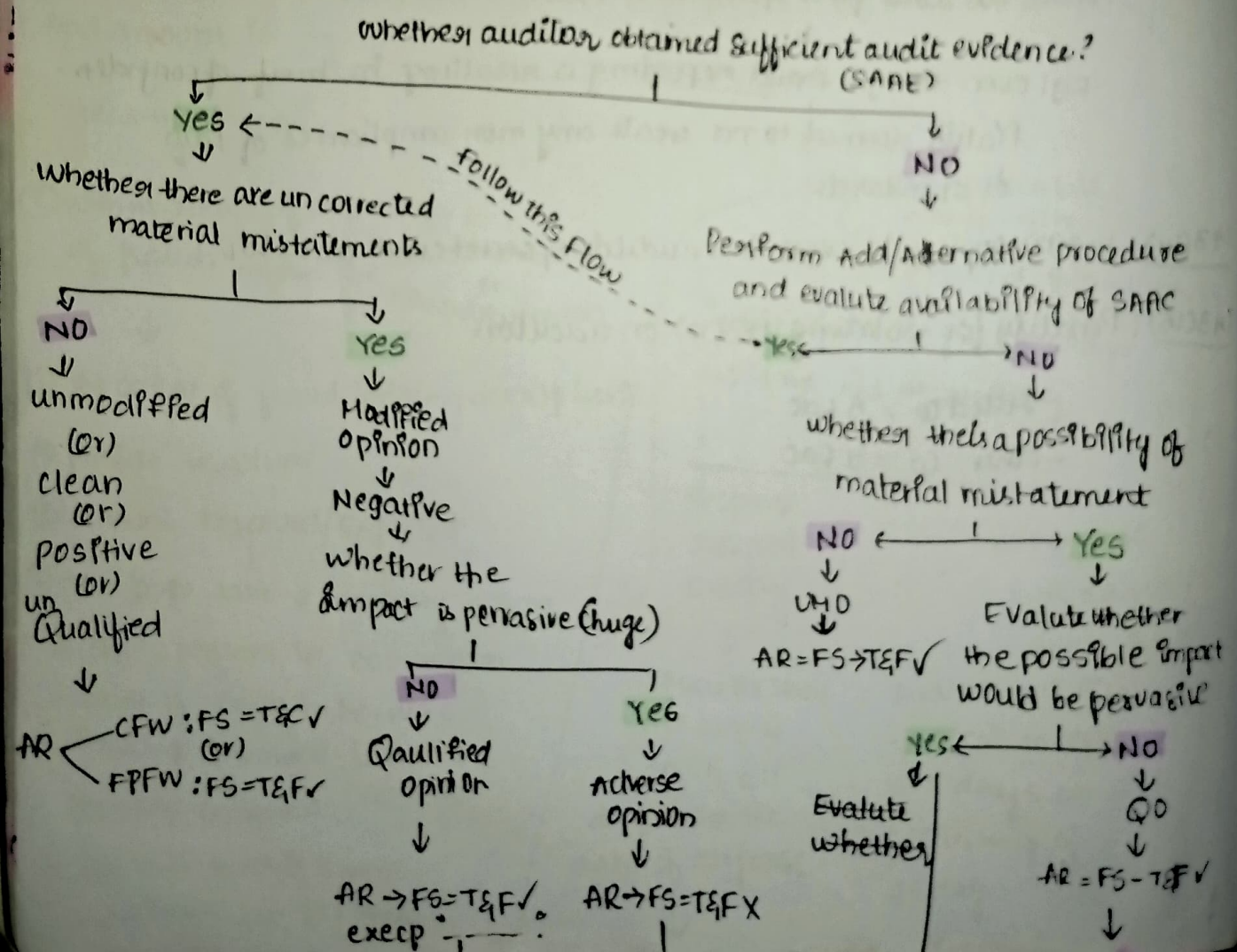
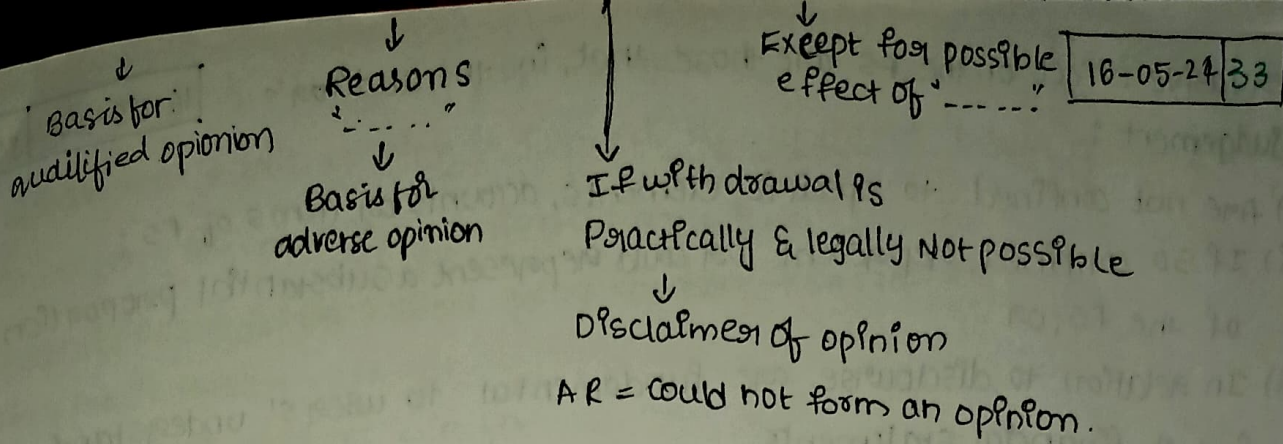


AUDIT CONCLUSION AND REPORTING

- SA 700 : forming an opinion & Reporting on audit of financial statements.
- SA 701 : communicating key audit matters in independent audit report
- SA 705 : Modification to opinion in IAR
- SA 706 : Emphasis of matter & other matters paragraph.
- SA 710 : comparative information $\rightarrow$ corresponding figures
 $\rightarrow$ comparative FS
- SA 510 : Initial audit engagement — opening balance
- SA 500 : Subsequent Event
- SA 580 : written representation
- SA 260 : communicating with TCWG
- Sec. 143(1)(3)(ii) $\rightarrow$ Reporting under ch. 2013.

How to form an opinion?

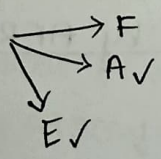


*If auditor withdraw's → he shall meet all the contractual & legal obligations.

SAAE	MM/PMM	pervasive	opinion
✓	x	NA	UMO (unmodified)
✓	✓	x	QO (Qualified)
✓	✓	✓	AO (Adverse)
x	x	NA	UMO (unmodified)
x	✓	x	QO (Qualified).
x	✓	✓	withdrawal x Disclaimer of opinion.

Factors to be considered in forming an opinion:

- 1) Availability of SAAE
- 2) Existence of ucmm/possibility of MM
- 3) pervasiveness of the ucmm/pmm
- 4) Evaluations



Definition of pervasive:

A term used. In the context of misstatement, to describe the effects on fs of MM or the possible effects on the fs of MM, if any that are undetected due to an inability to obtain sufficient appropriate evidence

persuasive effect on the FS are those that, in the auditor's judgement:

16-05-24 34

- (i) Are not confined to specific elements, accounts or items of FS;
- (ii) If so confined, represent or could represent a substantial proportion of the FS; or
- (iii) In relation to disclosure, are fundamental to users' understanding of financial statements.

Format & Content of Auditor's Report

① Title: Independent auditors Report

SFS
CFS
BFS

② Address: Person to whom the report is intended to be provided → Sometimes specified by statute

Eg: Members of company → Non Govt CO

CE&AG → Govt CO

Govt Body corporate → President/Governor etc.,

③ Opinion para/
Qualified/Adverse/
Disclaimer of opinion } = Heading.

1) Fact that audit is conducted

2) Identifying the Entity being audited

3) Date & period & FY for which audited is carried on/conducted

4) Inclusion in FS

5) Whether the FS present T&F view required by AFRFW

④ Basis for opinion:

1) Audit is conducted in accordance with SAS.

2) State that auditor shall fulfill various responsibilities that are presented in a separate section.

3) State that the auditor is independent of entity & met all the ethical

requirements imposed by the statute.

16-05-24 35

4) State that audit opinion is formed by only on the basis of SARE.

5) Reasons for modified opinion if any

6) Material uncertainties about going concern → SA 570.

7) Key Audit Matters → SA 701

8) Emphasis of matters → Refer

9) Other matter paragraph → Refer SA 706.

10) Responsibility for FS → MGMT
→ TCWG, if exists

1) preparation of FS according with applicable financial reporting framework.

2) Design Implementation & Maintenance of Internal control

to reduce → Frauds
→ Errors

3) Assessment of appropriate of going concern assumption

4) TCWG is responsible for overseeing MGMT's work if exists

10) Responsibility of auditor → workbook [Manner of presentation]

↓
within the body
of all

↓
As on Appendix
↓
Describe the location
within body of
Audit reporting.

↓
Reference to a web
site of an appropriate
authority where
Audit report is
Published

11) Reporting on other legal & regulatory requirements.

Auditor shall be required to report on the other legal requirements that may or may not be in conformity with reporting under SAs.

↓
If reporting under
SAs & legal require-
ments are matching

↓
Auditor shall only report

↓
If reporting under legal
req are additional to report under
SAs.

↓

as required by relevant heading of SAs.

Audit shall on

18-05-24 36

Requirements of SAs under the heading
↓
Report on audit of FS

Additional reporting requirements of the relevant statute under
↓

Report on other legal requirements

Ex: C&AG & CAR

- (12) signature → Engagement partner
↓
141(2) → P+CA+P+I
→ Firm name + Reg. No.
→ Personal name + Reg. No.
- (13) Place: Location where audit report signed
- (14) Date: AR date shall be on or after the day on which ^{he} be obtained SAE including the day on which MGMT/TCWG have accepted that they have fulfilled their responsibilities for preparation of financial statements → Pre date of Approval Book of FS.
- (5) UDIN: Unique document identification Number.

SA-701: Communicating key Audit in the Independent Auditors Report.

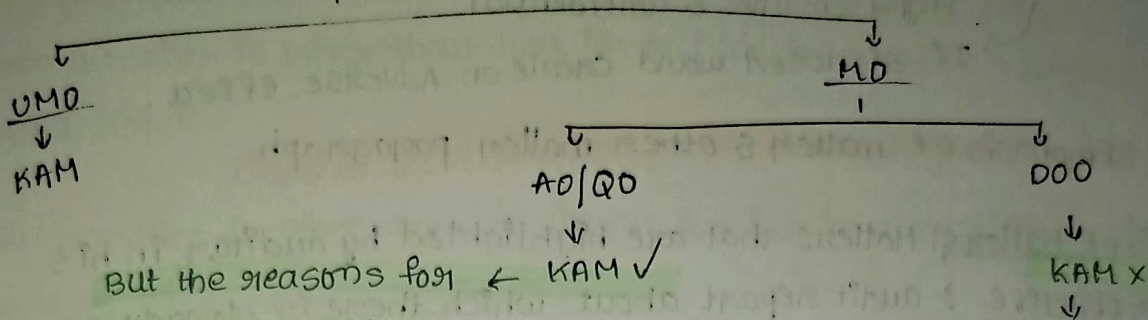
Meaning of KAM: KAM are those matters that are most significant in the conduct of audit of current period in the professional judgement of auditor & selected from matters already communicated with MGMT/TCWG.

Applicability: Mandatory for
↓
Auditor can present even if not mandatory if he feels necessary in his professional judgement.
→ ① Listed entities audits
→ ② Where law/regulation requires presenting KAM.

* KAM/EDM is not a substitute/Alternative for
→ Disclosed in Modified opinion
→ Highlighting Material uncertainties about GC.
→ Disclosure in FS

KAM/EDM → Not a separate opinion at all & presented only after forming & expressing an opinion on FS as whole.

Can a KAM be presented along with MO?



But the reasons for ← KAM ✓

APIQO shall be presented in BQO/
BAO para and any other matters
can be KAM.

Because DOO is given only
when audit could not be conducted

Objectives of presenting key Audit matters: SA 701.

- 1) To enhance the communicating value of Auditor's Report.
- 2) To bring in transparency of audit procedure being performed to users of financial statements.
- 3) To enable users of FS better understand
 - Significant + MGMT + Judgement + that are imp in prof. Judgement of auditor.
 - Significant Transactions (or) Events also.

Factors to be considered in determining key Audit Matter (KAM):

- 1) Areas of higher assessed (ROMM) Risk of Material Misstatements.
- 2) Matters involving significant management judgements especially Estimates & Assumptions.
- 3) Significant transaction (or) events.

Prohibition on presenting KAM:

- 1) Auditor presenting disclaimer of opinions.
- 2) Any matter
 - prohibited by law to be disclosed (con)
 - Highly sensitive & confidential
 - If disclosed would create an adverse effect.

SA 706: Emphasis of matter & other matter paragraph.

Emphasis of Matters: Matters that are highlighted by auditor in his Meaning & objective: audit report about which there is already an appropriate presentation & disclosure in FS to make user for better understanding.

Manner of presenting KAM & EOM:

- * Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the standalone financial statements of the current period.
- * These matters were addressed in the context of our audit of the standalone FS as whole, and informing our opinion thereon, and we don't provide a separate opinion on these matters.
- * We have determined the matters described below to be the key audit matters to be communicated in our report.
- * Every matter is explained in an appropriate sub headings.
- * Presenting EOM is the professional judgement of Auditor; need not always be mandatory.

Manner of presenting EOM:

- * Explain the matter are not a separate opinion and are appropriately presented in FS.

* Explain the brief the matters being highlighted and reported refer to the location where it is presented in FS.

* Explain the SAE is obtained about the matters being highlighted

* When emphasis of matter can be presented;

1) when a matter is other than that is decided to be a KAM where SA 701 applies

(and)

2) when a matter is other than a reason for issuing a modified opinion.

Example of other matter paragraph;

- Branch Audit not conducted but permitted by law.

- Branch audit was conducted by branch Auditor

- IAE $\left\{ \begin{array}{l} \text{PY Audit not conducted} \\ \text{PY audit by predecessor auditor} \end{array} \right.$

- Joint auditors presenting separate report.

- Joint auditors presenting separate report.

- Amendment of auditor's report as required under SA 560.

SA 510: Initial Audit engagement - opening balances

↓

Initially preceding PY

↓

unlinked or audited by predecessor auditor

Audit procedures to meet the above objective:

28-05 40

- 1) Evaluate whether closing balances of PY are brought to CY as OB & whether prior period items are appropriately accounted for.
- 2) Check whether accounting policies applied in OB are appropriate and in line with require of AFRFW.
- 3) Perform any one or more of following:
 - (i) Review the PY audited FS & AR and conclude on whether OB are reliable (Qs).
 - (ii) Evaluate whether the AP performed for CY provide evidence about opening balance. (Qs)
 - (iii) perform Audit procedure for evaluating OB in specific.

Impact on auditor opinion:

- 1) If auditor could not obtain SAE about OB even after performing Adverse Audit procedure
↓
QO/Disclaimer → If possible withdraw.
- 2) If auditor identifies material misstatement through SAE in opening balance → AO/QO.
- 3) If predecessor auditor issued MO & issue is unresolved → CY Auditor shall issue MO.

SA 710: Comparative Standard → corresponding figures
→ comparative FS.

Information related to
PY(s) presented along with CY FS as required by AFRFW

Corresponding figures: comparative information presented as integral part of CY FS. and the level of details presented of PY(s) depends on relevance of comparability of CY & CFs.
eg: Sch III; Banking Act, IRDAI Format, ...

Comparative FS:

28-05-24 | 41

comparative information presented on par with that of CFs.
and if audited, auditor's opinion shall address all the periods being covered in the financial statement.

Objective:

- 1) Obtain SAE whether comparative information is presented & disclosed as reqd by AFNW or and are there any other MM is comparative information &
- 2) Reporting on comparative information based on audit findings.

Audit procedure about comparative information:

- 1) Evaluate whether the closing balance of PFY are brought to CFY as comparative information as required by AFNW.
- 2) Evaluate whether AP applied are appropriate and consistently applied in comparative information.
- 3) If auditor assesses higher risk of material misstatement in CFs or comparative information, he shall perform additional alternative procedure for obtain SAE.
- 4) If CY auditor is the predecessor auditor, he shall confirm perform the procedure required by SAS 60.
- 5) Obtain a ~~written representation~~ representation from Mgmt/Trng about appropriateness of CI.

Audit Reporting for final statements containing corresponding figure:

Auditor's report shall address only those matters that related to current year.

Exemptions → ④:

① Previous year auditor issued MO & issue is unresolved.

↓
CA auditor shall present MO $\leftarrow \begin{matrix} \text{DO} \\ \text{AO} \\ \text{DO} \end{matrix}$
↓
Basis for QO/AO/DO contain reference

of two possibility.

only comparative information

(or)

Both CI & CYI

↓
If the impact on CY FS is immaterial

↓
If the impact on CY FS is material

② PY Auditor issued a unmodified opinion but CI/OB contains material misstatement

↓
CA auditor shall issue MO $\leftarrow \begin{matrix} \text{QO} \\ \text{AO} \end{matrix}$

↓
Basis for QO & Basis for mo.

③ PY was modified → CA auditor shall present other matter para & explain it to users.

↓
This does not however reduce the responsibility of verifying the opening balances.

④ PY was audited by predecessor auditor → CA auditor shall present other matter para & giving details of

① PY was audited by other auditor

② Date of AR

③ Type of opinion present

④ Reason if any → ~~MO~~ for MO.

Audit Reporting on FS containing comparative FS:

29-05 43

Auditors Report shall address all the periods for which the FS are presented for except when

↓
PR auditor has ammended his auditors report on the FS that he audited as a reason of CY auditor identifying MM that were informed to PR auditor by MGMT/TRWG on the request of CY auditor

↓
CY auditor shall address his report only on the CY financial statements.

⇒ point Number ③ & ④ → above continues

Applicability of CARO 2020 → company Auditor Report orders

↓
FY-2021-22

Applicable → Every company incorporation Foreign company.

↓ Exceptions

Specified Entities

↓
Banking company,
Insurance company,
Section 8, opco, small co.

↓
Not applicable

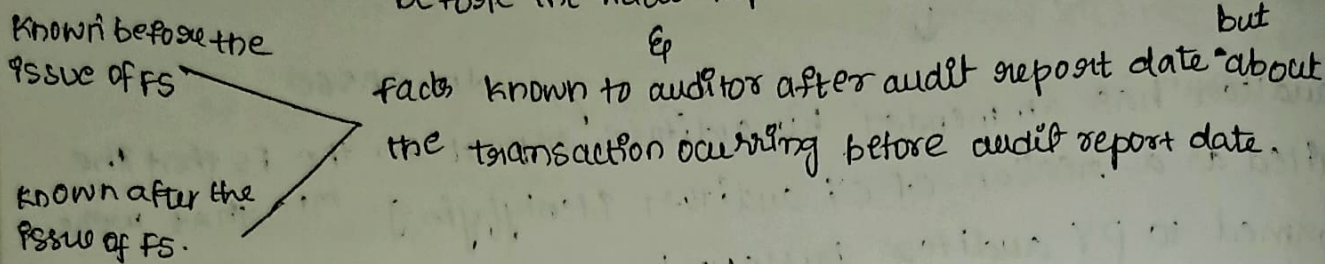
Private company
All 4 conditions.

- ↓
- ① Not a holding or subsidiary of a ^{Public} company.
 - ② The paid up share capital + Reserve & surplus $\leq 1cr$ as on Balance sheet date
 - ③ Agg. o/s Borrowing $\leq 1cr$ on any day during FY
Banks FI
 - ④ Total Revenue $\leq 10cr$ for the FY.

RO OI
C D

SA-5160: Subsequent Events:-

Subsequent Events: Events occurring after the balance sheet date but on before the Audit Report date



Objective of SA 560:-

- 1) To obtain SAE whether SE requiring adjustments are appropriately adjusted by the MGMT/TCWG as required by AFRFW.
- 2) Respond appropriately to facts known to auditor, had it been known prior, the auditor should have amended his audit report

↓
After AR date but before issue of FS to third party.

↓
After AR date & even after the issue of FS to 3rd parties.

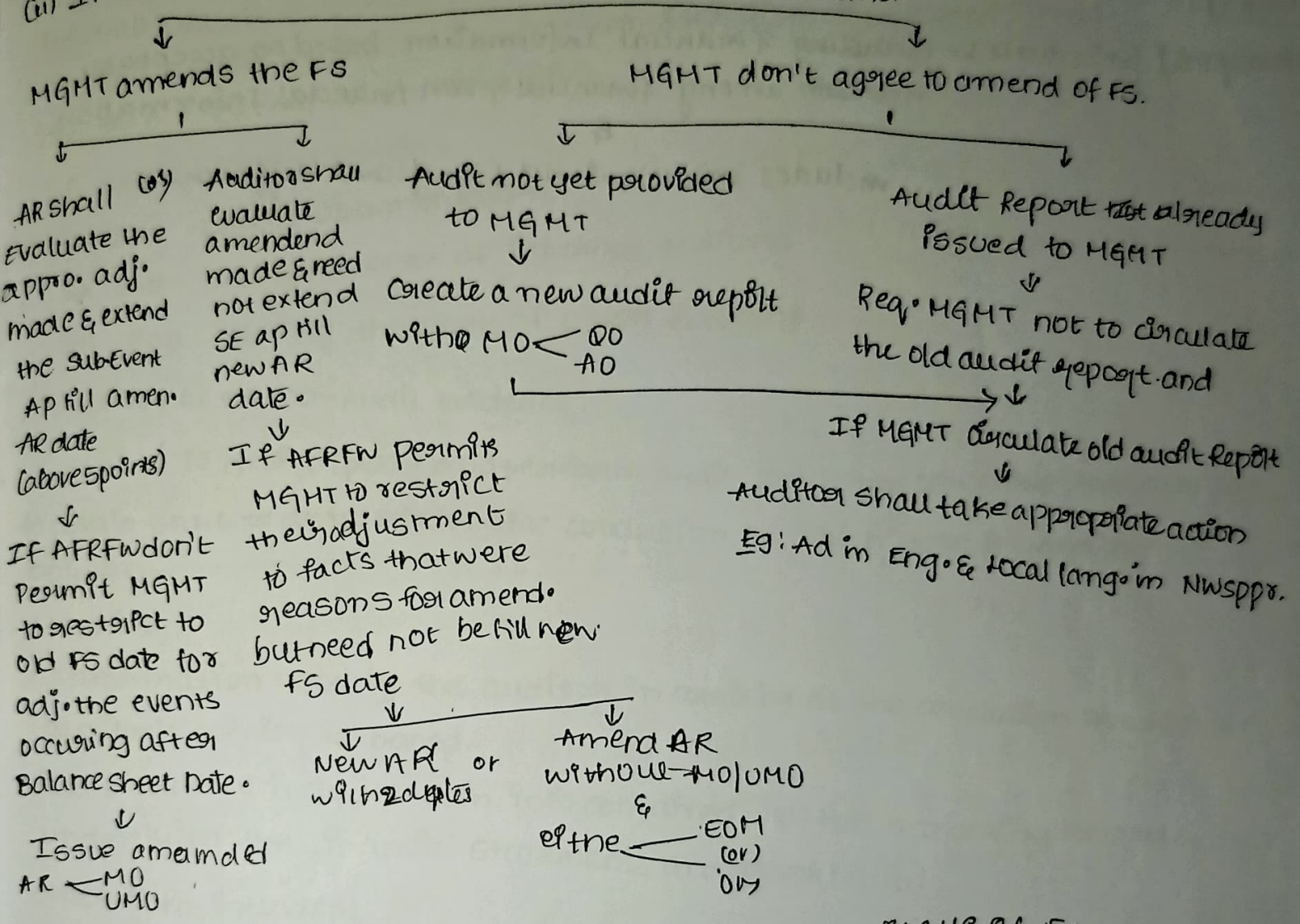
Audit procedures to obtain SAE obtain subsequent events:-

- 1) Understanding the entity's mechanism for identifying subsequent events.
- 2) Inquire the MGMTS/TCWG as to any subsequent events are identified and appropriately addressed.
- 3) Review the subsequent interim FS or the budgets or projections
- 4) Review the minutes of the meeting of TCWG/MGMT/owners conducted in subsequent period.
- 5) Obtain written representation from MGMT/TCWG on compliance with the AFRFW (Eq: AS-4).

Responses of auditor to facts known after Audit Report but before issue of FS:-

(i) Discuss with the management as to the requirement of amendment to FS.

(ii) If auditor had concluded that FS are amended and



3) Response to facts to known to auditor after the issue of FS;

Along with above procedure

Auditor shall Evaluate appropriate of actions of Mgmt to make public to stop reliance on old audited FS.

If in appropriate / Mgmt don't take appropriate action → Auditor shall take appropriate action

Extra 3: Women Representation:-

Extra 3:-

Analytical procedures - Evaluating Financial Information based on acceptable relation among financial & non financial information & includes investigating significant differences.