing to report** or
 - If auditor has concluded that there is **uncorrected MM** of other info, statement that **describes** uncorrected MM of other info

Reporting Prescribed by L&R

If auditor is required by L&R to refer to other info in Report **using specific layout or wording**, Report shall **refer to SA only if** Report includes, at **minimum** -

- **Identification of other info** obtained by auditor prior to date of Report
- Description of **auditor's responsibilities** for other info
- Explicit statement addressing **outcome of auditor's work** for this purpose