

Chapter - 7

Completion & Review

SA 570

Going Concern

* DOUBT = Event or condition that may cast significant doubt on Entity's ability to continue as a c.c.
(short form)

• Objectives / responsibilities of auditor regarding c.c.

To obtain SARE regarding & conclusion on Aptness of c.c. Basis of A/cing.

Conclusion based on A.E. obtain material uncertainties Exist "DOUBT" that

To Report in ACCO. with SAs.

• Risk Assessment procedure and related activities

Auditor shall determine, whether mgt. has performed preliminary assessment of ability to continue as c.c.

① if performed

Auditor discuss it with mgt. and determine whether mgt. identified Events or condition that "DOUBT"

② if NOT performed

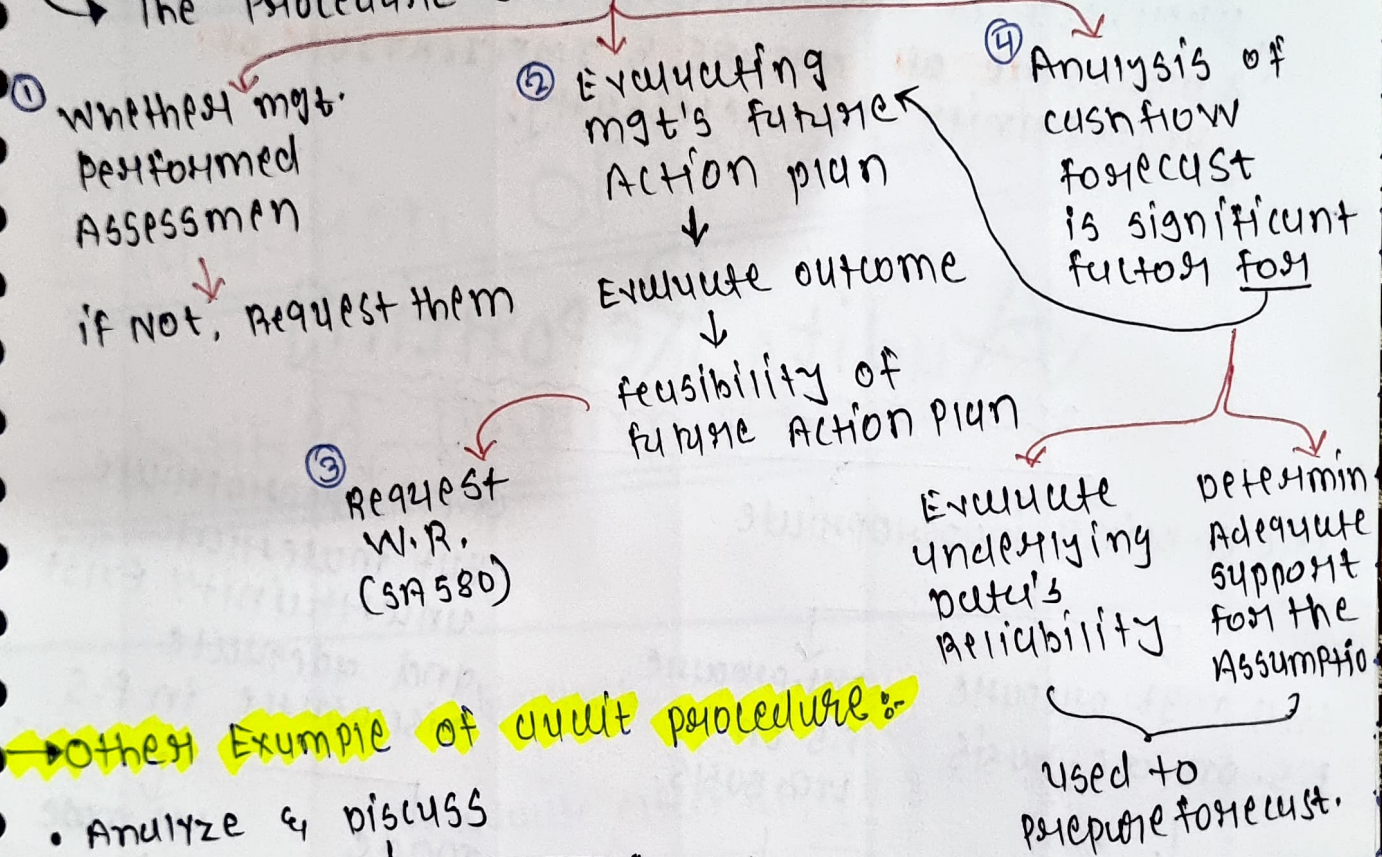
Auditor discuss with mgt. basis for intended use of c.c. and inquire mgt. whether any Events or condition exist that "DOUBT"

→ the Auditor shall remain Alert for A.E. of Event / condition that "DOUBT",

Example of Event / condition Recd from M, 10.84

- Additional event / condit
- Additional Audit procedure when Event or condition identified:-

→ The Procedure shall includes,



Other Example of audit procedure:-

- Analyze & discuss
 cashflow, profit and other forecast with mgt.
 entity's interest ANI, IFS.
- Reading minutes of meeting of S.M., TCM for Reference to financing difficulties.
- Evaluating mgt. plan to deal with unfilled customer order.
- confirming existence, terms and Adequacy of borrowing facilities.

• Auditor's conclusion :-

- Write two points of objectives and
- A material uncertainty exist, potential effect and likelihood of occurrence is such that in APT

→ disclosure of NATURE & IMPLICATION of uncertainty is necessary.

Audit Reporting

α.c.A. being inappropriate

Still mgt. prepare F.S. on α.c. basis

↓
Adverse opinion.

Mgt. prepare F.S. on L.T.Q. basis.

↓
unmodified opinion & EOM para. (SA 706)

(To draw user attention to that alternative basis of accounting and its use)

α.c.A. Appropriate but material uncertainty exist and adequate disclosure in F.S

↓
made

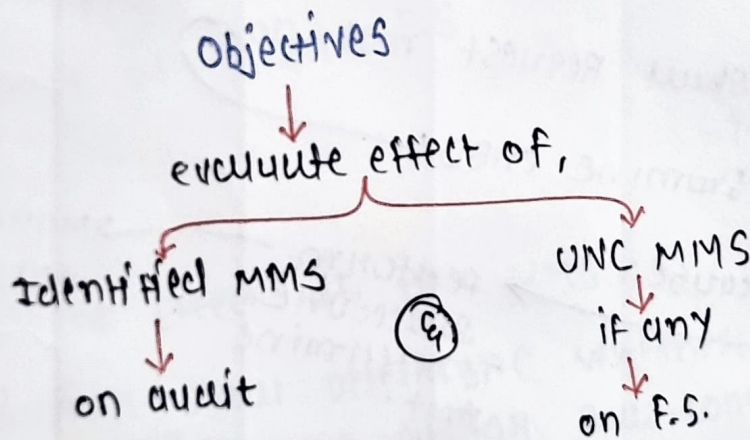
↓
unmodified opinion (6) in A.R. separate heading, "material uncertainty related to α.c."

↓
Not made

↓
Qualified or Adverse opinion.

SA 450

Evaluation OF Misstatement Identified During Audit

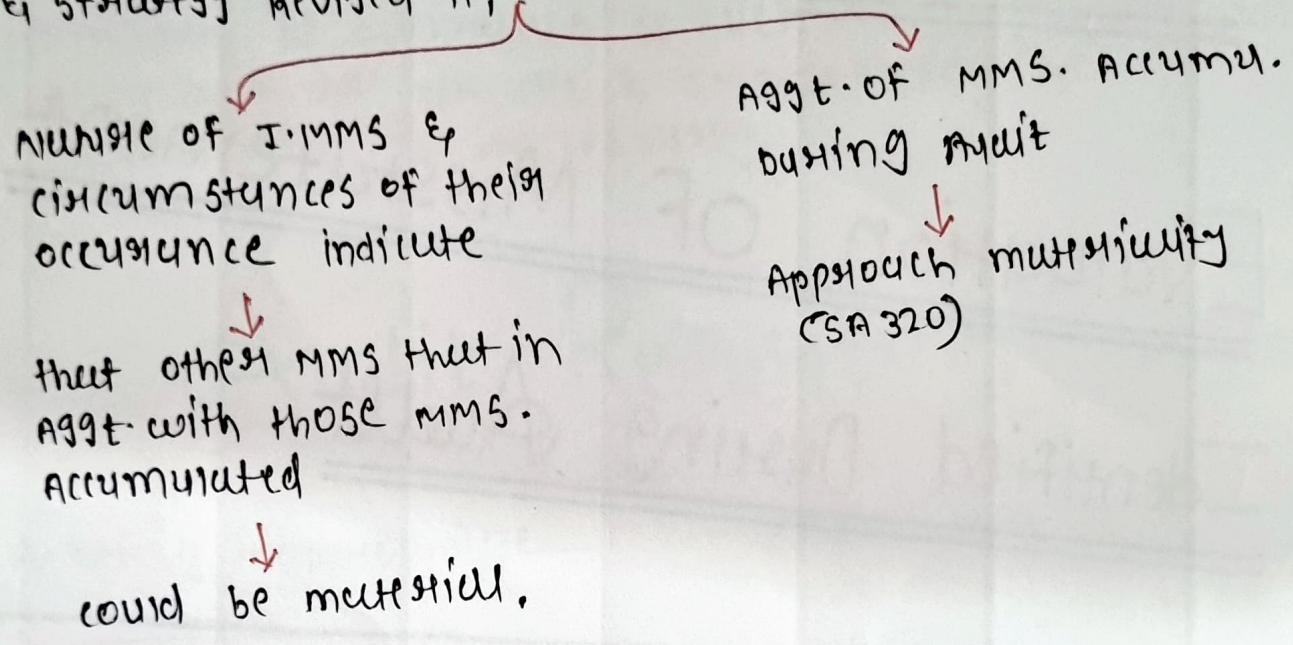


• scope of SA 450:-

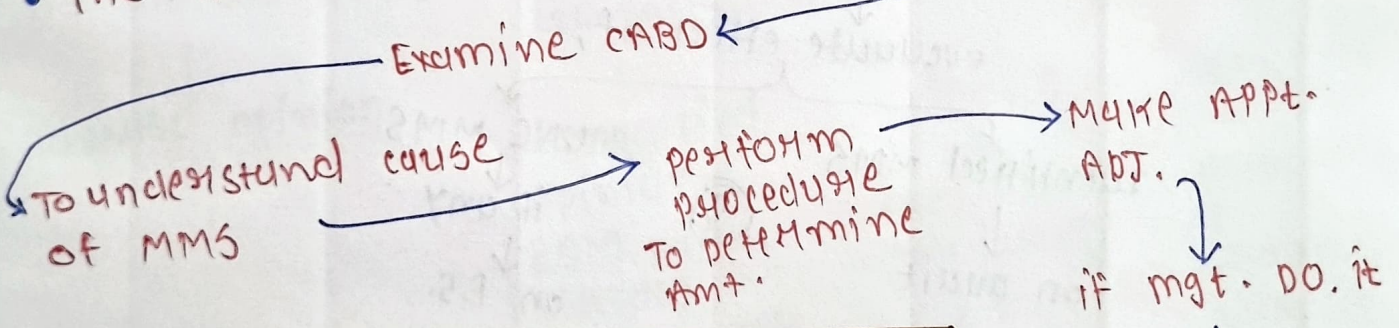
- Accumulation of MMS
- consideration of IMMS
- communication & correction of MMS
- Evaluate its effect on F.S.
- consider its impact on AR (SA 705) → CA final
- obtain WR from mgt. (SA 580)

• consideration of I.MMS AS the Audit progress:-

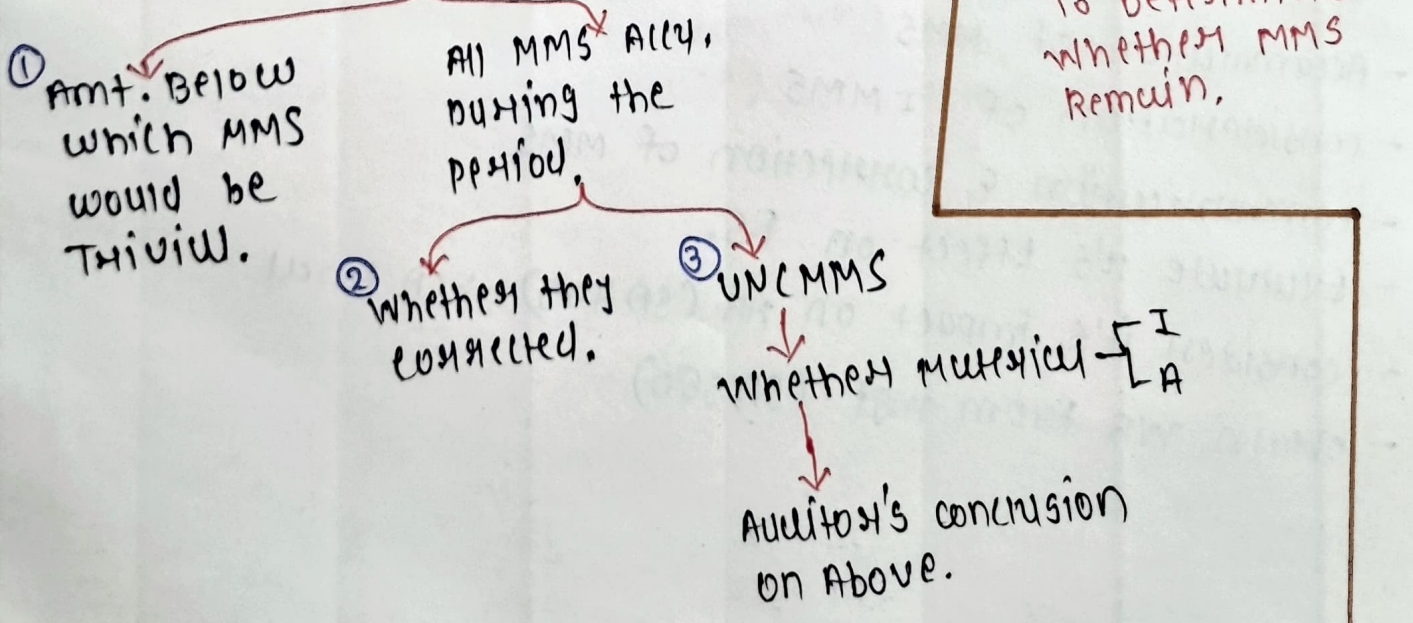
— The Auditor shall determine whether overall audit plan & strategy revised if,



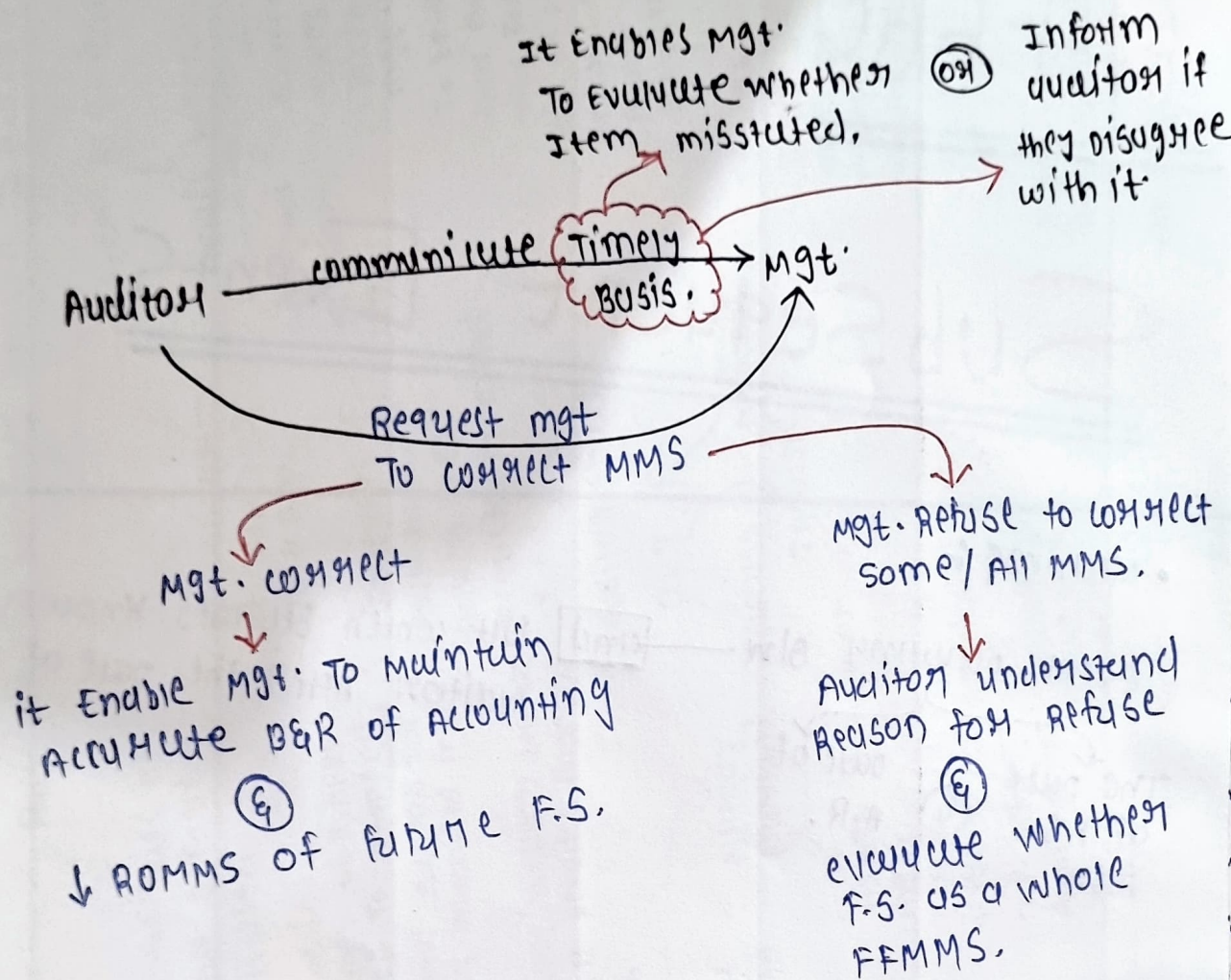
• The Auditor shall Request mgt. To,



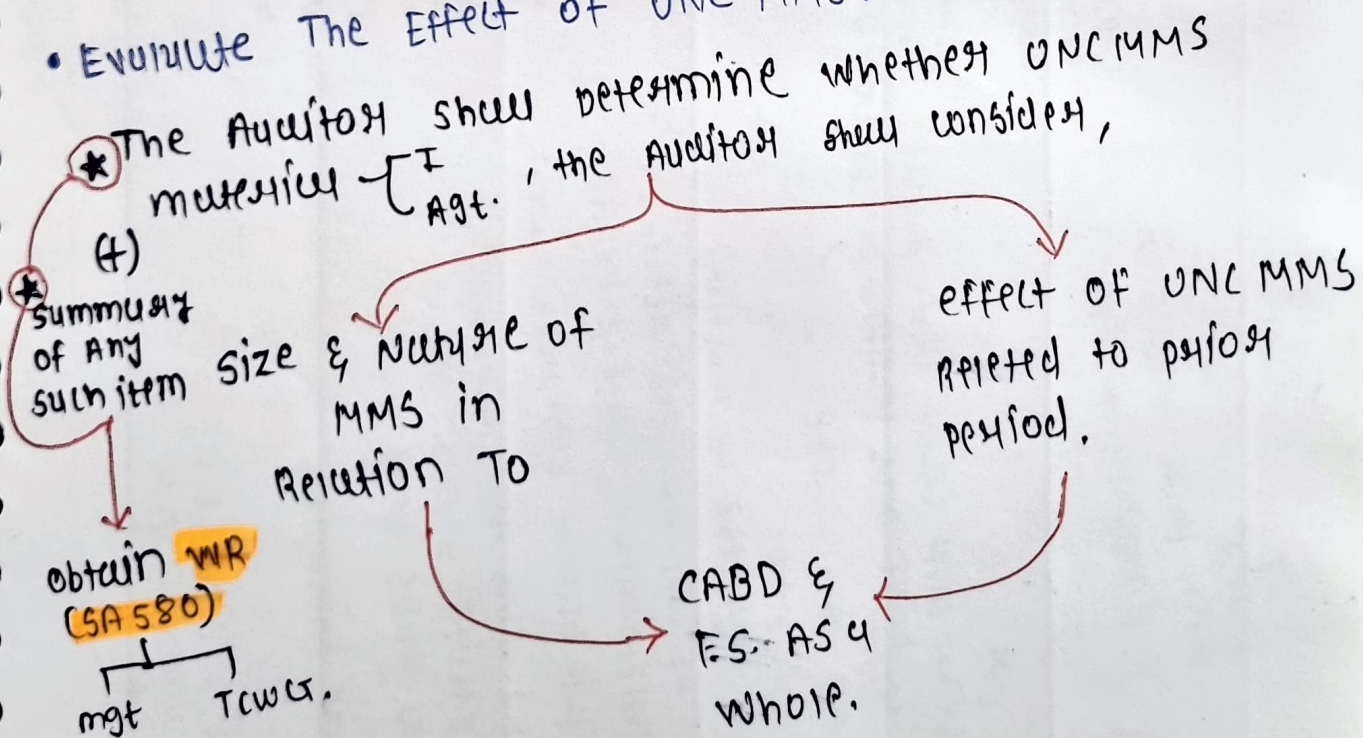
documentation.



• communication and correction of MMS.



• Evaluate The Effect of UNC MMS:



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Subsequent Events

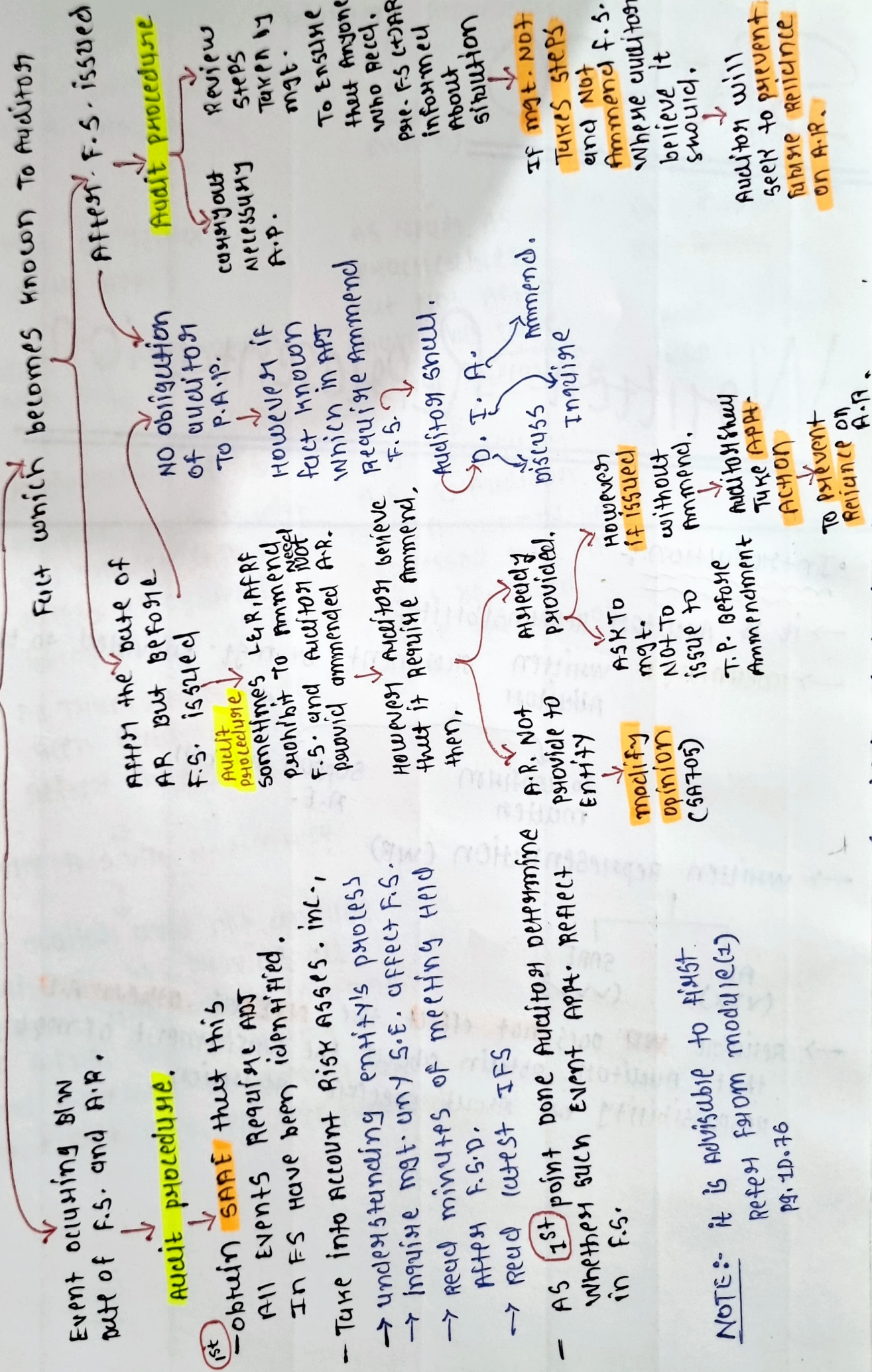
• Meaning :-

Event occurring b/w and fact which becomes known to Auditor after the date of A.R.

The date of F.S. ④ out of A.R.

~~1554~~

Subsequent Events (S.E.)



NOTE:- it is advisable to first refer from module (2)
pg. 1D.76

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Written Representation

• Introduction :-

→ it is Auditor responsibility

→ **meaning :-** written statement by mgt. provided to the Auditor

To confirm matters

Support another A.E.

→ written representation (WR)

AE
(xxx)

SARE
(✓✓)

→ reliable **WR** does **not** effect the **NTE** of **other A.E.** that Auditor obtain about the fulfillment of mgt. responsibility or about specific Assertion.

Written Representation

from whom

Mgt. or TCNIOT
(where Appt.)

content of W.R. obtain
from mgt.

date
(when)

AS NEAR AS
practicable to
but not after
than the date
of A.R. BECAUSE

form

in the form of
Rep. letter

Address To
auditor.

- ① preparation of F.S.
- ② provide Auditor with
all relevant info, and
Access as agreed in
Terms of A. Eng.
- ③ All Transaction have
been Reviewed and
Reflect in F.S.

it is necessary
A.E. & Auditor
opinion cannot be
Expressed and AR
cannot be dated
before the date of
A.R.

WHY this WR necessary?

the auditor could not conclude
that mgt. has provide all
relevant info, agreed in terms
of A. Eng. without asking it
and therefore he request WR
that such info. has been provided.

When Auditor Express An Disclaimer of opinion (SA 705)

When Auditor has **Doubt** as to the **Reliability of WR**

Auditor has concern about the competence, integrity, Ethical value of mgt.

if WR inconsistent with other A.E. obtain

Requested **WR NOT** provided by mgt.

the Auditor shall in this case, **D.A.R.**

- discuss with mgt.
- Take Appr. Action include possible effect on **opinion** (SA 705)
- Re-evaluate the integrity of mgt. & Evaluate the effect on Reliability of F.S.

• Other **Written Representation**:-

↳ **Supplement** but not part of WR about the mgt's Respo.
↳ **Includes**,

i] Accounting policies

ii] Matter such as following, have been RMED in Accord. with F.W:-

① Plan & intention that may affect carrying value or classification of **Asset** & **Liabilities**

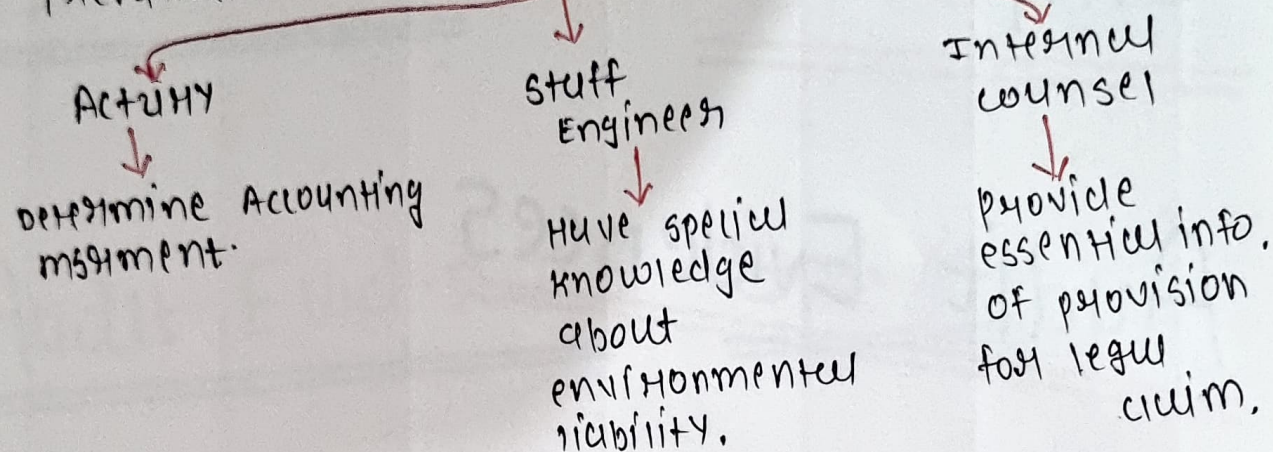
② Title/control over Asset & Asset pledged as collateral.

③ ↳ Both contingent & Actual

④ - Aspect of L&R affect F.S. inc. Non compliance.

→ Other Points:-

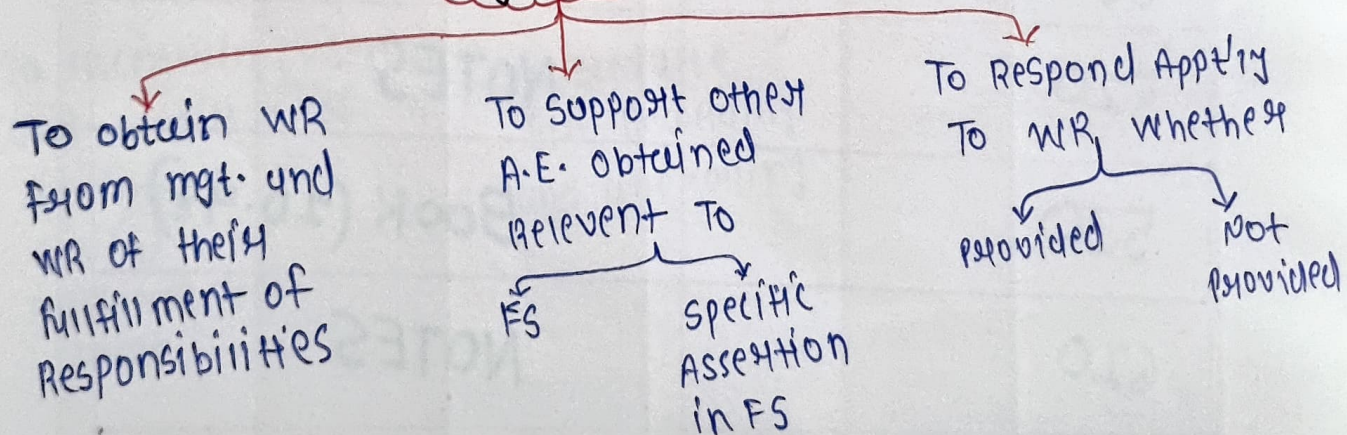
- following are the individuals that may involve in preparation of F.S. :-



- the Auditor may ask mgt. to reconfirm it's Acknowledgement of Responsibilities in following way:-

- ① Those who signed the Terms of A. Eng., have no longer Responsibility.
- ② prepared in P.Y.
- ③ mgt. misunderstood those responsibilities
- ④ Change in circumstances make it appropriate to do so.

Objectives



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• Reference
- RJ sir

Communication with TCWG & Management

1.] meaning of TCWG:-

- A) A persons or organ, with responsibility for overseeing the strategic direction of the entity and obligation related to accountability of entity.
- B) Governance structure will vary from entity to entity. for Eg. in some entity a supervisory board may exist from executive board.
in other entities supervision and executive both function can be performed by a single board.
- C) in some cases all of TCWG may also be involved in managing the entity. However as per companies Act. for certain companies a separate audit committee is required to be constituted out management.
- D) therefore auditor should discuss and agree with Enging party about relevant person with whom to communicate.

2.] matters to be communicated by Auditor:-

- Auditor shall communicate with TCW or that they are responsible to form an opinion on F.S. which are prepared by the management with oversight of TCW and such opinion does not relieve mgmt./TCW of their responsibilities.
- Auditor shall communicate with TCW about about his planned scope and timing of audit. He should also discuss signi. Risk, identified for the purpose of audit

3.] significant findings from the audit :- (Imp) (50)

- signi. difficulties if any encountered during the audit
- circumstances that may affect the form and content of auditor's report eg. matters to be included as per SA701, SA705, SA706.
- Auditor's view about significant qualitative aspect of entity's Accounting policies, disclosure or Accounting estimates.
- unless all of the TCW are involved in managing the entity auditor should communicate all significant matters that were discussed with management during the course of audit and W.R. requested from management.
- Any other significant matter which in APJ is relevant to be discussed with TCW.

4.] In case of listed companies auditor shall communicate with TCW a statement that audit firm and Eng. team have complied with relevant ethical req. regarding independence.

(NOTE): all relationships and matters b/w the firm, N.M. firm and the entity which may impact independence should be communicated to TCW for eg. total fees charge for audit & non-audit services if any provided by the firm / N.W. firm to entity or compo.

Sometimes when Threat to Independence arises auditor may implement G.C. to eliminate or reduce such threat then this matter should also be communicated.

5.] significance of communication with TCMR:-

- An effective two-way communication b/w auditor and TCMR is important in assisting the following:-

- i] Auditor and TCMR will be able to develop constructive working relationship while maintaining auditor's independence and objectivity.
- ii] This will help the auditor in obtaining relevant information from TCMR.
- iii] TCMR will be able to fulfill their responsibility to oversight F.R. process properly.

SA-265

• Reference
— RJ sir

Communicating Deficiency in Internal control

To TCW & Management

1] meaning of deficiency in internal control:-

- when a control is Design and implemented in such a way that it is not able to POC fraud MMS on timely basis
- A control that is necessary to prevent (POC) a MS is missing

2] significant deficiency:-

- A deficiency or combination of deficiency which in APJ is of sufficient importance to merit the attention of TCW &

3.] process to communicate significant deficiency to TCWOT:-

- Auditor shall communicate in writing to TCWOT on timely basis.
- written communication should include the following:-
 - i.] description of deficiency along with explanation of potential effect.
 - ii.] sufficient information (i.e. example) so that TCWOT and mgt. can understand the context of communication.

NOTE : Auditor should explain that the purpose of his audit ~~is~~ was to express opinion on F.S. and his audit included consideration of internal controls not for expressing an opinion on effectiveness of internal control.

- nowadays we are required to express our opinion on IFC which are relevant for F.R. 4/5 143(3)(i) of companies Act, 2013.

4.] Examples of indicators of signi. deficiency in IC:-

- i.] Absence of RAP in entity.
- ii.] evidence of ineffective RAP
- iii.] evidence of mgt. inability to oversee preparation of F.S.
- iv.] mgt. fails to implement appropriate remedial actions for significant deficiency previously identified.
- v.] TCWOT not scrutinising signi. transaction in which mgt. f.i. were involved.
↳ financial interest