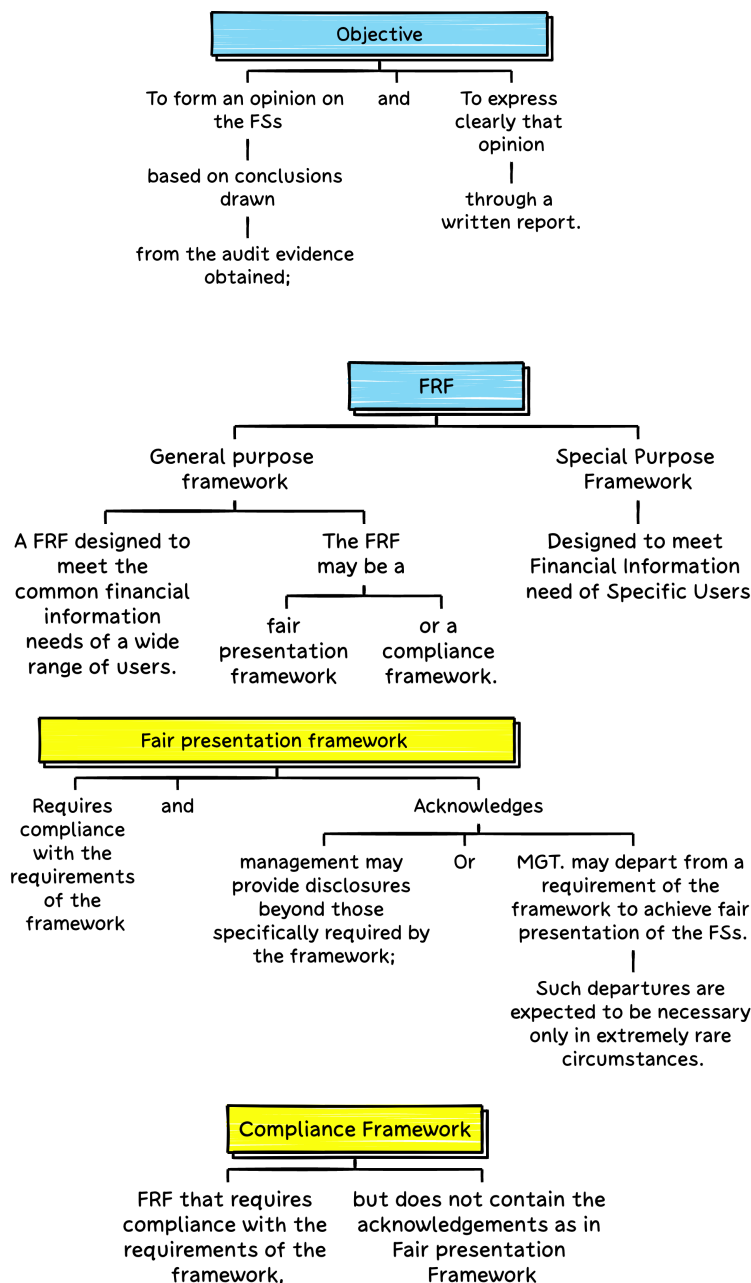


## Chapter 8 - Audit Report

### SA700 - Forming An Opinion And Reporting On Financial Statements

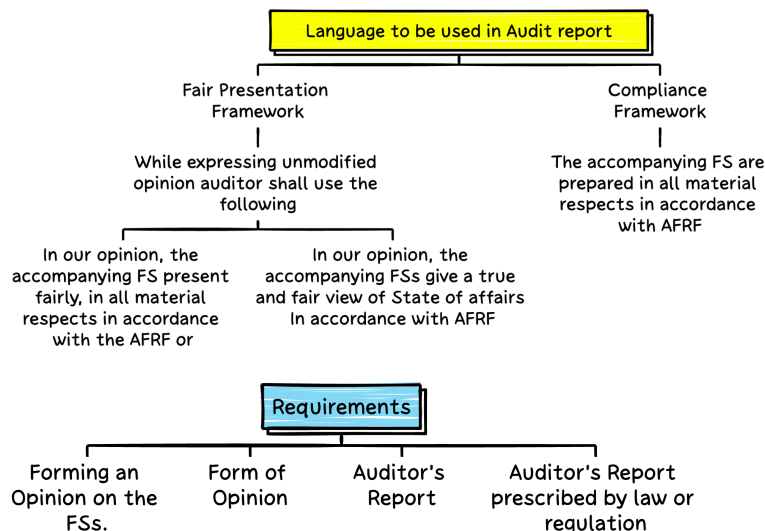


#### Extra reading

SA 800 - Special Considerations - Audits of FSs Prepared in Accordance with Special Purpose Frameworks.

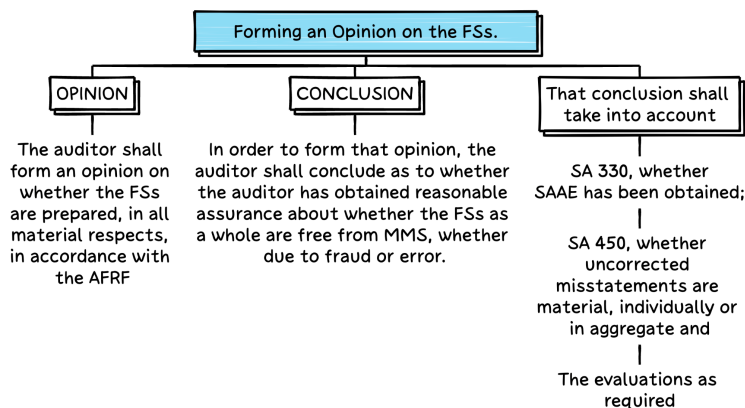
Example - Framework that does not comply with fundamental assumptions of general purpose framework. For example FSs prepared using a cash basis. Such FSs may be helpful for certain stakeholders that are interested in knowing the liquidity position of the entity like creditors.

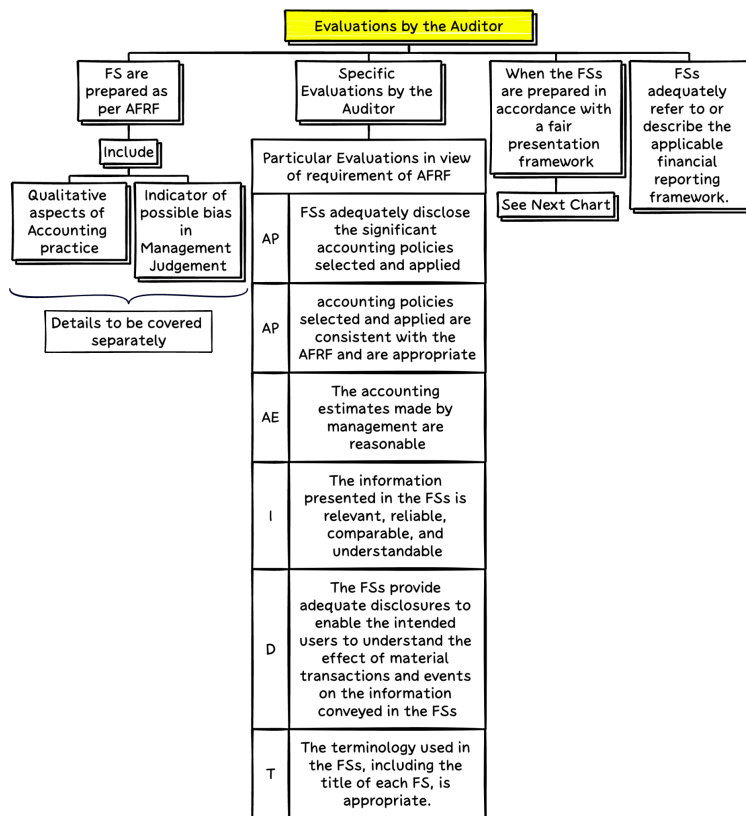
Framework prepared according to taxation regulations ignoring normal accounting norms. Many times tax regulations contradict accounting norms. If FSs are prepared according to guidance provided by taxation authorities then it is a special purpose FS based on special purpose framework



#### Consistency and Flexibility in auditor reporting globally

- SA 700 **promotes consistency** in auditor reporting while **allowing flexibility** for different jurisdictions
- Consistent **reporting** based on SAs **enhances credibility** in global markets by making audits conducted under global standards easily identifiable.
- Some **jurisdictions require additional information** in audit reports due to local regulations or practices.
- Standardized** format helps **identify deviations** like qualified opinions or emphasis of matter paragraphs





### Qualitative Aspects of the Entity's Accounting Practices

- Management uses **judgment** in financial statements.
- SA 260** guides auditors to consider qualitative aspects of accounting practices.
- In considering the qualitative aspects of the entity's accounting practices, Auditors **may detect possible management bias**
- Lack of neutrality with uncorrected misstatements may cause material misstatement
- Indicators of lack of neutrality include
  - Selective correction of misstatements identified during audit **Example: Correcting errors that increase earnings** but ignoring those that decrease them.
  - Possible management bias in accounting estimates **SA 540** deals with bias in accounting estimates.
- Indicators** of bias are **not misstatements** themselves, but **may affect** the auditor's evaluation of whether the financial statements as a whole are free from material misstatement.

Logic of topic – we are required to check whether financial statements are prepared as per AFRF, for that, we will definitely consider the amounts, but we are also required to consider qualitative aspects of accounting as well as indicators of possible bias in judgement of management.

### When the FSs are prepared in accordance with a fair presentation framework

whether the FSs achieve fair presentation.  
For this Auditor will consider the following

- The overall presentation, and the structure and content of the FSs;
- Whether the FSs, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.

**"The auditor shall evaluate whether the financial statements are prepared, in all material respects, in accordance with the requirements of the applicable financial reporting framework. This evaluation shall include consideration of the qualitative aspects of the entity's accounting practices, including indicators of possible bias in management's judgements." Discuss stating clearly qualitative aspects of the entity's accounting practices (ICAI Study Material – Test Your Knowledge)**

**An auditor is required to make specific evaluations while forming an opinion in an audit report." State them.**

(ICAI Study Material – Test Your Knowledge) (SA, Nov 2018, 5 marks) (MTP2, May 2021, 4 marks) (MTP1, Nov 2021, 3 marks) (MTP1, May 2023, 4 marks)

Form of Opinion			
Unmodified opinion	when the auditor concludes that the FSs are prepared, in all material respects, in accordance with the AFRF		
Modified Opinion	SAAE Obtained	If the auditor concludes that, based on the audit evidence obtained, the FSs as a whole are not free from MMS;	
	Or		
	Unable to obtain SAAE	is unable to obtain SAAE to conclude that the FSs as a whole are free from MMS,	
If FSs prepared as per fair presentation framework	do not achieve fair presentation,	Discuss	the auditor shall discuss the matter with MGT and,
		Determine	shall determine whether it is necessary to modify the opinion in the auditor's report in accordance with SA 705
When the FSs are prepared in accordance with a compliance framework,	the auditor is not required to evaluate whether the FSs achieve fair presentation.		
	However, if in extremely rare circumstances the auditor concludes that such FSs are misleading,	Discuss	the auditor shall discuss the matter with MGT and,
		Determine	depending on how it is resolved, shall determine whether, and how, to communicate it in the auditor's report.

**True** – Factually correct information which

- conforms with accounting standards and relevant legislation, and
- agrees with the underlying records.

**Fair** – Clear, impartial and unbiased information

- which reflects the commercial substance of the transactions of the entity.

For example – Security amount received from customers is your liability and not your income, if shown as income it is not clear, impartial and unbiased and therefore it is not fair.

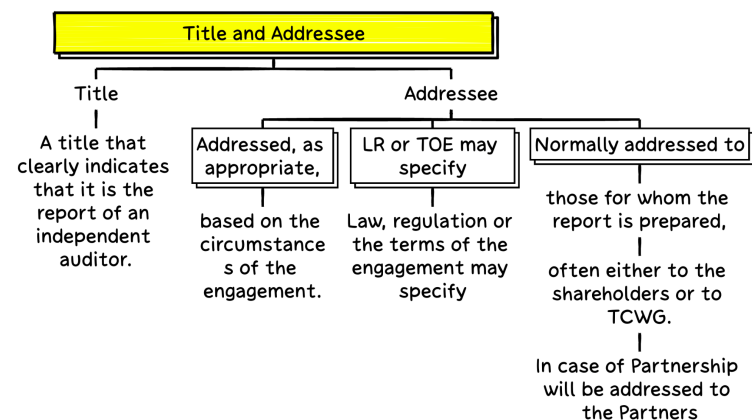
## Auditor's Report

- The auditor's report shall be in **writing**.
- This SA- 700 requires the use of specific headings, which are intended to assist in making the auditor's report more recognizable, where audit is conducted in accordance with the relevant Standards on Auditing.

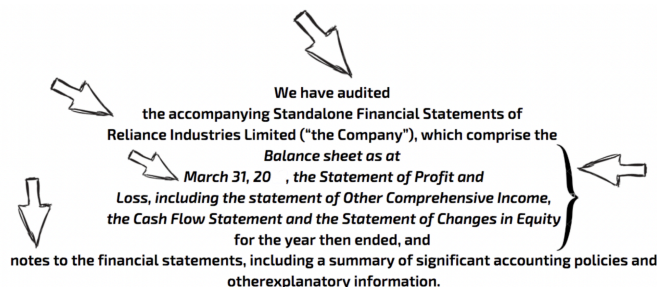
## Auditor's Report for Audits Conducted in Accordance with Standards on Auditing

- Title
- Addressee
- Auditor's Opinion
- Basis for Opinion
- Going Concern
- Key Audit Matters
- Other Information
- Responsibilities for the FSs
- Auditor's Responsibilities for the Audit of the FSs
- Location of the description of the auditor's responsibilities
- Other Reporting Responsibilities
- Signature of the Auditor
- Place of Signature
- Date of the Auditor's Report

## Elements of Audit Report



Auditor's Opinion		
first section		
shall have the heading "Opinion."		
The Opinion section shall:	Identify the entity	Identify the entity whose financial statements have been audited;
	FS Audited	State that the FS have been audited;
	Identify the title	Identify the title of each statement comprising the financial statements;
	Refer to the notes	Refer to the notes, including the summary of significant accounting policies; and
	Date, Period	Specify the date of, or period covered by, each financial statement comprising the financial statements.
When the auditor expresses an unmodified opinion, it is not appropriate to use phrases such as "with the foregoing explanation" or "subject to" in relation to the opinion, as these suggest a conditional opinion or a weakening or modification of opinion.		



Basis for Opinion Section		
directly following the Opinion section,		
Heading "Basis for Opinion"		
Content	States that the audit was conducted in accordance with SAs;	
	Refers to the section of the auditor's report that describes the auditor's responsibilities under the SAs;	
	Independence And Ethical Requirement Statement	Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit and has fulfilled the auditor's other ethical responsibilities.
	Whether SAAE Obtained	States whether the auditor believes that the audit evidence the auditor has obtained is <b>sufficient and appropriate</b> to provide a basis for the auditor's opinion.



### Basis for Opinion

We **conducted our audit** of the Standalone Financial Statements **in accordance with the Standards on Auditing** specified under section 143(10) of the Act (SAs). Our responsibilities under those Standards are further described in the **Auditor's Responsibility for the Audit of the Standalone Financial Statements** section of our report. We are **independent** of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India (ICAI) together with the ethical requirements that are relevant to our audit of the Standalone Financial Statements under the provisions of the Act and the Rules made thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ICAI's Code of Ethics. We **believe that the audit evidence obtained by us is sufficient and appropriate** to provide a basis for our audit opinion on the Standalone Financial Statements.

### Going Concern

Where applicable, the auditor shall report in accordance with **SA 570**.

### Key Audit Matters

- The auditor shall communicate key audit matters in the auditor's report in accordance with **SA 701**.
- KAM is to be communicated in case of Listed Entities or When required by law or regulation or When auditor decides to communicate key audit matters in the auditor's report.

### Other Information

Where applicable, the auditor shall report in accordance with SA 720

### Responsibilities for the FSs

The auditor's report shall include a section with a heading "**Responsibilities of Management** for the **FSs**."

This section of the auditor's report shall describe Management's responsibility for:

- Preparing the **financial statements** in accordance with the AFRF,
- and for such **internal control**
  - as management determines is **necessary** to **enable** the **preparation** of FS that are **free** from material misstatement, whether due to fraud or error;
- Assessing the
  - entity's **ability** to **continue** as a **going concern** and
  - whether the **use** of the going concern basis of accounting is **appropriate**
  - as well as disclosing, if applicable, matters relating to going concern.

### Oversight of the financial reporting process. (Under Mgt. Respo only)

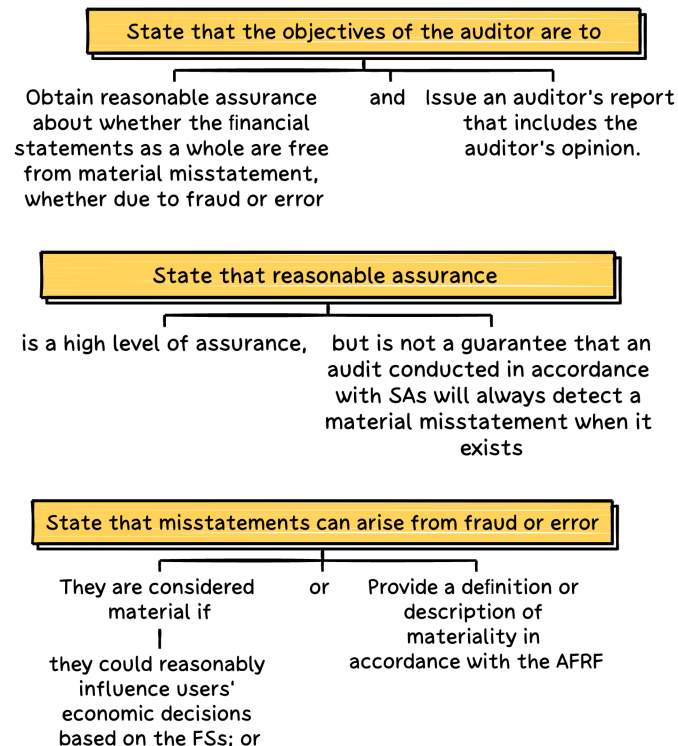
This section of the auditor's report shall also **identify**

- those **responsible** for the oversight of the financial reporting process,
- **when** those responsible for such oversight are **different** from Management.

In this case, the **heading** of this section **shall also refer** to "TCWG" or such term that is appropriate in the context of the legal framework applicable to the entity.

### Auditor's Responsibilities for the Audit of the FSs

The auditor's report shall include a section with the heading "Auditor's Responsibilities for the Audit of the FSs." This section of the auditor's report shall:



The Auditor's Responsibilities for the Audit of the FSs section of the auditor's report **shall further**:

- State that, the auditor **exercises professional judgement** and **maintains professional skepticism** throughout the audit; and
- Describe an audit by stating that the auditor's responsibilities are:
  - To **identify** and **assess** the **risks of material misstatement** of the financial statements, whether due to fraud or error; to **design** and **perform** audit **procedures** responsive to those risks; and to **obtain audit evidence** that is sufficient and appropriate to provide a basis for the auditor's opinion.
  - To obtain an **understanding** of **internal control** relevant to the audit in order to **design audit procedures** that are appropriate in the circumstances.
  - To **evaluate** the **appropriateness** of **accounting policies** used and the **reasonableness** of **accounting estimates** and related **disclosures** made by management.
  - To **conclude** on the



- appropriateness of management's use of the **going concern** basis of accounting (based on the audit evidence obtained), and
- whether a **material uncertainty** exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

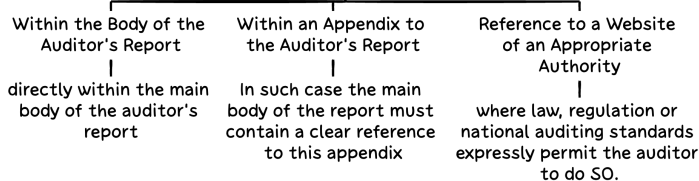
The Auditor's Responsibilities for the Audit of the FSs section of the auditor's report also shall:

- State that the auditor **communicates** with TCWG regarding, among other matters,
  - the **planned scope** and **timing** of the audit and
  - significant **audit findings**,
  - including any **significant deficiencies** in **internal control** that the auditor identifies during the audit;
- For audits of FS of **listed entities**,
  - State that the auditor provides
  - TCWG
  - with a **statement** that the auditor has **complied** with relevant **ethical requirements** regarding **independence** and
  - **communicate** with them
    - all **relationships** and
    - other **matters** that may reasonably be thought to bear on the auditor's independence,
    - and where applicable, related **safeguards** and

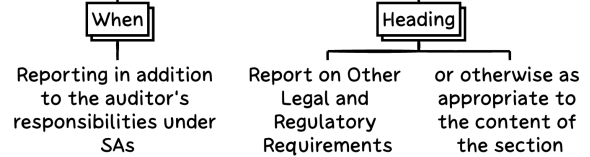
(Example of statement about independence – We are independent of the entity in accordance with the ethical requirements in accordance with the requirements of the Code of Ethics issued by ICAI and the ethical requirements as prescribed under the laws and regulations applicable to the entity.)

- For audits of FS of **listed entities** and any **other entities** for which key audit matters are communicated in accordance with SA 701,
  - state that, **from** the **matters** communicated with TCWG,
  - the auditor determines **those** matters that were of **most significance** in the audit of the FSs of the current period and are therefore the key audit matters.
  - The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure.

#### Location of the description of the auditor's responsibilities for the audit of the financial statements



#### Other Reporting Responsibilities in the Auditor's Report



#### Signature

The auditor's report shall be **signed**. The report is signed by the **auditor** (i.e. the engagement partner) in his **personal name**. Where the **firm** is appointed as the auditor, the report is signed in the **personal name** of the auditor and in the name of the **audit firm**.

The partner/proprietor signing the audit report also needs to mention the **membership number** assigned by the Institute of Chartered Accountants of India.

They also include the **registration number** of the **firm**, wherever applicable, as allotted by ICAI, in the audit reports

#### Place of Signature

The auditor's report shall name a specific location, which is ordinarily the **city where** the audit **report** is **signed**.

#### Date

##### When should the auditor date the report?

Only after the auditor has obtained SAAE to form an opinion on the financial statements (FSs) including evidence that:

- All the statements that comprise the FS, including the related notes, have been prepared; and
- Those with the recognized authority have asserted that they have taken responsibility for those FSs.

##### Why is the date important?

- It reflects that the auditor has considered the effect of all known events and transactions up to that date.
- The auditor's responsibility for events and transactions after the date of the auditor's report is addressed in SA 560.

#### UDIN

It was noticed that financial documents/ certificates attested by third person misrepresenting themselves as CA Members were misleading the Authorities and Stakeholders.

##### Unique Document Identification Number.

Chartered Accountants having full-time Certificate of Practice can register on UDIN Portal and generate UDIN by registering the certificates attested/certified by them. Accordingly, an auditor is required to mention the UDIN with respect to each audit report being

signed by him, along with his membership number while signing an audit report.

For XYZ & Co  
Chartered Accountants  
(Firm's Registration No.)

Signature  
(Name of the Member Signing the Audit Report)  
(Designation )  
(Membership No. XXXXX)  
UDIN: 20037320AAAAAH1111

- l. The Place of signature.
- m. The date of the auditor's report.

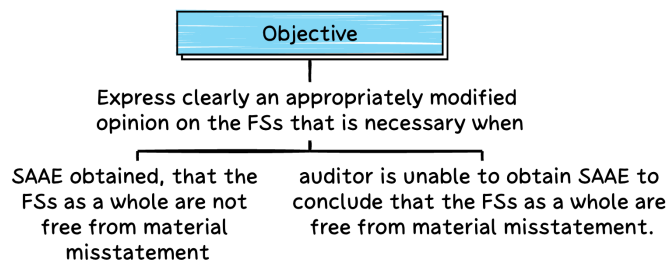
This ensures that even if the law forces a specific format, the auditor must not compromise on core SA principles. These elements protect the quality and credibility of the audit report.

### Auditor's Report Prescribed by Law or Regulation

Sometimes, law or regulation may require the auditor to use a specific format or wording in the audit report. In such cases, the auditor can still say the audit was done as per Standards on Auditing (SAs) ONLY IF the prescribed format includes some minimum essential elements.

- a. A title.
- b. An addressee, as required by the circumstances of the engagement.
- c. An Opinion section containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements.
- d. An identification of the entity's FSs that have been audited.
- e. A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI.
- f. Where applicable, a section that addresses, and is not inconsistent with, the reporting requirements relating to going concern as per SA 570 (Revised).
- g. Where applicable, a Basis for Qualified (or Adverse) Opinion section that addresses, and is not inconsistent with, the reporting requirements relating to going concern as per SA 570 (Revised).
- h. Where applicable, a section that includes the information required by SA 701, or additional information about the audit that is prescribed by law or regulation and that addresses, and is not inconsistent with, the reporting requirements in that SA.
- i. A description of management's responsibilities for the preparation of the FSs and an identification of those responsible for the oversight of the financial reporting process that addresses, and is not inconsistent with, the requirements as contained in this SA 700.
- j. A reference to Standards on Auditing and the law or regulation, and a description of the auditor's responsibilities for an audit of the FSs that addresses, and is not inconsistent with, the requirements as contained in this SA 700.
- k. The auditor's signature.

## SA 705 – Modifications to the Opinion in the Independent Auditor's Report

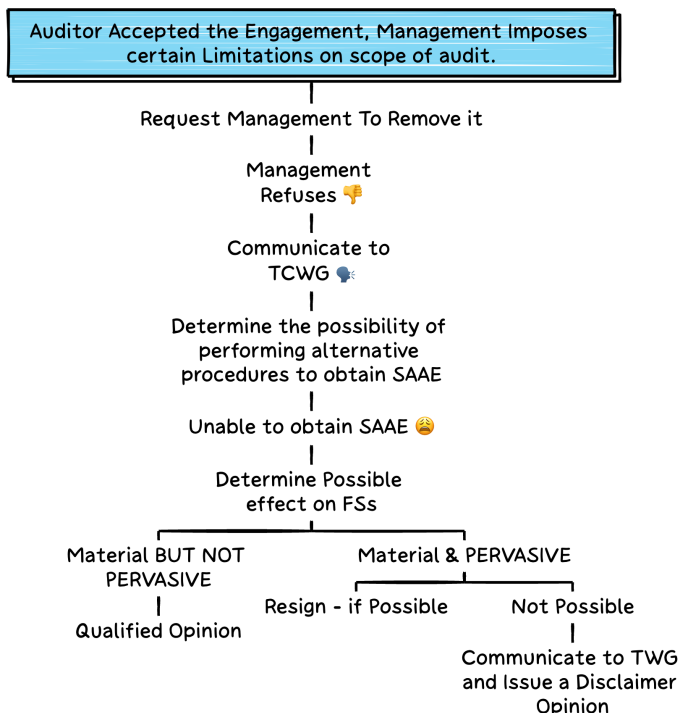
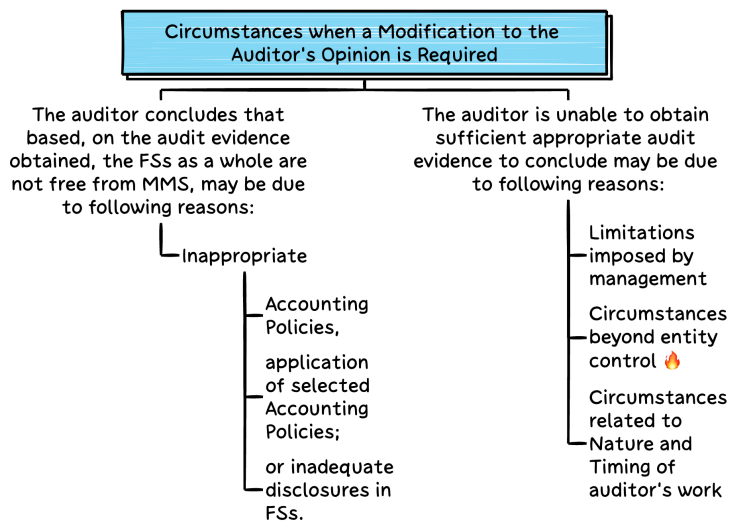


### Disclaimer of Opinion – Special Point

The auditor shall disclaim an opinion when,

- in extremely rare circumstances involving multiple uncertainties,
- the auditor concludes that,
- notwithstanding having obtained SAAE regarding each of the individual uncertainties,
- it is not possible to form an opinion on the FSs
  - due to potential interaction of the uncertainties and
  - their possible cumulative effect on the FSs

Audit Baba & Co. gave a Disclaimer of Opinion for FutureX Ltd. as multiple uncertainties—litigation, receivables, and asset valuation—though supported by SAAE individually, had unpredictable combined effects, making it impossible to conclude on the financial statements.



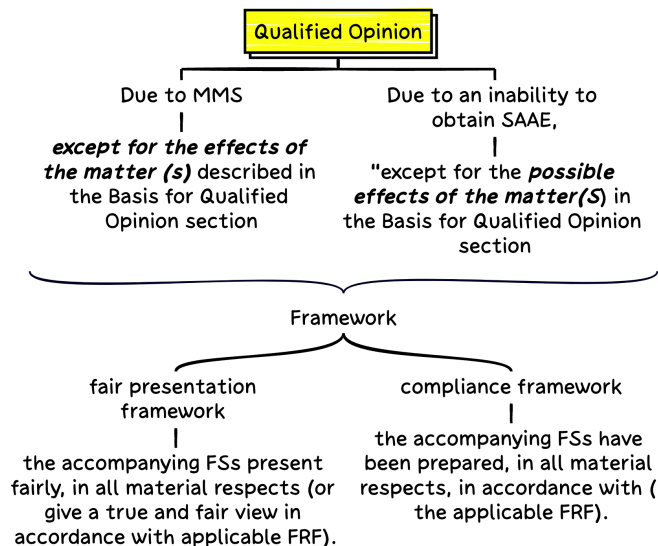
### Form and Content of the Auditor's Report when the Opinion is modified

Use heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion" when modifying the audit opinion.

When opinion is modified, auditor shall:

- Amend "Basis for Opinion" heading to:
  - "Basis for Qualified Opinion,"
  - "Basis for Adverse Opinion," or
  - "Basis for Disclaimer of Opinion," as appropriate.
- Include description of the matter causing the modification in this section.

### Language to be Used





### Adverse Opinion

state that,

because of the significance of the matters described in the Basis for Adverse Opinion section

Fair Presentation Framework

accompanying FSs do not present fairly (or give a true and fair view of) in accordance with the applicable FRF

Compliance Framework

the Accompanying FSs have not been prepared, in all material respect in accordance with (the applicable FRF).

### Disclaimer

#### No Opinion

State that the auditor does not express an opinion on the FSs;

#### Not been able to obtain SAAE

State that, because of the significance of the matter (s) described, in the Basis for Disclaimer of opinion section, the auditor has not been able to obtain SAAE to provide a basis for an audit opinion on the FSs; and

#### Amend the statement in the Opinion Section,

which indicates that the FSs have been audited, to state that the auditor was engaged to audit the FSs.

### Considerations When Auditor Disclaims an Opinion on the FSs.

Unless required by law or regulation, when the auditor disclaims an opinion on the FSs, the auditor's report shall not include a Key Audit Matters section in accordance with SA 701.

### WHY?

Communication of any key audit matters other than the matter(s) giving rise to the disclaimer of opinion

- may suggest that the FSs as a whole are more credible than would be appropriate in the circumstances,
- and would be inconsistent with the disclaimer of opinion on the FSs as a whole.

### Communication with TCWG

When the auditor expects to modify the opinion in the auditor's report, the auditor shall communicate with TCWG the circumstances that led to the expected modification and the wording of the modification.

### Description of Auditor's Responsibilities

When the auditor disclaims an opinion on the FSs due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the description of the auditor's responsibilities required by SA 700 to include only the following

- A statement that the auditor's responsibility is to conduct an audit of the entity's FSs in accordance with Standards on Auditing and to issue an auditor's report;
- A statement that, however, **because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the FSs** and
- The statement about auditor independence and other ethical responsibilities required by SA 700

(Example of statement about independence – We are independent of the entity in accordance with the ethical requirements in accordance with the requirements of the Code of Ethics issued by ICAI and the ethical requirements as prescribed under the laws and regulations applicable to the entity.)

### Material Misstatements and Modifications to the Auditor's Opinion

- Material misstatement related to specific amounts in financial statements
  - Auditor shall include a description and quantification of the financial effects in the Basis for Opinion section
  - If quantification is impracticable, state so in this section
- Material misstatement related to narrative disclosures
  - Auditor shall include an explanation of how the disclosures are misstated in the Basis for Opinion section
- Material misstatement due to non-disclosure of required information
  - Discuss the non-disclosure with those charged with governance
  - Describe the nature of the omitted information in the Basis for Opinion section
  - Include the omitted disclosures if practicable and sufficient appropriate audit evidence is obtained, unless prohibited by law or regulation
- Modification resulting from inability to obtain sufficient appropriate audit evidence
  - Auditor shall include the reasons for that inability in the Basis for Opinion section
- Qualified or adverse opinion
  - Amend the statement about the sufficiency and appropriateness of audit evidence in SA 700 (Revised) to include "qualified" or "adverse"
- Disclaimer of opinion
  - Auditor's report shall not include:
    - Reference to the auditor's responsibilities section
    - Statement about the sufficiency and appropriateness of audit evidence
- Describing other matters requiring modification
  - Even if an adverse opinion or disclaimer is expressed, describe reasons for any other matters that would have required a modification and their effects in the Basis for Opinion section

Examples

An auditor finds inventory overstated by ₹3.75 crore. In the Basis for Opinion section, they write: "The company's inventory is overstated by ₹ 3,75 crore. This overstatement materially inflates current assets and net income for the year ended March 31, 2025."

The company recorded fixed asset additions in FY 2024–25 without proper documentation distinguishing capital from revenue expenditure; due to missing vouchers and inadequate records, quantification of this material misstatement is impracticable.

The company describes a GST liability as "fully settled" when evidence indicates otherwise. The auditor writes: "The disclosure in Note 8 regarding GST compliance mischaracterizes the company's tax position. GST audit records indicate ₹82 lakh of unpaid tax liability for FY 2024–25 that remains unresolved with tax authorities."

The company fails to disclose related party transactions. The auditor writes: "The financial statements fail to disclose that 35% of revenue (₹4.2 crore) comes from companies owned by directors' relatives, as required by Section 188 of the Companies Act, 2013 and AS-18."

"We were unable to obtain sufficient appropriate audit evidence regarding fixed assets valued at ₹6.8 crore because records were damaged during the Mumbai flooding in July 2024, and alternative procedures were insufficient to verify existence and valuation of these assets."

"We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion."

"In addition to the inventory valuation issue that resulted in our adverse opinion, we also identified that the company failed to disclose related party transactions worth ₹1.2 crore and improperly capitalized ₹95 lakh of revenue expenditure. These matters would have required modification had we not already expressed an adverse opinion on the financial statements for the year ended March 31, 2025."

### Which type of opinion is appropriate?

The decision regarding which type of modified opinion is appropriate depends upon:

- Nature of the matter giving rise to the modification,
  - What went wrong: misstatement or lack of evidence. and
- The auditor's judgement about the pervasiveness of the effects or possible effects of the matter on FS.

CA. S, while conducting audit of an entity is facing the following issues: -

- i) He has not been provided with necessary support for attending inventory count process of entity as at year end.
- ii) Accounts Manager is not providing him present addresses of customers as well as suppliers for sending external confirmations. Even mail ids have not been provided on the pretext of business confidentiality.
- iii) He was not able to verify revenues of entity due to lack of complete details.
- iv) He has been asking for bills on a sample basis for the purpose of verifying expenses, but staff has been making lame excuses.

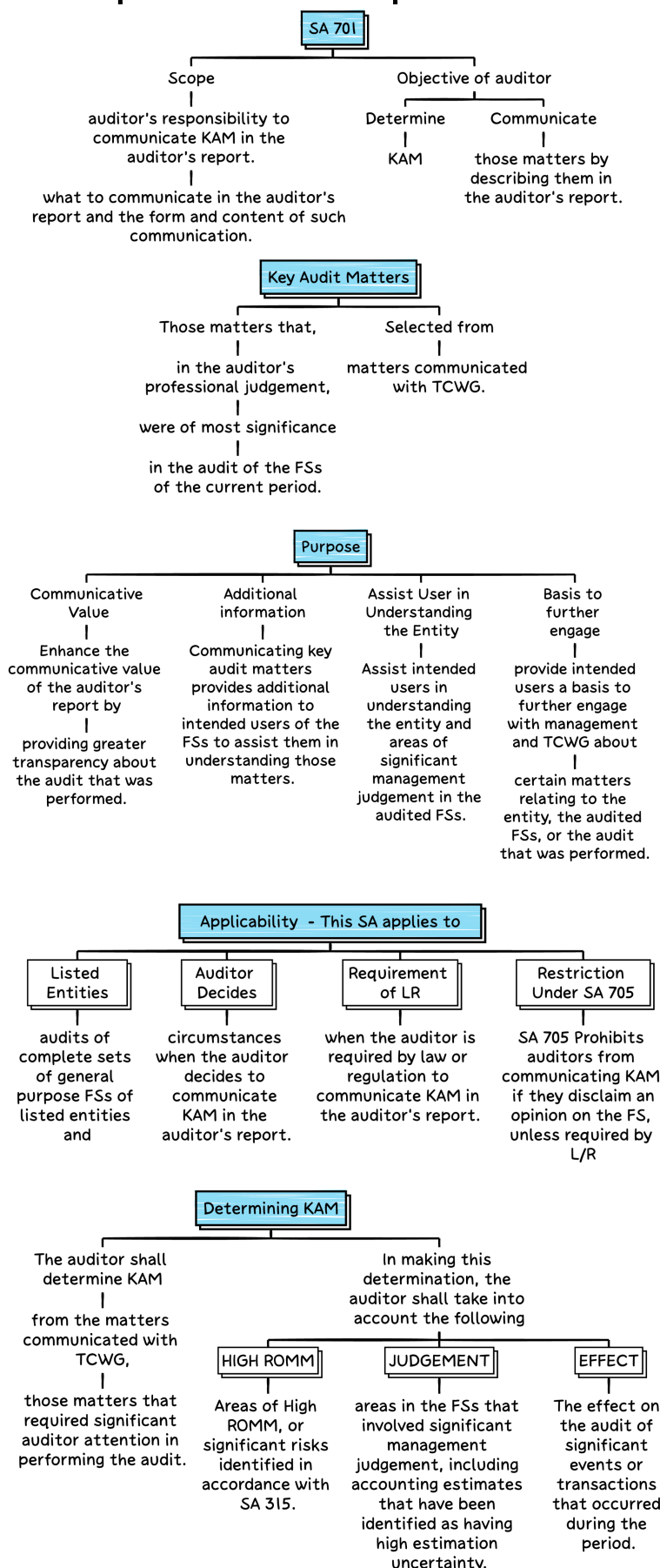
The matter was brought to knowledge of higher management, but of no avail. The auditor, CA S has come to the conclusion that the possible effects on the financial statements of undetected misstatements would be material and affecting many aspects of financial statements and in such a case, a qualification of the opinion would be inadequate to communicate the gravity of the situation. How should the auditor proceed in such a situation? (RTP, May 2024, NA)

### Misc.

Nature of Matter Giving Rise to the Modification	Auditor's Judgment about the Pervasiveness of the Effects or Possible Effects on the FSs
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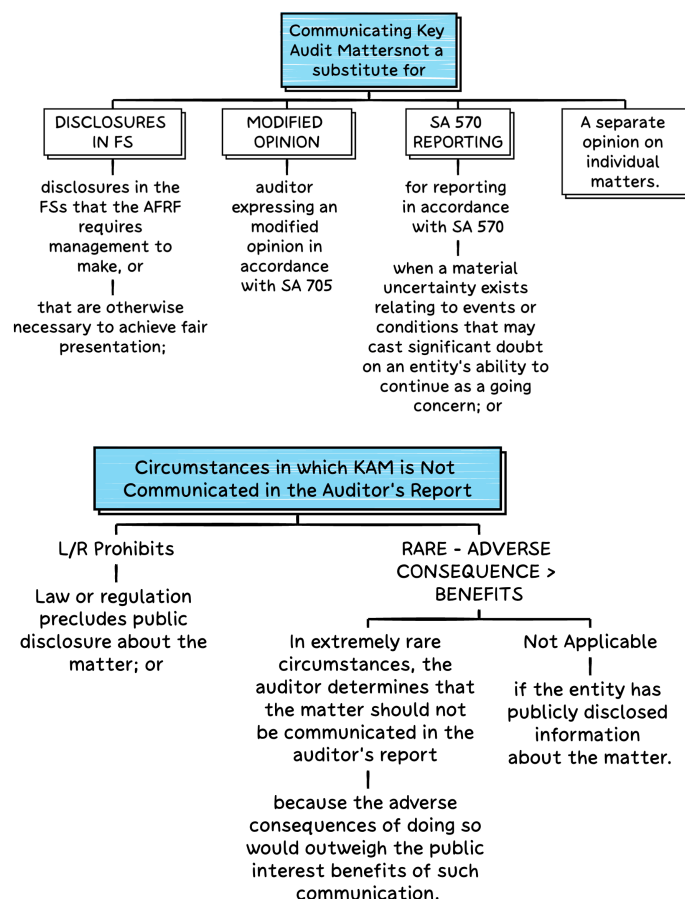
	Material but Not Pervasive	Material and Pervasive
FSs Are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

# SA 701 - Communicating Key Audit Matters in the Independent Auditor's Report



## Communicating Key Audit Matters

APPROPRIATE subheading		
The auditor shall	describe each key audit matter,	using an appropriate subheading
	in a separate section of the auditor's report under the heading "Key Audit Matters".	
INTRODUCTORY LANGUAGE		
The introductory language in this section of the auditor's report shall state that:	KAM	Key audit matters are those matters professional judgement, were of most significance in the audit of the FSS.
	ADDRESSED	These matters were addressed in the context of the audit of the FSs as a whole, and in forming the auditor's opinion thereon, and
	NO SEPARATE OPINION	the auditor does not provide a separate opinion on these matters.



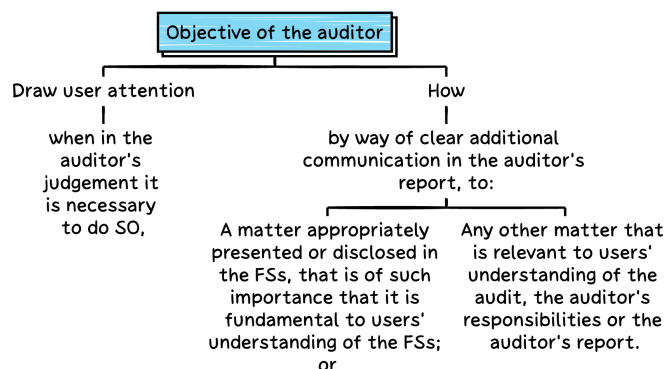
## Communication with Those Charged with Governance

The auditor shall communicate with TCWG

- Those matters the auditor has determined to be the KAM; or
- If applicable, depending on the facts and circumstances of the entity and the audit, the auditor's determination that there are no KAMs to communicate in the auditor's report.



# SA 706 Emphasis of matter paragraphs & other matter paragraphs in the independent auditor's report

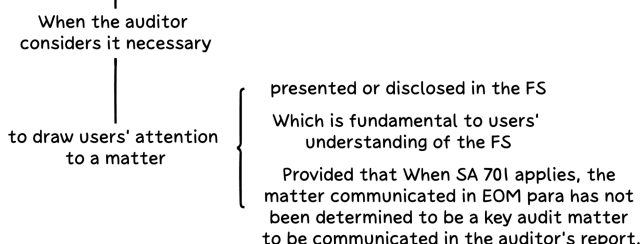


## Emphasis of Matter paragraph

### Definition

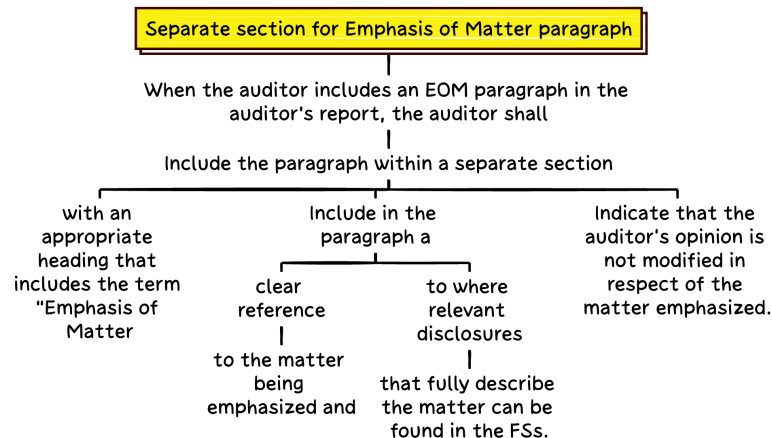
A paragraph included in the auditor's report that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's judgment, is of such importance that it is fundamental to users' understanding of the financial statements.

### When to include EOM Paragraph in Audit report?



**No duplication allowed:** A matter cannot appear in both EOM and KAM sections. If the matter qualifies as a KAM, it must be reported under KAM, not EOM.

## Considerations to be taken care of by the statutory auditor when the EOM paragraph is included in the auditor's report.

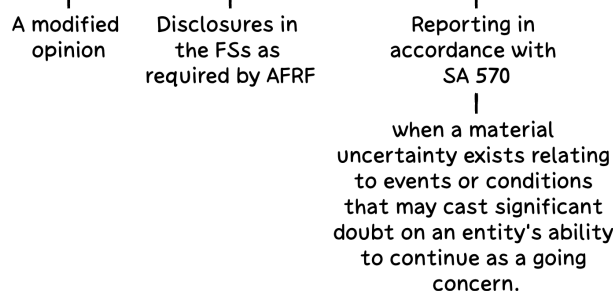


## Examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph

- An uncertainty relating to the future outcome of an exceptional litigation or regulatory action.

- A significant subsequent event that occurs between the date of the financial statements and the date of the auditor's report.
- Early application (where permitted) of a new accounting standard that has a material effect on the financial statements.
- A major catastrophe that has had, or continues to have, a significant effect on the entity's financial position.

### An Emphasis of Matter paragraph is not a substitute for:

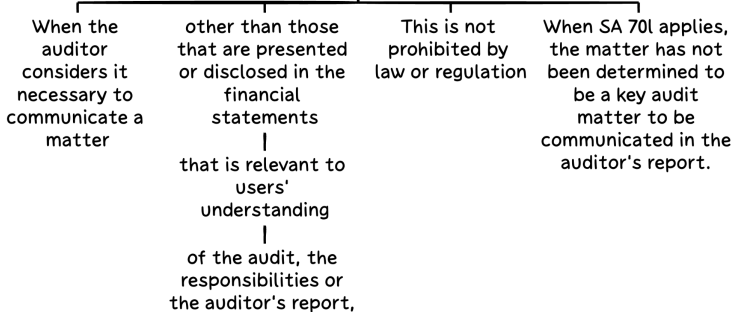


## Other Matter Paragraph

### Other Matter paragraph Definition

A paragraph included in the auditor's report that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's judgment, is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report

### When to include Other Matter Paragraphs in the Auditor's Report



## Separate section for Other Matter paragraph

When the auditor includes an Other Matter paragraph in the auditor's report, the auditor shall include the paragraph within a **separate section** with the heading "Other Matter," or other appropriate heading.

## Communication with TCWG

If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the auditor shall **communicate** with TCWG regarding this **expectation** and the **wording** of this paragraph.

Pure Services Limited is into litigation relating to some legal action initiated by the industry regulator. The matter has reached the jurisdictional High Court. Keeping in view uncertainty related to the future

outcome of the matter, the statutory auditor of the company has decided to include the Emphasis of Matter (EOM) Paragraph in the auditor's report.

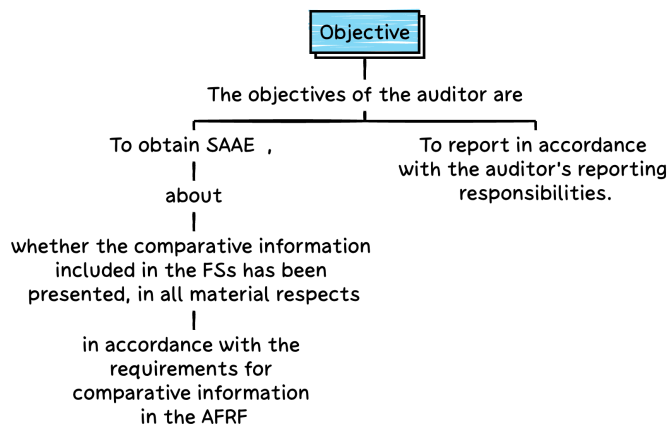
- i) Briefly discuss the considerations to be taken care of by the statutory auditor when the EOM paragraph is included in the auditor's report.
- ii) State any two examples of circumstances where the auditor may consider it necessary to include an EOM paragraph.

(MTP2, Sep 2024, 5 Marks)

## SA 710 Comparative Information – Corresponding Figures And Comparative FSs

### Scope

Deals with the auditor's responsibilities regarding comparative information in an audit of FSs.



### Definitions

#### Comparative Information

- The **amounts** and **disclosures**
  - included in the FSs
- in respect of **one** or **more prior periods**
  - in accordance with the AFRF

#### Corresponding figures

Comparative information where amounts and other disclosures

- for the **prior period** are included as an **integral** part of the **current** period FSs, and
- are **intended** to be **read only** in relation to the amounts and other disclosures relating to the current period.

#### Comparative FSs

Comparative information where **amounts** and **other disclosures**

- for the **prior period** are included for **comparison** with the FSs of the current period
- but, if audited, are referred to in the auditor's opinion.

The nature of the comparative information that is presented in an entity's financial statements depends on the requirements of the applicable financial reporting framework

#### Difference between Corresponding Figures and Comparative FS from reporting point of view.

- When corresponding figures are presented, the auditor's opinion shall **not** refer to the corresponding figures other than in exceptional cases.
- When comparative FSs are presented, the auditor's opinion shall refer to **each period** for which FSs are presented and on which an audit opinion is expressed.

### Audit Procedures

#### Comparative Information Included and Appropriately Classified.

The auditor shall determine

- whether the FSs **include** the **comparative information** required by the AFRF and
- whether such information is appropriately **classified** For this purpose, the auditor shall evaluate whether
  - The comparative information **agrees** with the **amounts** and **other disclosures presented** in the **prior period**, and
  - The accounting **policies** reflected in the comparative information are consistent with those applied in the current period or,
    - if there have been **changes** in accounting policies,
      - whether those changes have been
        - properly **accounted** for and adequately **presented** and **disclosed**

*(Summary – CI Included and Apt Classified – Evaluate – CI agree with Amount & Disclosure of Prior Period and AP of PP consistent with CP, if not, changes properly A\_\_\_\_\_, P\_\_\_\_\_, D\_\_\_\_\_.)*

#### Possible material misstatement in the comparative information.

If the auditor becomes aware of a possible material misstatement in the comparative information while performing the current period audit,

- the auditor shall perform such **additional audit procedures** as are necessary in the circumstances to obtain SAAE to determine whether a material misstatement exists.
- If the auditor had audited the prior period's FSs, the auditor shall also follow the relevant requirements of **SA 560**

*(Summary – Become aware of Poss MMS in CI, AAP SAAE, MMS Exist? / Also follow requirement of SA 560 SE)*

#### Written Representation

In the case of **comparative FSs**

- The written representations are requested for **all periods** referred to in the auditor's opinion because management needs to re-affirm that the written representations it previously made with respect to the prior period remain appropriate.

In the case of **corresponding figures**

- The written representations are requested for the FSs of the **current period only** because the auditor's opinion is on those FSs, which include the corresponding figures.  
*In short – Auditor shall request WR for all periods referred to in the auditor's opinion.*

The auditor **may** request a **specific written representation** regarding **any prior period item** that is separately disclosed in the current year's FS.



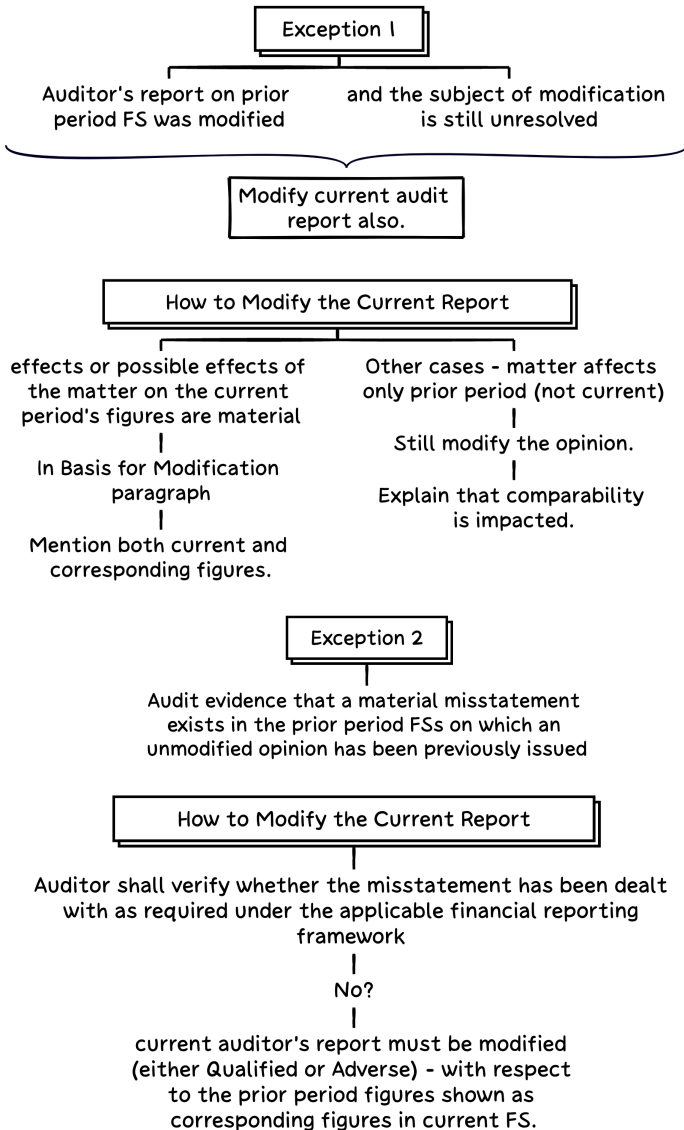
(CFS- All Period ref in opinion, to reaffirm, WR appropriate, CF – CP only, may request for any PPI disclosed)

## Audit Reporting

### Corresponding Figures

#### Reference to corresponding figures

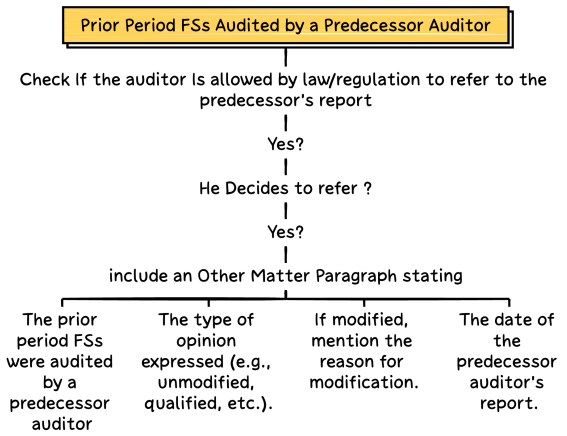
Audit *opinion not* to *refer* to *corresponding figures*, **EXCEPT**



### Prior Period FSs Not Audited (Exception 3)

If the prior period FSs were not audited,

- the auditor shall state in an **Other Matter paragraph** in the auditor's report that the corresponding figures are unaudited.
- Such a statement **does not**, however, **relieve** the auditor of the requirement to **obtain SAAE that the opening balances do not contain misstatements** that materially affect the current period's FSs.



### Comparative FSs

#### Reference to each period

When comparative FSs are presented,

- the auditor's opinion shall
- refer to **each period** for which FSs are presented and on which an audit opinion is expressed.

ABC Ltd presents FSs for FY 2024 and FY 2023. You audited both periods. Your audit report must include a separate opinion for FY 2024 and FY 2023, clearly mentioning each.

### Opinion on Prior Period FS differs from previous opinion.

If the auditor's opinion on such prior period FSs differs from the opinion the auditor previously expressed, the auditor shall disclose the substantive reasons for the different opinion in an **Other Matter paragraph** in accordance with SA 706.

You audited FY 2023 and gave an unmodified opinion last year. This year, during the FY 2024 audit, you found a material error in FY 2023. You now give a qualified opinion on FY 2023 in the current audit report and add an Other Matter paragraph explaining the change and its reason.

### Prior Period FSs Audited by a Predecessor Auditor

Auditor must add an Other Matter paragraph stating:

- FSs of the prior period were audited by a predecessor auditor.
- Type of opinion expressed earlier and, if modified, reasons for modification. and
- Date of predecessor auditor's report.

If the auditor now finds a material misstatement in prior FSs (earlier reported as unmodified) the auditor shall **communicate** the misstatement with the **appropriate level** of **management** and **TCWG** and request that the predecessor auditor be informed.

If the prior period FSs are **amended** and the predecessor auditor agrees to issue a **new** auditor's **report** on the amended FSs of the prior period, the auditor shall report only on the current period.

### Prior Period FSs Not Audited

Add an Other Matter paragraph stating that the comparative FSs are unaudited. Such a statement **does not**, however, **relieve** the auditor of the requirement to **obtain SAAE that the opening balances do not contain misstatements** that materially affect the current period's FSs.

## SA 299 – Joint Audit of FS

### Joint Audit

- Joint Audit Definition – Appointment of multiple firms/individuals as Statutory Auditors to combine expertise and resources for the audit.
- SA 299 "Joint Audit of Financial Statements" – Outlines professional responsibilities and guidelines for auditors in a joint audit scenario.

### Advantages

In specific terms the advantages that flow may be the following:

- Sharing of expertise.
- Advantage of mutual consultation.
- Lower workload.
- Better quality of performance.
- Improved service to the client.
- In respect of multinational companies, the work can be spread using the expertise of the local firms which are in a better position to deal with detailed work and the local laws and regulations.
- Lower staff development costs.
- Lower costs to carry out the work.
- A sense of healthy competition towards a better performance.

### Disadvantages

The general disadvantages may be the following:

- The fees being shared.
- Psychological problem where firms of different standing are associated in the joint audit.
- 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.

### Audit Planning, Risk Assessment and Allocation of Work

#### Involvement of EP and Key Engagement Team Members

The engagement partner and other key members of the engagement team from each of the joint auditors shall be involved in planning the audit.

#### Establishment of Audit Strategy

The joint auditors shall jointly establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.

#### Development of Audit Plan

Prior to the commencement of the audit, the joint auditors shall discuss and develop a joint audit plan. In developing the joint audit plan, the joint auditors shall

- Identify audit area division and common areas among joint auditors to define each joint auditor's scope.

- Ascertain engagement's reporting objectives to plan audit timing and required communications.
- Consider and communicate significant factors among joint auditors that guide the engagement team's efforts.
- Consider results of preliminary engagement activities and relevance of knowledge gained on previous similar engagements by respective engagement partner(s).
- Ascertain the nature, timing and extent of resources necessary to perform the engagement.

### Assessment of ROMM

Each joint auditor should consider, assess, and communicate risks of material misstatement to others; document whether risks pertain to overall FSs or specific audit areas.

### Audit Procedures

Joint auditors should discuss, document, and communicate the nature, timing, and extent of audit procedures for common and specific audit areas to TCWG.

### Engagement and MGMT Representation Letter

Joint auditors should obtain a common engagement letter and a common management representation letter.

### Allocation of Work

Post work identification and allocation among joint auditors, the work allocation document should be signed by all joint auditors and communicated to TCWG.

### Responsibility and Co-ordination among Joint Auditors

In respect of audit work divided among the joint auditors, each joint auditor shall be responsible only for the work allocated to such joint auditor including proper execution of the audit procedures. All the joint auditors shall be jointly and severally responsible for

- the audit work which is not divided among the joint auditors and is carried out by all joint auditors; *(Example: If the assessment of going concern status isn't divided among auditors A, B, and C, all three must review it together and all three are fully responsible for any errors in this assessment.)*
- decisions taken by all the joint auditors under audit planning in respect of common audit areas concerning the nature, timing and extent of the audit procedures to be performed by each of the joint auditors. *(If auditors A, B, and C jointly decide to use a 5% materiality threshold for the entire audit, all three are responsible for any consequences of this decision, even in areas individually assigned to just one auditor.)*
- matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors; *(Auditor A raises a concern about related party transactions; if all agree on treatment, all are responsible for it.)*
- examining that the FSs of the entity comply with the requirements of the relevant statutes; *(If the Companies Act*

*requires disclosure of CSR spending, all auditors must ensure it is correctly disclosed.*

- Presentation and disclosure of the FSs as required by the applicable financial reporting framework; *(If required related party disclosures are missing from financial statements approved by joint auditors A, B, and C, all three share responsibility for this omission.)*
- Ensuring that the audit report complies with the requirements of the relevant statutes, the applicable Standards on Auditing and the other relevant pronouncements issued by ICAI. *(Opinion paragraph wording as per SA 700 – all must ensure correct language is used.)*
- If a joint auditor encounters matters relevant to others' responsibilities, requiring their attention, disclosure, discussion, or judgment application, they should communicate these in writing to all other joint auditors before the audit completion. *(If auditor A finds inventory valuation issues that affect tax liabilities (auditor B's area) and cash flow projections (auditor C's area), auditor A must inform both B and C in writing before finalizing the audit.)*
- Each joint auditor determines audit procedures for their allocated areas. They are individually responsible for internal control and risk assessment in their allocated areas.

## Audit Conclusion and Reporting

### Reporting

- Joint auditors are expected to issue a common audit report.
- In case of disagreement, auditors can issue separate audit reports.
- A joint auditor is not bound by the views of the majority of the joint auditors regarding the opinion or matters to be covered in the audit report and shall express opinion formed by the said joint auditor in a separate audit report in case of disagreement.
- Audit reports by joint auditors shall make reference separate report(s) issued by other joint auditor(s).
- Separate audit report(s) shall also reference to those issued by joint auditors.
- Such reference shall be made under the heading "Other Matter Paragraph" as per Revised SA 706, "Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report".



## SA 600 – Using the Work of Another Auditor

### Definitions

#### Principal auditor

The auditor with responsibility for reporting on the financial information of an entity when that financial information includes the financial information of one or more components audited by another auditor. *(Jiski responsibility hai to report on FI of the entity, when that FI includes FI of Component(s))*

#### Other auditor

An auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component which is included in the financial information audited by the principal auditor. *(Responsibility to report on FI of Comp, Which is included in FI audited by PA)*

#### Component

Means a division, branch, subsidiary, joint venture, associated enterprises or other entity whose financial information is included in the financial information audited by the principal auditor.

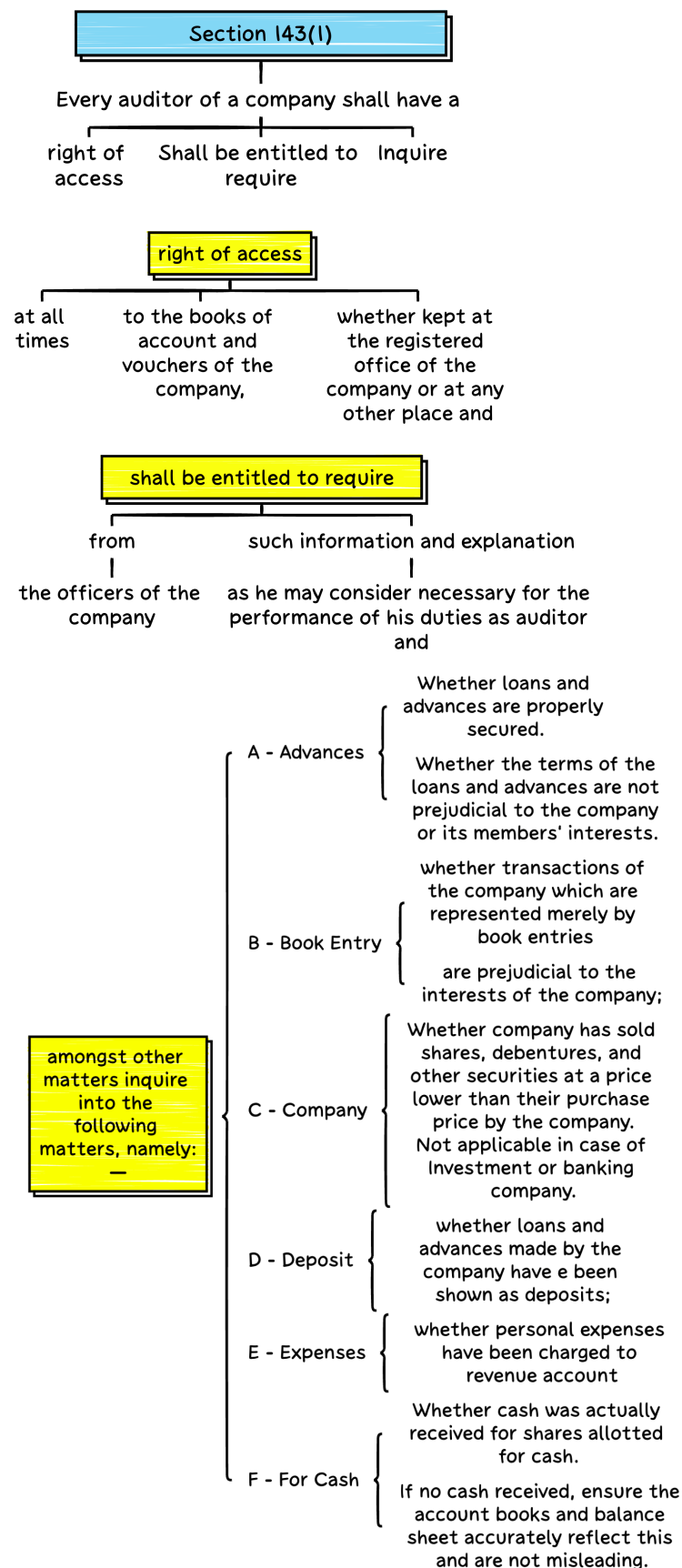
### The Principal Auditor's Procedures– Consideration by the Principal Auditor before and while using the work of Another Auditor.

1. Principal auditor can review component accounts by visiting if needed and allowed by Law, but usually relies on other auditors unless special circumstances necessitate direct review (visit/examine books)
2. When using another auditor's work (non-ICAI member), the principal auditor should consider their professional competence for the specific assignment
3. The principal auditor should perform procedures to obtain sufficient appropriate audit evidence, that the work of the other auditor is adequate for the principal auditor's purposes. The principal auditor should ordinarily perform the following procedures
  - a. Advise the other auditor of the use that is to be made of the other auditor's work and report and
  - b. Make sufficient arrangements for co-ordination of their efforts at the planning stage of the audit.
  - c. The principal auditor would inform the other auditor of matters such as
    - areas requiring special consideration,
    - procedures for the identification of inter-component transactions that may require disclosure and
    - the time-table for completion of audit; and
  - d. advise the other auditor
    - of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them.
4. The principal auditor might

- a. discuss with the other auditor the audit procedures applied or *Principal auditor holds a virtual meeting with component auditor to discuss their approach to testing IT controls and revenue recognition.*
- b. review a written summary of the other auditor's procedure and findings which may be in the form of a completed questionnaire or checklist. *Principal auditor reviews component auditor's completed checklist showing sampling approaches, materiality calculations, and risk assessments for key accounts.*

The nature, timing and extent of procedures will depend on the circumstances of the engagement and the principal auditor's knowledge of the professional competence of the other auditor. This knowledge may have been enhanced from the review of the previous audit work of the other auditor.

# Reporting Requirements Under The Companies Act, 2013

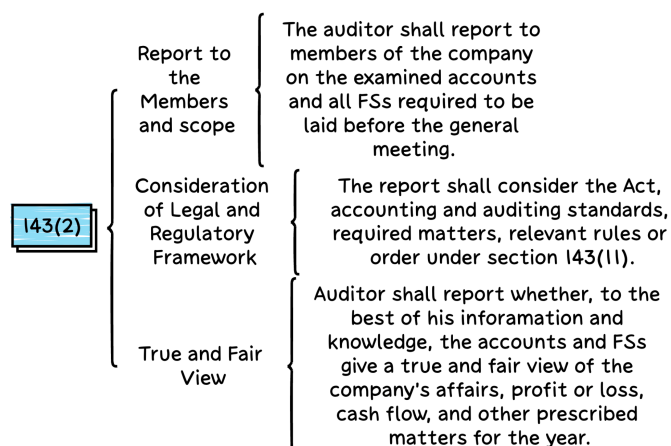


Provided that the auditor of a company which is a holding company shall also have the right of access to the records of all its

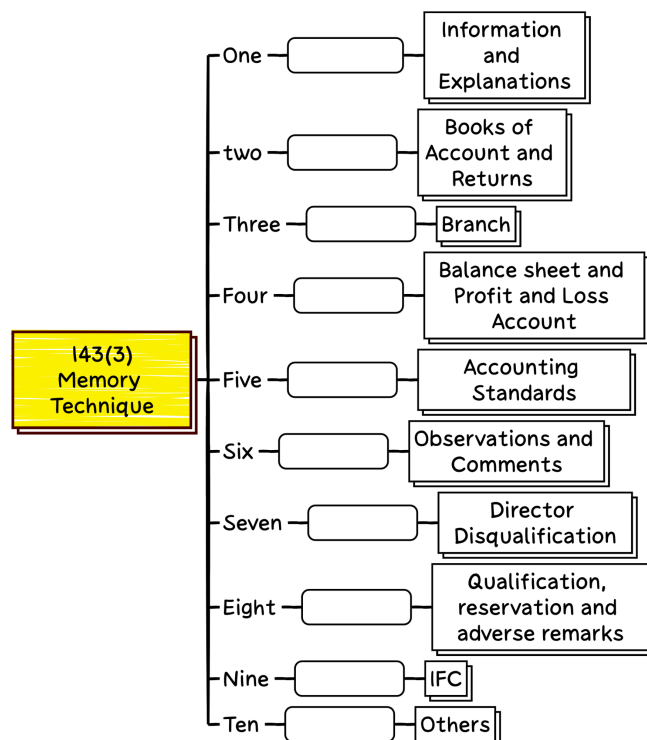
subsidiaries and associate companies insofar as it relates to the consolidation of its FSs with that of its subsidiaries and associate companies.

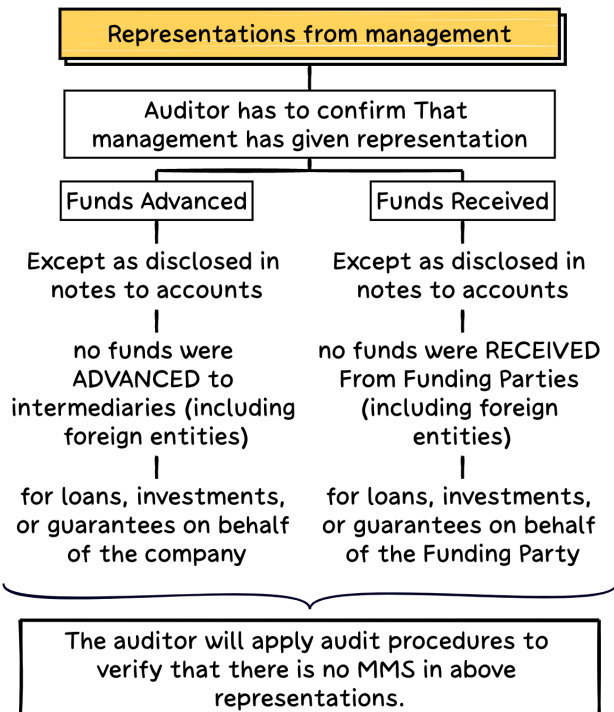
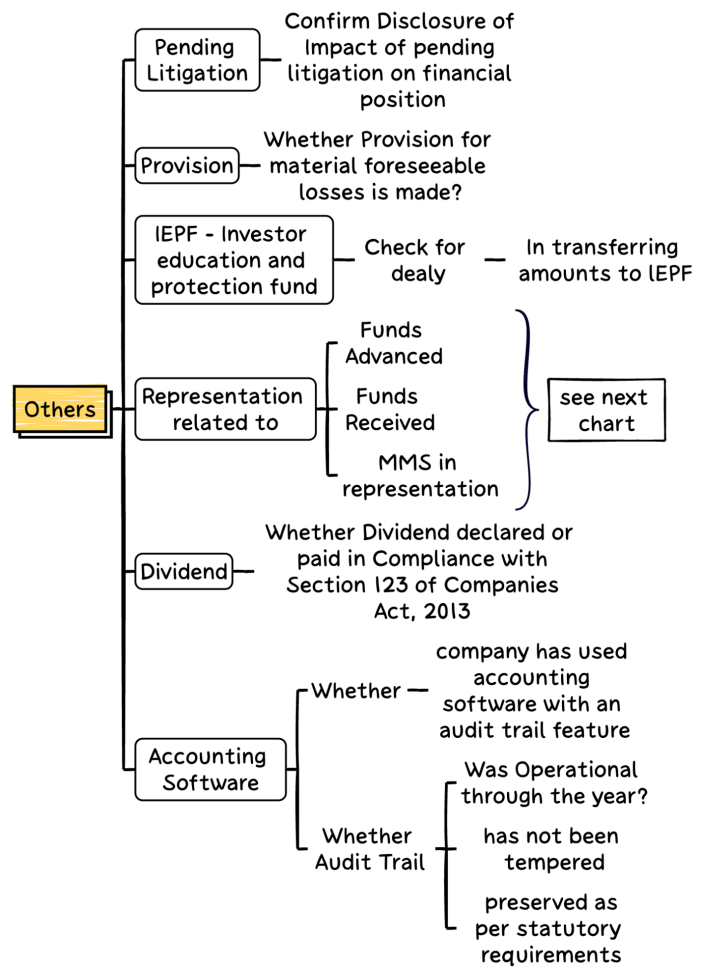
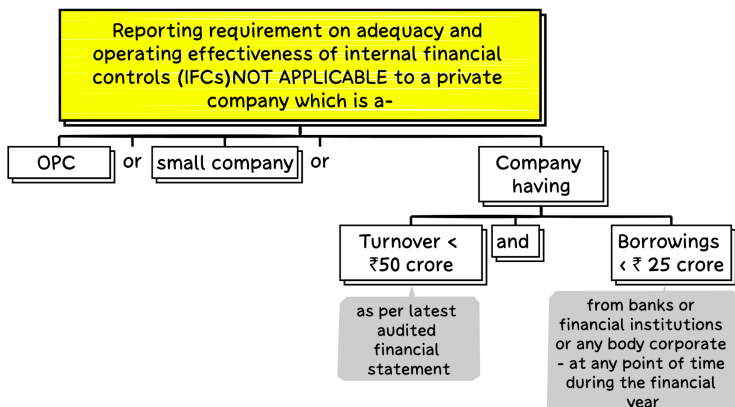
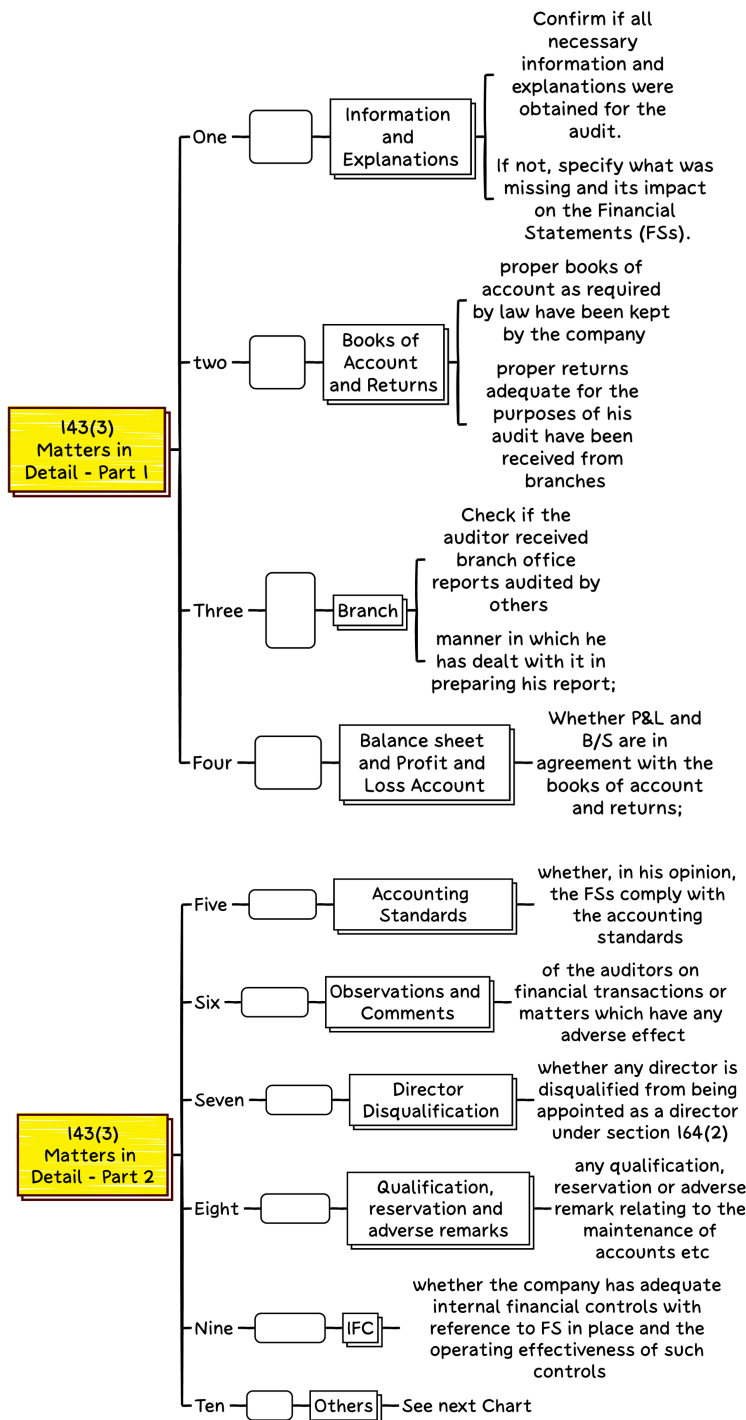
## Auditor's Reporting Requirements on Specific Matters

- **Condition for Reporting** – The auditor is only required to report on the matters specified if there are special comments or concerns regarding any items.
- **Satisfaction and Duty** – If satisfied with the inquiries, the auditor is not obligated to further report on being satisfied.
- **Adverse Findings** – A report to the members is necessary if any adverse findings are discovered during the audit.



## Section 143(3)





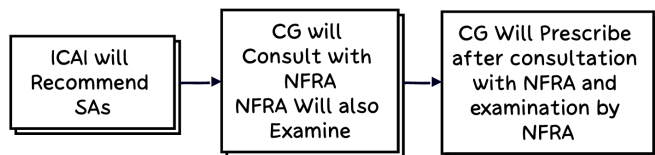
### 143(4) – Reasons

If any matter in the audit report under this section is answered negatively or with a qualification, the report must state the reasons.

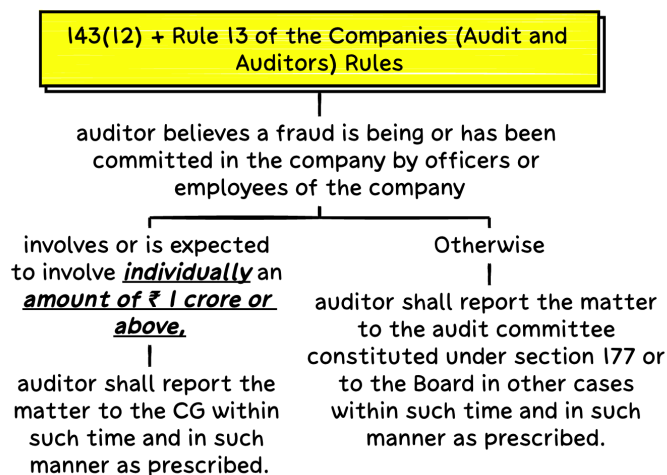
### 143(9)

Every auditor shall comply with the auditing standards.

### 143(10)



Until new auditing standards are officially notified, existing standards specified by the ICAI will be deemed to be auditing standards to be used for this subsection.



## Audit of Branch Office Accounts

### Books of accounts

At Registered Office, Accrual Basis, Double entry system of accounting

As per section 128(1) of the Companies Act, 2013,

- every company shall prepare and
- keep at its registered office
- books of account and other relevant books and papers and FS for every financial year
- which give a true and fair view of the state of the affairs of the company,
  - including that of its branch office or offices, if any, and
- explain the transactions effected both at the registered office and its branches and
- such books shall be kept on accrual basis and according to the double entry system of accounting.

### Place other than Registered office

The Board of Directors may choose a different location within India for keeping books of account, and if so, the company must file with the Registrar a notice in writing giving the full address within 7 days.

### Books of account kept at branch office

If a company with a branch office, either in or outside India, maintains proper books for branch transactions and keeps it at the branch office and sends summarized returns to its registered office, it shall be deemed to comply with sub-section (1).

### Audit of Branch Accounts – Section 143(8)

#### Who can become branch auditor

- Branch in India
  - Company Auditor
  - Person qualified to be an auditor and appointed as per section 139
- Branch outside India
  - Company auditor
  - Any person qualified to act as an auditor in accordance with Laws of that country

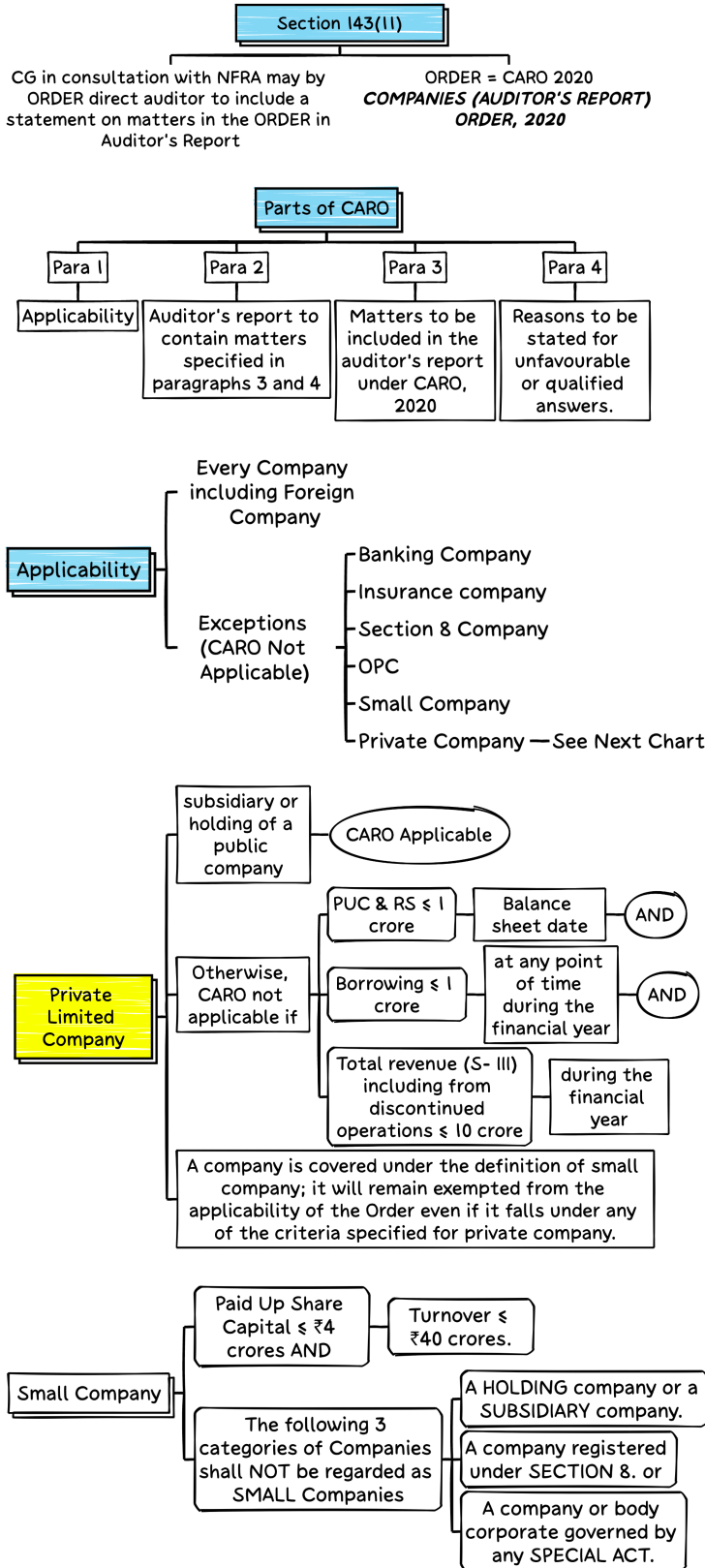
The branch auditor shall prepare a report on the accounts of the branch examined by him and send it to the auditor of the company who shall deal with it in his report in such manner as he considers necessary.

Duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor. – Rule – 12, Companies (Audit and Auditors) Rules, 2014

- For the purposes of sub section (8) of section 143, the duties and powers of the company's auditor with reference to the audit of the branch and the branch auditor, if any, shall be as contained in sub sections (1) to (4) of section 143.
- The branch auditor shall submit his report to the company's auditor.
- The provisions of sub section (12) of section 143 read with regarding reporting of fraud by the auditor shall also extend to such branch auditor to the extent it relates to the concerned branch.



# CARO - COMPANIES (AUDITOR'S REPORT) ORDER, 2020



Provision of CARO, 2020 is not applicable to ABC Pvt. Ltd., a subsidiary of XYZ Ltd. (a public company) having fully paid up Capital and Reserves & Surplus of ₹50 Lakhs, Secured loan from bank of ₹90 Lakhs and Turnover of ₹5 Crore, for the financial year 2023-24. (MTP2, May 2021, 3 Marks)

## PARA 2 Auditor's report to contain matters specified in paragraphs 3 and 4.

If order is applicable auditor's report shall contain the matters specified in para 3 and para 4 as applicable

Order shall not apply to the auditor's report on consolidated financial statements except clause (xxi) of paragraph 3.

## Para 4

**For Unfavorable/Qualified Answers**

Auditors must state reasons for such answers in their reports.

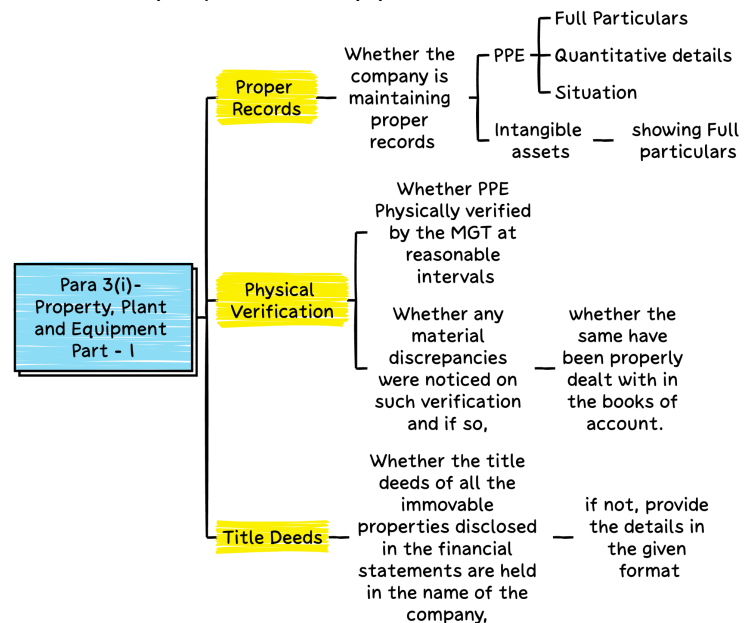
**When Opinion Can't be Expressed**

The report must indicate this fact and include the reasons for it.

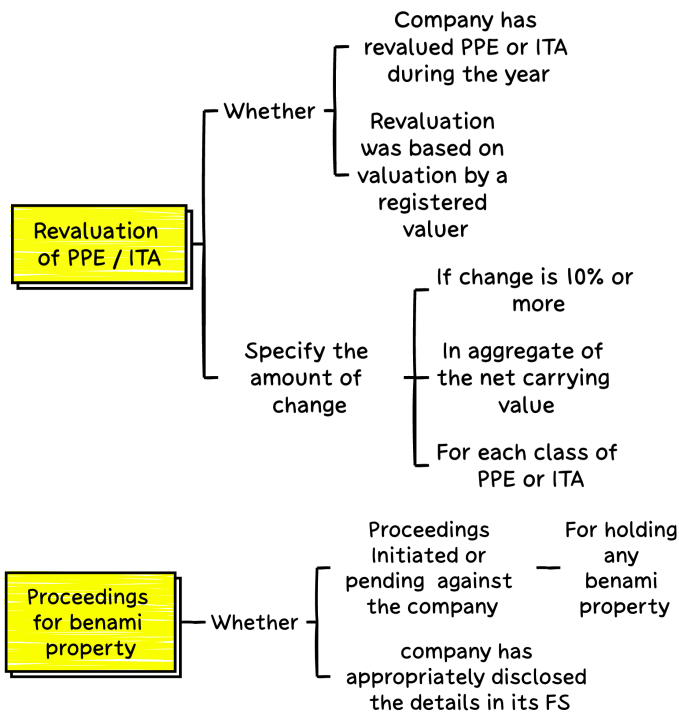
## Para 3- Matters to be included in the auditor's report under CARO, 2020

The auditor's report on the accounts of a company to which this Order applies shall include a statement on the following matters, namely

## Para 3(i)- Property, Plant and Equipment



Descripti on of property	Gross carrying value	Held in name of	Whether promoter, director or their relative or employee	Period held -indicate range, where appropriate	Reason for not being held in name of company - also indicate if in dispute



### Para 3(ii) - Inventory

#### Physical Verification, Coverage and Procedure.

Whether physical verification of inventory has been conducted at reasonable intervals by the management and whether, in the opinion of the auditor, the coverage and procedure of such verification by the management is appropriate;

#### Discrepancies of 10% or more

Whether any discrepancies of 10% or more in the aggregate for each class of inventory were noticed and if so, whether they have been properly dealt with in the books of account;

#### Working capital limits

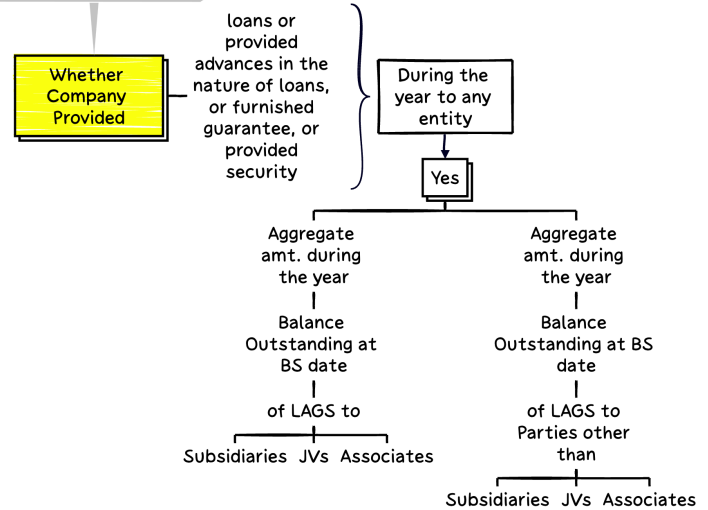
Whether

- during any point of time of the year,
- the company has been sanctioned working capital limits in excess of ₹ 5 crore,
- in aggregate, from banks or financial institutions
- on the basis of security of current assets;
- whether the quarterly returns or statements filed by the company with such banks or financial institutions are in agreement with the books of account of the Company, if not, give details;

*SKN Ltd. a biopharma company and global manufacturers of select critical care medical products has been sanctioned working capital limits of ₹ 5.99 crores from a nationalized bank on the basis of security of current assets. During the year under audit, the statutory auditor of SKN Ltd. considers that inventory is material to the financial statements and performs audit procedures over the company's final inventory records to determine whether they accurately reflect actual inventory count and without any major discrepancies for each class of inventory. What are the reporting requirements regarding physical verification of inventory under CARO 2020 in this case?*

### Para 3(iii) - Investment / Guarantee / Security / Loans and Advances

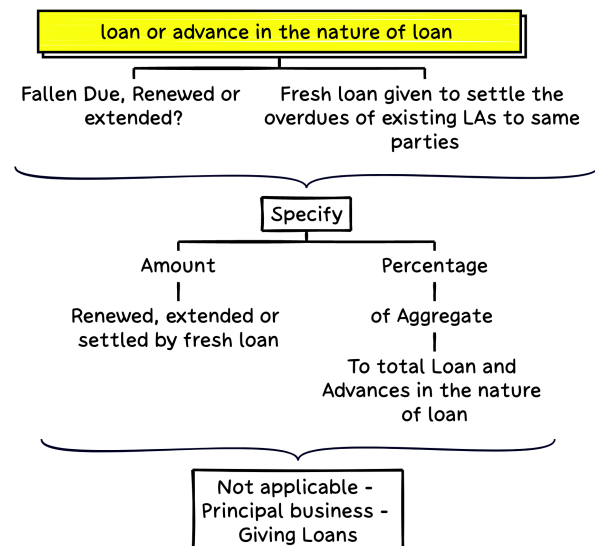
not applicable to companies whose principal business is to give loans

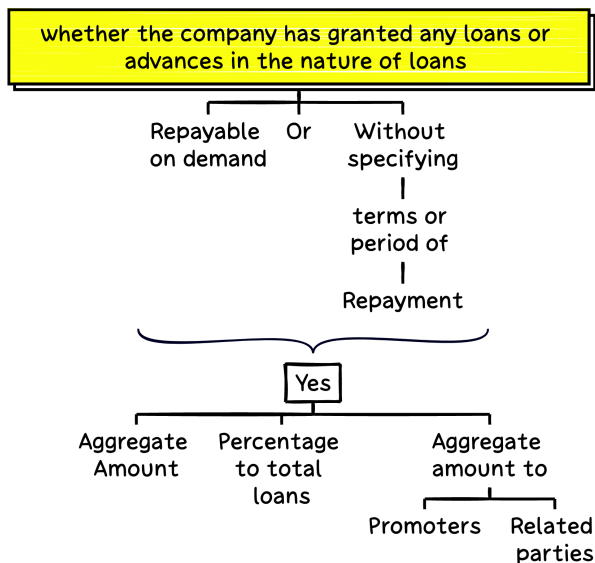


**LAGS / Investments made** - Whether Terms & Conditions, Prejudicial to company's interest?

**In respect of loans and advances in the nature of loans** - Whether schedule of repayment of principal and payment of interest stipulated? Whether Repayments — Regular?

**If Amount overdue?** - Yes - total amount overdue for more than 90 days Whether reasonable steps Taken for recovery taken?





### Para 3(iv) – Sections 185 and 186

In respect of loans, investments, guarantees, and security, whether provisions of sections 185 and 186 of the Companies Act have been complied with, if not, provide the details thereof;

### Para 3(v) – Deposit Accepted

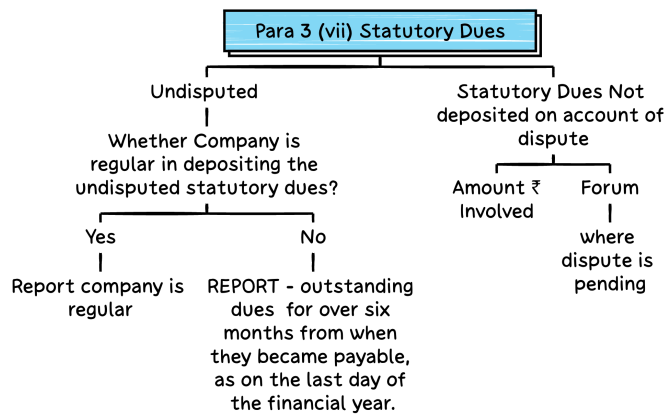
In respect of deposits accepted by the company or amounts which are deemed to be deposits,

- whether the directives issued by the Reserve Bank of India and
- the provisions of sections 73 to 76 or
- any other relevant provisions of the Companies Act and the rules made thereunder, where applicable,
  - have been complied with,
  - if not,
    - the nature of such contraventions be stated;
- if an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal,
  - whether the same has been complied with or not;

### Para 3(vi) Cost Records

- Whether maintenance of cost records has been specified by the Central Government under sub-section (1) of section 148 of the Companies Act and
- whether such accounts and records have been so made and maintained.

### Para 3 (vii) Statutory Dues



### Para 3(viii) – Unrecorded income

Whether any transactions

- not recorded in the books of account
- have been surrendered or disclosed
  - as income during the year in the tax assessments under the Income Tax Act, 1961 (43 of 1961), if so, whether
  - the previously unrecorded income has been properly recorded in the books of account during the year;

### Para 3(ix) Repayment of Loan Etc

Company Defaulted ?			
Repayment of Loan or other borrowings or in payment of interest	Yes	Period and amount as per format	Nature of borrowing, including debt securities
			Name of lender
			lender wise details to be provided in case of defaults to banks, financial institutions and Government.
			Whether principal or interest
			Amount not paid on due date
			Remarks, if any
			No. of days delay or unpaid
	No	Report - The Company has not defaulted in repayment of loans or other borrowings or in the payment of interest thereon to any lender.	

Company Declared Wilful defaulter?	By any bank or financial institution or other lender;			
Term loans	applied for the purpose for which the loans were obtained;	Yes		
		No	Amount	
			Purpose	
Funds raised on short term basis	Utilised for Long-term purpose	Yes	Nature	
			Amount	
		No	Report	
Funds from any person on account of or to meet	Obligation of	subsidiaries, joint ventures or associate companies	Details	Nature
				Amount
Pledge of securities of subsidiaries, joint ventures or associate companies	Yes	Details		
		Company defaulted on repayment	Yes	
			No	
	No	Report		

### Para 3(x) – IPO FPO etc

Para 3(x) - IPO FPO etc					
Money Raised IPO / FPO (Including Debt)	applied for the purposes for which those are raised	Yes	Report.		
		No	details	delays or default	
				subsequent rectification, if any	
	No	Report the same			
Company has made any preferential allotment or private placement?	Yes	whether the requirements of section 42 and section 62 of the Companies Act, 2013 have been complied	Yes		
			No	Details	Amount
					Non-Compliance
		Yes			
		funds raised have been used for the purposes for which the funds were raised	No	Details	Amount
	Non-Compliance				
No	Report the same				

### Para 3 (xi)

3(xi) - Reporting on Fraud			
Fraud by the company Fraud on the company	Noticed?	Yes	Nature
			Amount
	Reported?	Yes	Nature
			Amount
Report under u/s 143(12)	Whether any report under sub-section 12) of section 143 of the Companies Act has been filed by the auditors in Form ADT-4?		
whistle-blower complaints	whether the auditor has considered whistle-blower complaints, if any, received during the year by the company?		

As per Guidance Note on CARO 2020, while reporting under this clause with regard to the nature and the amount involved of the frauds noticed or reported, the auditor may also consider the principles of materiality outlined in Standards on Auditing.

### Para 3(xii) – Nidhi Company

- Whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1:20 to meet out the liability;
- whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability;
- whether there has been any default in payment of interest on deposits or repayment thereof for any period and if so, the details thereof.

### Para 3 (xiii) – Related parties

Whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act where applicable and the details have been disclosed in the FSs, etc., as required by the applicable accounting standards.

### Para 3 (xiv) – Internal audit system

- whether the company has an internal audit system commensurate with the size and nature of its business;
- whether the reports of the Internal Auditors for the period under audit were considered by the statutory auditor.

### Para 3 (xv) – Non-cash transactions with directors

Whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act have been complied with

### Para 3(xvi) – Registration with RBI

- whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934) and if so, whether the registration has been obtained;



- b. whether the company has conducted any Non-Banking Financial or Housing Finance activities without a valid Certificate of Registration (CoR) from the Reserve Bank of India as per the Reserve Bank of India Act, 1934;
- c. whether the company is a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India, if so, whether it continues to fulfil the criteria of a CIC, and in case the company is an exempted or unregistered CIC, whether it continues to fulfil such criteria; (CIC? CIC Criteria? Exemption? Exemption Criteria?)
- d. Whether the Group has more than one CIC as part of the Group, if yes, indicate the number of CICs which are part of the Group;

#### Core Investment Companies

- Core Investment Companies (CICs) are specialised Non-Banking Financial Companies (NBFCs).
- A Core Investment Company registered with the RBI has an asset size of above Rs 100 crore.
- Their main business is acquisition of shares and securities with certain conditions.

#### Para 3(xvii) – Cash losses

Whether the company has incurred cash losses in the financial year and in the immediately preceding financial year, if so, state the amount of cash losses

#### Para 3 (xviii) – Resignation of Auditor

Whether there has been any resignation of the statutory auditors during the year, if so, whether the auditor has taken into consideration the issues, objections or concerns raised by the outgoing auditors.

#### Para 3 (xix) – Existence of Material Uncertainty

- On the basis of the
  - financial ratios,
  - ageing and
  - expected dates of realisation of financial assets and
  - payment of financial liabilities,
  - other information accompanying the FSs,
  - the auditor's knowledge of the Board of Directors and management plans,
- whether the auditor is of the opinion that
  - no material uncertainty exists as on the date of the audit report
    - that company is capable of meeting its liabilities existing at the date of balance sheet
    - as and when they fall due within a period of one year from the balance sheet date.

#### Para 3(xx) – Transfer of unspent CSR amount

- a. whether,
  - in respect of other than ongoing projects,
  - the company has transferred unspent amount to a Fund specified in Schedule VII to the Companies Act

- within a period of six months of the expiry of the financial year
  - in compliance with second proviso to sub-section (5) of section 135 of the said Act;
- b. whether
    - any amount remaining unspent under subsection (5) of section 135 of the Companies Act, pursuant to any ongoing project,
    - has been transferred to a special account in compliance with the provision of subsection (6) of section 135 of the said Act.

#### Para 3(xxi) – Qualifications or Adverse remarks

- Whether there have been any qualifications or adverse remarks by the respective auditors in the Companies (Auditor's Report) Order (CARO) reports of the companies included in the consolidated FSs,
- if yes,
  - indicate the details of the companies and the paragraph numbers of the CARO report containing the qualifications or adverse remarks.