AUDIT REPORT

SA - 700 - Forming an opinion & Reporting On Financial Statement

The auditors responsibility to form an opinion on the FS. It deals with the form & content of the auditors report issued as a result of an audit of financial statement

Objectives

- To form an opinion on the FS based on an evaluation of the conclusions drawn from the audit evidence obtained
- To express clearly that opinion through a written report

Elements / contents of Audit report

Title
Addressee
Auditor's opinion
Basis for opinion
Going concern
Key audit matters
Other info
Responsibilities for the FS
Auditor's Responsibilities for the audit of FS
Location of the description of auditor's responsibilities
Other Reporting Responsibilities
Signature of the auditors

Place of Signature
Date of the auditors Report

Unmodified opinion
It is the opinion expressed by the auditor when the auditor concludes that the FS are prepared in all material respects in accordance with the AFRF

a] State that the audit was conducted as per SA
b] Statement indicating in brief of auditors responsibilities
c] State that the auditor complied with the Ethical requirement of law & Code of Ethics
d] Auditor has obtained S&A AE for opinion expressed

Matters included in opinion PARA
- State the Entity whose FS have been audited
- Description about FS of the Entity
- Description about titles of compenents of FS
- Refrence to notes & Significant accounting policies
- Reference to the period covered by the above FS
- The opinion expressed by the auditor

Matters included in the basis of opinion PARA
- State that the audit was conducted as per SA
- whether FS are free from MM
- Yes → unmodified opinion
- No → modified opinion
  - → Qualified opinion
  - → adverse opinion
  - → disclaimer of opinion

SA 705

SA- 706 Emphasis of matters Paragraphs & Other matter Paragraphs in the independent Auditor's Report

It deals with additional communication in the auditor's report when the auditor consider it necessary to draw user's attention to a matters

* Presented in the FS that are of such importance that they are fundamental to user's understanding of the FS.

* Other than those presented in FS that are relevant to users understanding of audit, the auditor's responsibilities (a) auditor's report

Objectives

* Emphasis of matter Paragraphs & other matter paragraphs in the independent Auditor's report

* Auditor having formed an opinion on FS is to draw users attention when in the auditor's judgement it is necessary to do so, by way of clear additional communication in the auditors report

* A matter, although appropriately presented FS that is of such importance that it is fundamental to user's understanding of FS

* As appropriate any other matter that is relevant

to users understanding of the audit, the auditors responsibilities (or) auditor's report

Definitions

Emphasis of matter paragraph

A paragraph included in the auditor report that refers to a matter appropriately presented FS that in the auditor's judgement is of such importance that it is fundamental to users understanding of FS

Other matter paragraph

A paragraph included in auditors report that refers to a matter other than those presented FS that in the auditor's judgement is relevant to user's understanding of the audit the auditor's responsibilities (or) auditor's report

SA 701 Communicating Key Audit matters in the independent auditor's Report

The auditors responsibility to communicate Key audit matters in the auditor's report. It is intended to address both the auditor's judgement as to communicate in the auditors report & the form & content of such communication

Definition of Key matter audit

Those matters that in the auditor's professional judgement were of most significance in the audit of the FS of the current period. KAM are selected from matters communicated with those charged with governance shall not pertain previous years audit matters

Determining Key audit matters

* Areas of higher assessed risk of material misstatement (a) significant risk identified in accordance with SA 315

* Significant auditor judgement relating to areas in the FS that involved significant mgt judgement including accounting estimates that have been identified as having high estimation uncertainty

* The effect on the audit of significant events (a) transactions that occurred during the period

Communicating Key Audit Matters

* Key audit matters are those matters that in the auditor's professional judgement were of most significance in the audit of FS

* These matters were addressed in the context of the audit of FS as a whole & in forming the auditor's opinion thereon, & the auditor doesn't provide a separate opinion on these matters

KAM will not be communicated if
- Laws & regulations prohibits
- Possible adverse consequences
- Highly confidential

Objective of 701

* To enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed
* To assist the user in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the FS of the current period

Scope

Communicating KAM is not a substitute for
- Disclosures in the FS
- Auditor Expressing a modified opinion SA-705
- Substitute for reporting in accordance with SA-570
- A Separate opinion on individual matters

SA - 710

Comparative information - corresponding figures & comparative FS.

This Standard deals with the auditor's responsibilities regarding comparative info in an audit of FS. When the FS of the prior period have been audited by a predecessor auditor, the requirements & guidance in SA-510 also apply

The essential audit reporting differences b/w the approaches are:-

-> For corresponding figures the auditor's opinion on FS refers to the current period only.
-> For comparative FS, the auditor's opinion refers to each period for which FS are presented

Comparative information

The amt & disclosures included in FS in respect of one (or) more prior periods in accordance with the applicable financial reporting framework

Audit procedures regarding comparative information

i. Auditor shall determine whether the FS include the comparative info required by the AFRF & whether such info is appropriately classified

- The comparative info agrees with the amt & other disclosures presented in prior period

- The accounting policies are consistent with those in current period

ii. if auditor becomes aware of a possible material misstatement in the comparative info while performing the current period audit the auditor shall perform such additional audit procedure are necessary to obtain audit evidence to determine MM exists

iii. if auditor had audited the prior period FS the auditor shall also follow the relevant requirements of SA-560

iv. As required by SA-580 the auditor shall request written representations for all periods referred to in the auditor's opinion The auditor shall also obtain a specific written representation regarding any prior period if auditor opinion on such prior period FS differ from the opinion of the auditor of that period

if the FS of prior period were audited by a predecessor auditor. in addition to expressing an opinion on current period FS the auditor shall state in other matter paragraph

a) The FS are audited by predecessor auditor
b) The type of opinion by the predecessor auditor & if the modified the reasons for the same
c) The date of that report

if the auditor concludes that a MM exists that affects the prior period FS on which the predecessor auditor had previously reported without modification. The auditor shall communicate the MM with the appropriate level of mgt & those charged with governance & request that the predecessor auditor be informed

if the prior period FS were not audited, the auditor shall state in an OMP that the comparative FS are unaudited Such a statement doesn't however relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balance don't contain misstatement

Corresponding figures

Comparative info where amt & other disclosures for the prior period are included as an integral part of the current period FS & are intended to be read only in relation to the amt & other disclosures relating to the current period

The level of detail presented in the corresponding amt & disclosures is dictated primarily by its relevance to the current period figures

When corresponding figures are presented, the auditor's opinion shall not refer to the corresponding figures except in following

(i) if the auditor's report on the prior period as previously issued included a qualified opinion, a disclaimer of opinion, or an adverse opinion

- Refer to both the current period figures & corresponding figures
- The audit opinion has been modified because effect of unresolved matter on the comparability of current period's figures & the corresponding figures

(ii) if the auditor obtains audit evidence that a material misstatement exist in the prior perio FS on which an unmodified opinion has been issued, the auditor shall verify if MM has been dealt with if not the auditor shall

Express a qualified (or) an adverse opinion. modified with respect to the corresponding figures included therein

(iii) if the prior period financial statement are not audited, the auditor shall state in an OMP in the auditor's report that the corresponding figures are unaudited

(iv) Prior period FS Audited by a predecessor auditor if the FS of the prior period were audited by a predecessor auditor & the auditor is permitted by law or regulation to refer to the predecessor auditor's report

- The FS are audited by predecessor auditor
- The type of opinion by the predecessor auditor & if the modified, the reasons for the same
- The date of that report.

Joint Audit

Advantages

> Sharing of Expertise
> Advantage of mutual consultation
> Lower workload
> Better quality of performance
> Improved service to the client
> Lower staff development costs
> Lower costs to carry out the work

Disadvantages
- The fees being shared
- Psychological problem
- General superiority complex of some auditors
- Problems of co-ordination of the work
- Areas of work of common concern being neglected
- Uncertainty about the liability for the work done

SA-705 Modifications To The Opinion in The independent Auditor's Report

Scope
* It deals with the auditor's responsibility to issue an appropriate report in circumstances when, in forming an opinion in accordance with SA-700 (Revised)
* The auditor concludes that a modification to the auditor's opinion on the FS is necessary.
* This SA also deals with how the form & content of the auditor's report is affected when the auditor expresses a modified opinion

Objectives

The Objective of the auditor is to express clearly an appropriately modified opinion on FS that is necessary when
- The auditor concludes, based on the audit evidence obtained, that the FS as a whole are not free from material misstatement

- The auditor is unable to obtain sufficient appropriate audit evidence to conclude that the FS as a whole are free from MM

Types of modified opinion
> A qualified opinion
> An adverse opinion
> A disclaimer of opinion

Qualified Opinion
The auditor shall express a qualified opinion when
* The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements individually (or) aggregate are material but not pervasive to the FS
* The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion but the auditor concludes that the possible effects on the FS of undetected misstatements, if any could be material but not pervasive

Adverse Opinion
The auditor shall express an adverse opinion when the auditor having obtained sufficient appropriate audit evidence concludes that misstatement individually (or) aggregate are both material & pervasive to the FS

Disclaimer of opinion

The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion & the auditor concludes that the possible effects on the FS of undetected misstatements if any could be both material & pervasive

COMPANIES AUDITOR'S REPORT ORDER, 2020
[CARO - 2020]

Fixed assets

- Records - Tangible - details & situation
  Intangible - full details
- physical verification - @ reasonable intervals
  material discrepancy
- Title deeds - immovable property - as per format
- Revaluation - more than 10 %
- Pending proceedings under Benami Transaction (Prohibition) act

Inventory

- physical verification - more than 10%
- Aggregate working capital loan - more than 5C @ any point of time Quarterly statement = BOA

LIGS Provided

- To subsidiary / JV / Associates → o/s + aggregate
- To other than above → o/s + aggregate

LIGS Provided

Provision of Sec 185 & 186

Deposits

Provision of Sec - 73 to 76

Cost Records Sec - 148(1)

Statutory dues

- disputed - amt & forum
- Undisputed - O/S > 6 months

Undisclosed income

- Undisclosed in PY :- disclosed in CY IT under
- "Surrendered" - details

Repayment of loan

- Co defaulted principal / int : as per format
- Willful defaulter
- Term loan - used other purpose - amt & Nature
- Amt taken to meet obligation of S.Co / JV / associates - amt & nature
- Short term loan - used for long term purpose
- Raised loan - pledging securities of S.Co / JV / A.Co

Issue Proceeds - IPO & FPO

- Purpose, Sec - 42 & Sec 62

FRaud

- On / By the Co
- Sec - 143(12) < 1C -> BoD / Audit Committee

  > 1C -> CG -> ADT - 4

Nidhi Co
Net owned funds :- deposit 1:20
10% unencumbered deposits
Default in repayment :- Principal / Int

Related party transactions
Sec - 177 & 178

Internal audit
Commensurate with Size & Nature of b/s
Reports -> Considered by Statutory auditor

Non - Cash Transactions
Sec - 192

RBI Registration
Sec - 45IA of RBI Act 1934
NBFC v/s HFA
Core invst Co (No. of CIC)

Cash losses
Amt of Cash losses

Resignation of Statutory auditors
Consider issues, objections, concerns - raised by
the outgoing auditor

Going Concern
material Uncertainty
meeting its liability falls < 1 year

CSR

Ongoing Project :- t/s to Special a/c - Sec - 135(6)
Other than ongoing Project :- t/s to < 6M from FS
Sec - 135 (5)

Consolidated financial Statement

Qualification / adverse remarks - PARA No. of CARO
details of co clause

Applicability

Every co including a foreign co except :-

* Sec - 8 co
* Banking co
* Insurance co
* One Person co
* Small co
  • Paidup capital ≤ 4C
  • Turnover ≤ 40C
* Pvt ltd co #
  • as @ 31/3 PUC + Res ≤ 1C &
  • @ any time borrowing ≤ 1Cr
  • included disc. opr Turnover ≤ 10C