



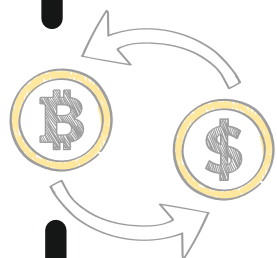
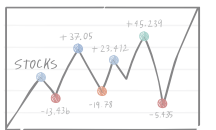
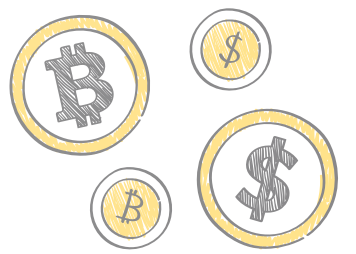
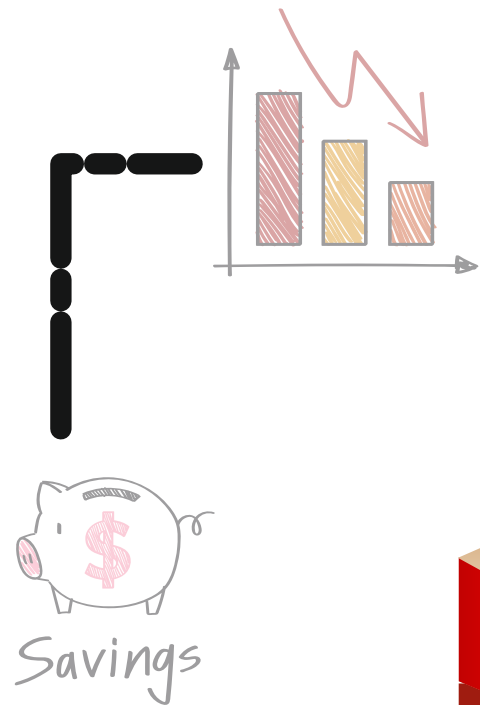
## About the CA CS Amit Tated :

- ✍ Cleared CA, CS, CISA, DISA, CISM, BCCP Exams
- ✍ Believes in conceptual teaching & giving in depth knowledge of the subject to students.
- ✍ A renowned teacher of theory subjects like Audit, Law, EIS, SM, IT, ISCA in INDIA for last 13 years with 200+ face-to-face batches teaching more than 65,000 students at various places in India & 35,000+ students in virtual centers across India.
- ✍ Many of his students are Rankers & Highest Mark Scorers. (Including AIR 1 Multiple times)
- ✍ Worked with PWC Audit Dept. for 1 year.
- ✍ Held Strategic Position in IT Governance of HDFC Bank for 2 years.
- ✍ Founder of A. T. Academy

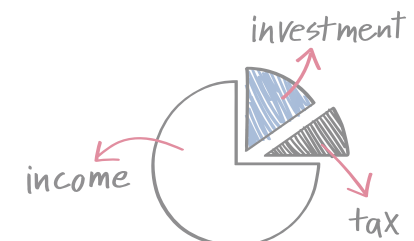
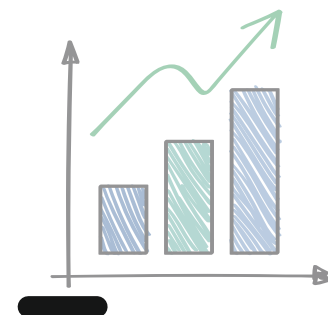
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## CA INTER AUDIT

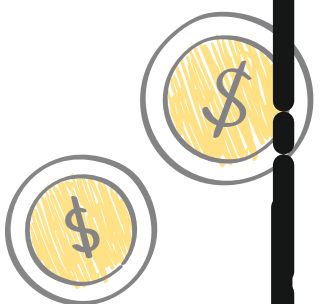
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Financial Plan



DEBT





# CA INTER AUDIT

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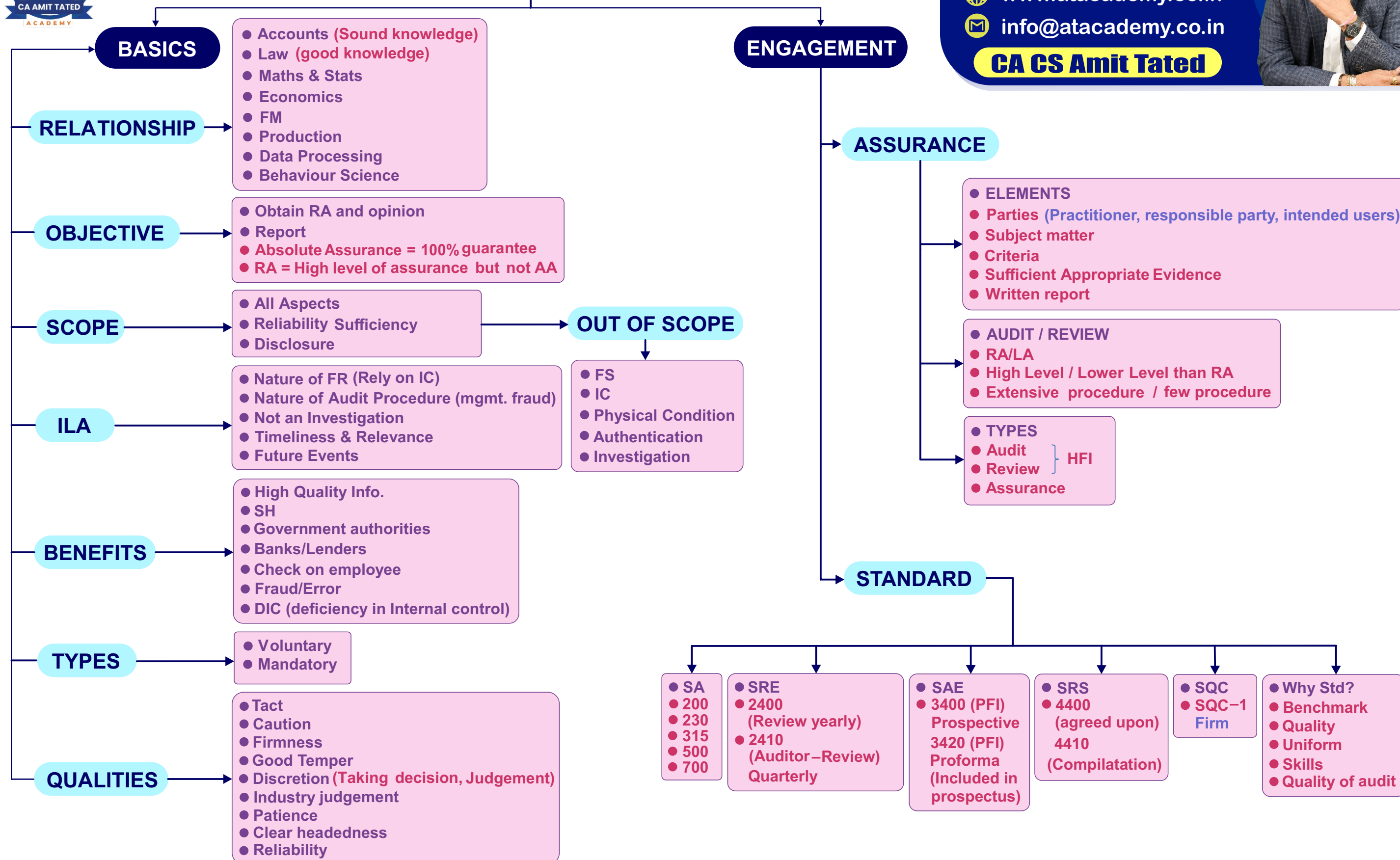
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# CHAPTER-1- NATURE, OBJECTIVE AND SCOPE OF AUDIT

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## CHAPTER-2- AUDIT STRATEGY, AUDIT PLANNING & AUDIT PROGRAMME

### SA 300 – PLANNING AN AUDIT OF FINANCIAL STATEMENT

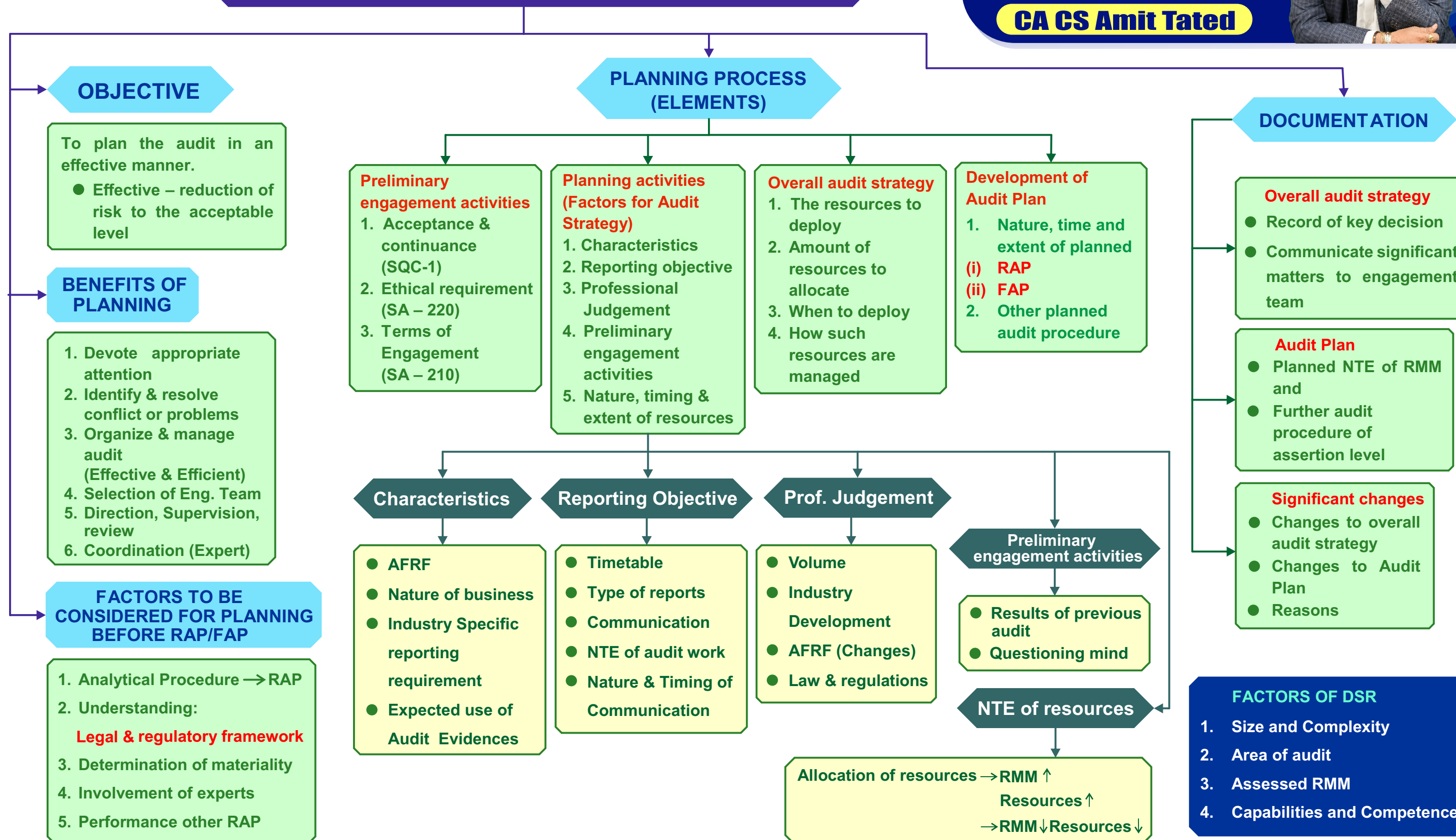
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## AUDIT PROGRAMME

### One audit programme – Not practicable

1. Nature, Size and composition
2. Efficiency and operation of Internal Controls
3. Nature of the service to be rendered.

### Assistant to keep on open mind

1. Standard Programme
2. Programme may be altered
3. To note and report significant matters to seniors

### Periodic review of the audit programme

1. To know changes in business policy of client
2. On the basis of obsolete programme audit may be held or negligently conducted.

### Construction of Audit Programme

1. Scope & limitation
2. Written audit programme
3. Determine evidence reasonably
4. Steps & procedure (Specific Situation)
5. Include the audit objectives
6. Consider all possibilities of error
7. Co-ordinate

### Advantages

1. Clear set of Instructions
2. Total perspective of the work performed
3. Selection of assistants for the jobs
4. Danger is significantly less
5. Accept the responsibility
6. Can control the progress
7. Guide for auditors
8. Evidence for auditor

### Disadvantages

1. Work may become mechanical and
2. Rigid and inflexible
3. Inefficient assistants
4. Hard & Fast audit programme may kill the initiative of efficiency

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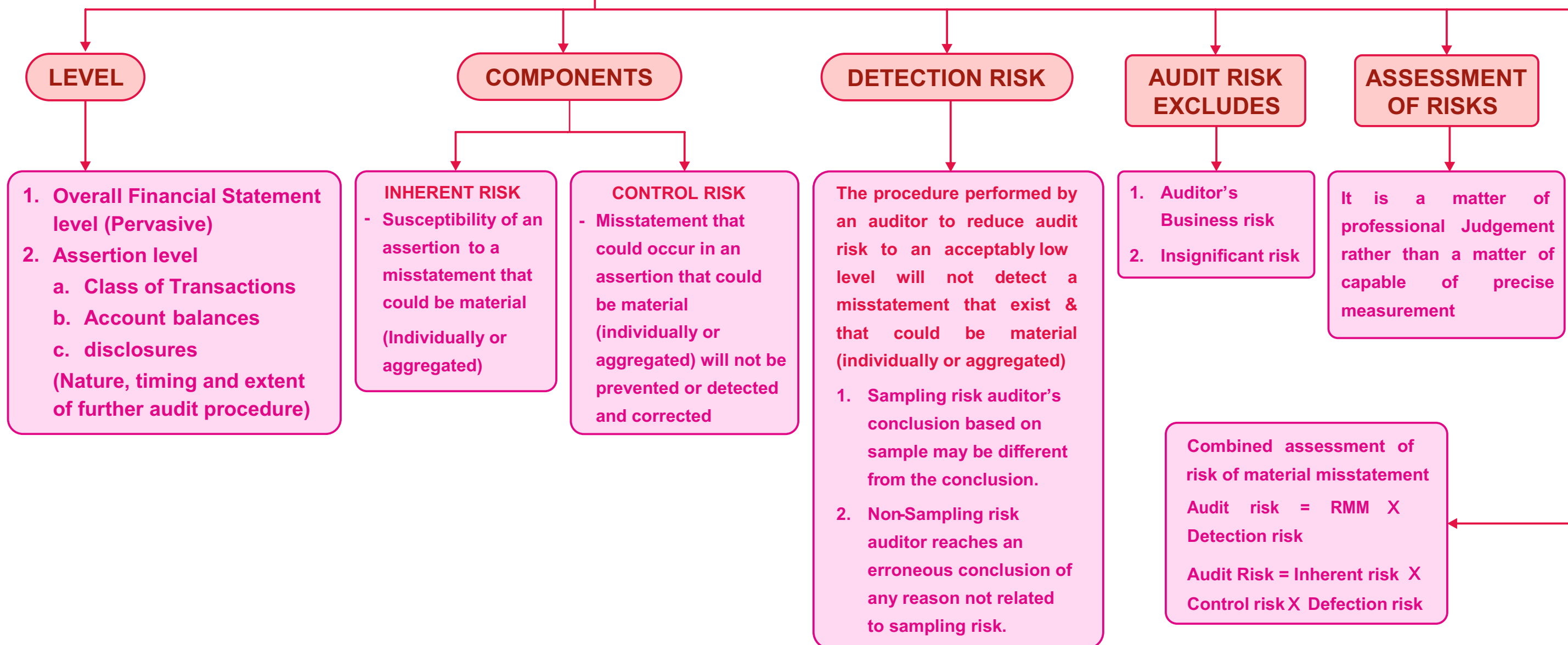
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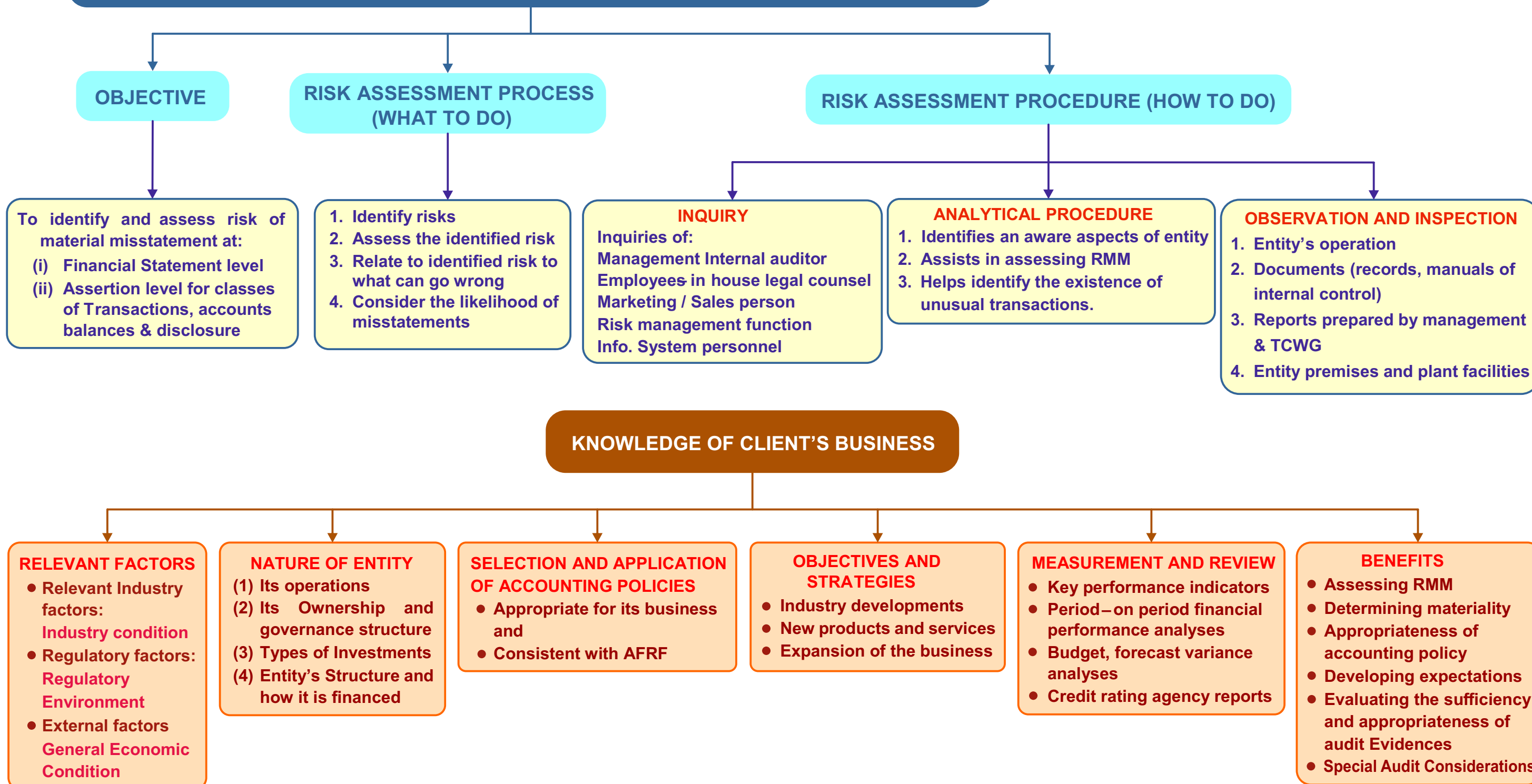


## AUDIT RISK (SA 200)





## SA 315: IDENTIFYING AND ASSESSING THE RISKS OF MATERIAL MISSTATEMENT THROUGH UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT





## INTERNAL CONTROL (SA 315)

Internal Control may be defined as the process designed , implemented and maintained by TCWG, management and other personnel provide reasonable assurance about the achievement of Entity's objective with regard to reliability of Financial reporting effectiveness and efficiency of operations, safeguarding of assets and compliance with applicable laws & regulations

### PURPOSE

1. Reliability of financial reporting
2. Effectiveness and efficiency of its operations
3. Compliance with applicable laws & regulations
4. Safeguarding of assets

### BENEFITS

1. Identifying types of potential misstatements
2. Identifying factors that affect RMM
3. Designing the nature, timing and extent of further audit procedure

### LIMITATIONS

1. Internal control can provide reasonable assurance only (no matter how effective)
2. Human judgement in decision making (human error)
3. Lack of understanding the purpose
4. Collusion among people
5. Judgements by management
6. Limitations in case of Small entity

### COMPONENTS

- (a) The control environment
- (b) Entity's risk assessment process
- (c) Information system and communication
- (d) Control activities
- (e) Monitoring of Controls

#### CONTROL ENVIRONMET

#### INCLUDES

1. Governance and management functions
2. Attitudes, awareness and actions of TCWG and management
3. Control environment (Tone of an organisation, influencing the control consciousness of its people)

#### CONTROL ENVIRONMET

#### ELEMENTS

1. Communication & enforcement of integrity and ethical value
2. Commitment to competence
3. Participation by TCWG
4. Managements philosophy and operating style
5. Organisational Structure
6. Assignment & responsibility
7. Human resource policies & practices

#### ENTITY'S RISK ASSESSMENT PROCEDURE

1. Identifying business risks
2. Estimating the significance of the risks
3. Assessing the likelihood of their occurrence
4. Deciding about actions to address those risks.

#### INFORMATION SYSTEM

1. Significant classes of transactions
2. Procedures by which those transactions are corrected
3. Related accounting record
4. Info. system captures events and conditions
5. Financial reporting process
6. Journal entries

#### CONTROL ACTIVITIES

1. Performance Review
2. Info processing
3. Physical Control
4. SOD

#### MONITORING OF CONTROLS

Process to assess the effectiveness of Internal control performance over time (ongoing / separate)

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## RISKS THAT REQUIRE SPECIAL AUDIT PROCEDURE

### FACTORS TO DETERMINE

1. Risk of fraud
2. Related to recent significant economic accounting or law developments
3. Complexity of Transactions
4. Significant transactions with related parties
5. Wide range of measurement uncertainty
6. Outside normal course of business

### IDENTIFY SIGNIFICANT RISKS

1. Risks of material misstatement due to fraud
2. Significant transaction with related parties that are outside the normal course of business

### RISKS OF MATERIAL MISSTATEMENT (Significant non-routine transactions)

1. Greater mgt. Intervention
2. Greater manual Intervention
3. Complex calculations
4. Nature of non-routine transactions

### RISK OF MATERIAL MISSTATEMENT (Significant Judgmental matters)

1. Accounting principles may be subject to different interpretation
2. Judgement may be subjective or complex

## METHODS OF EVALUATION OF INTERNAL CONTROL

### NARRATIVE RECORD

1. Complete and exhaustive description of the system
2. Recommended in cases where no formal control system is in operation
3. More suited to small business
4. Disadvantages
  - (1) Quite difficult
  - (2) Identify Weakness
  - (3) Incorporate changes

### CHECK LIST

- A series of Instructions and / or questions which a member of audit staff must follow and / or answer
- Answers are usually 'Yes', 'No' and Not applicable

### INTERNAL CONTROL QUESTIONNAIRE

- Comprehensive series of questions
- Most widely used form
- Yes answer denotes satisfactory position
- No answer suggests weakness

### FLOW CHART

- Graphic presentation of each part of the company's system of Internal Control
- Most concise way of recording
- Gives bird's eye view of the system

## BENEFITS OF EVALUATION OF INTERNAL CONTROL SYSTEM

Review of Internal controls will enable the auditor to know:

1. Errors & frauds are likely to be located
2. Adequate Internal control system is in use
3. Effective internal auditing department is operating
4. Administrative controls have a bearing on his work
5. Controls adequately safeguard the assets
6. Adequately management is discharging its function
7. Reliability of reports
8. Extent & depth of the examination
9. Selection of appropriate audit technique
10. Areas where controls are weak or excessive
11. Suggestions to improve Internal Controls System

## AUTOMATED ENVIRONMENTS

### KEY FEATURES

- Faster business operations
- Accuracy in data processing
- Ability to process large volume of transaction
- Integration amongst business operations
- Better security, control
- Less prone to human errors
- Provides latest info
- Connectivity and networking capability

### UNDERSTANDING AND DOCUMENTING

- Info. Systems
- Their purpose
- Location of IT System
- Architecture
- Version
- Interfaces within system
- In-house vs. packaged
- Outsourced
- Key persons

### RISK ARISING

- Inaccurate processing of data
- Unauthorised access to data
- Direct data change
- Excessive access
- Lack of adequate segregation of duties
- Unauthorised changes to system
- Failure to make necessary changes
- Loss of data

### IMPACTS

- Impact on substantive checking
- Impact on controls
- Impact on reporting

### TESTING METHODS

- Inquiry
- Observation
- Inspection
- Reperformance

### MANUAL ELEMENTS

#### (A) MORE SUITABLE:

- (1) Large unusual or non-recurring transactions
- (2) Errors are difficult to define
- (3) Changes in circumstances
- (4) Monitoring effectiveness

#### (B) LESS SUITABLE :

- (1) High volume or recurring transactions
- (2) Specific to perform controls can be adequately designed and automated

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## TYPES OF IT CONTROLS

### GENERAL IT CONTROLS

- Controls over data centre and network operations
- Program change (modified system continue to meet financial reporting objectives)
- Access security
- Application system acquisition, development and maintenance

### APPLICATION CONTROL

- Includes both automated or manual controls that operate at a business process level
- Completeness, accuracy and integrity of data
- Edit checks, validation of input data, sequence number checks, user limit checks, reasonableness checks, mandatory data fields

### IT DEPENDENT CONTROL

- Manual controls that make use of some form of data / info. / report produced from IT system and application



## SA 320: MATERIALITY IN PLANNING AND PERFORMING AN AUDIT

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### MATERIALITY IN DIFFERENT TERMS

1. Misstatement including omission are considered to material
2. Judgements about materiality are made in the light of surrounding circumstances
3. Judgements about matters that are material to users of FS

### DETERMINATION OF MATERIALITY

#### A MATTER OF PROFESSIONAL JUDGEMENT

1. Have a reasonable knowledge of business and economics activities
2. Understand the financial statements
3. Recognize the uncertainties inherent in the measurement of amounts
4. Make reasonable economic decision

### PERFORMANCE MATERIALITY

The amount set by the auditor at less than the materiality level for FS as a whole to reduce to an appropriately low level the probability that aggregate of uncorrected and undetected m's exceeds materiality.  
It is set at a value lower than overall materiality

### BENCHMARKS

1. Elements of the financial statements
2. Items on which the attention of the users tends to be focused
3. Nature of the entity, its life cycle, ownership structure
4. Relative volatility of the benchmark

### MATERIALITY LEVEL

1. Whether law, regulations or the applicable financial reporting framework affect expectations
2. Key disclosures in relation to industry
3. Attention is focused on a particular aspects of Entity's business

### DOCUMENTATION

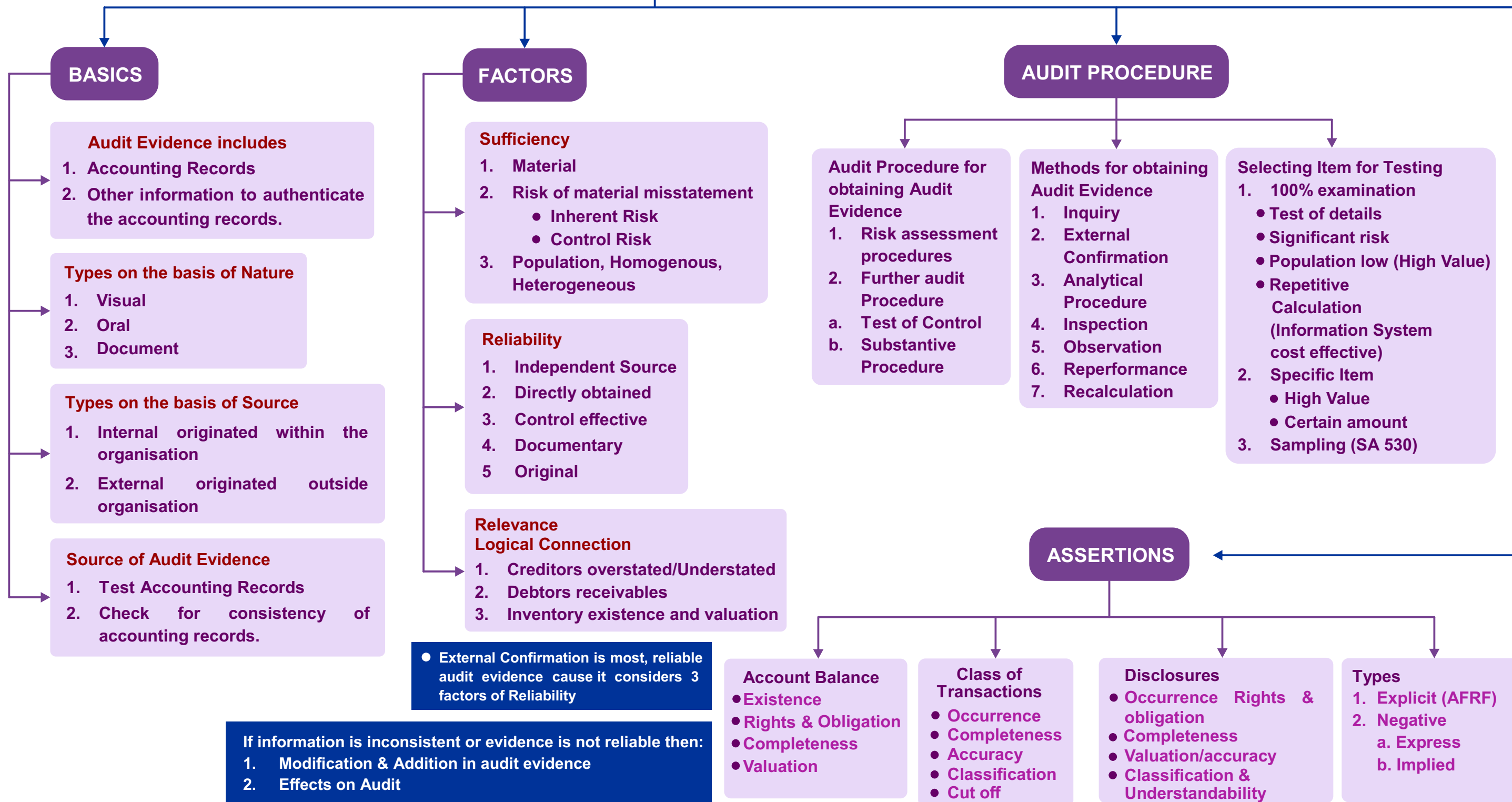
1. Materiality for FS as a whole
2. Materiality Level
3. Performance materiality
4. Any revision of (1) – (3) as audit progressed







## SA 500: AUDIT EVIDENCE



• External Confirmation is most, reliable audit evidence cause it considers 3 factors of Reliability

If information is inconsistent or evidence is not reliable then:

- Modification & Addition in audit evidence
- Effects on Audit

## SA 501: AUDIT EVIDENCE – SPECIFIC CONSIDERATION FOR SELECTED ITEMS



### INVENTORY (EXISTENCE & CONDITION)

#### Audit Procedure

1. Attendance
  - a. Evaluate
  - b. Observe
  - c. Inspect
  - d. Test Count
2. Accurate Records

#### Physical Inventory counting

1. Inspect evaluate Test count
2. Observe
3. Reliability of counts

#### Factors for Planning

1. Nature
2. Stage of completion
3. Timing
4. Location
5. Perpetual Inventory System
6. Risk of material misstatement
7. Internal control
8. Management Instructions
9. Expert

#### Third Party

1. External Confirmation
2. Inspect or
  - a. Documents
  - b. Confirmation (pledge)
  - c. Another auditor
  - d. Report of service auditor.

#### Alternate date

1. Perform above procedure on that date & check
  - a. Perpetual System
  - b. Reliability of System
  - c. Difference → Reason
2. Unforeseen Circumstance
  - a. Observe some physical counts
  - b. Intervening transaction perform some procedure

#### Impracticable

1. Threat to life of Auditor:
  - a. Alternative audit procedure to obtain SAAE (sub-sequent sale documents)
  - b. If SAAE not obtained → SA 705
  - c (i). Qualified
  - (ii). Disclaimer of Opinion
2. Time, Distance: It is general inconvenience not impracticable.

### LITIGATION & CLAIM (COMPLETENESS)

#### 1. Audit procedure for completeness of litigation & claim to identify claim

- a. Inquiry → Management → In house legal team
- b. Minutes of Meetings → TCWG & Legal team
- c. Verify legal Expenses A/c
- d. Written representation

#### 2. Identified Risk of Material misstatement

- a. Valuation & measurement as per SA 540
- b. Letter of specific Inquiry
  - (i) List of litigation and claims
  - (ii) Estimates and assessment
  - (iii) Confirm reasonableness of Estimates

#### 3. Legal team refuse: Alternative audit Procedure

#### 4. Direct communication

- a. Disagreement (between mgt. & TCWG & Legal team)
- b. Significant risk
- c. Complex matters

#### 5. Management & Legal team refuse

- a. Alternative audit procedure
- b. SA 705

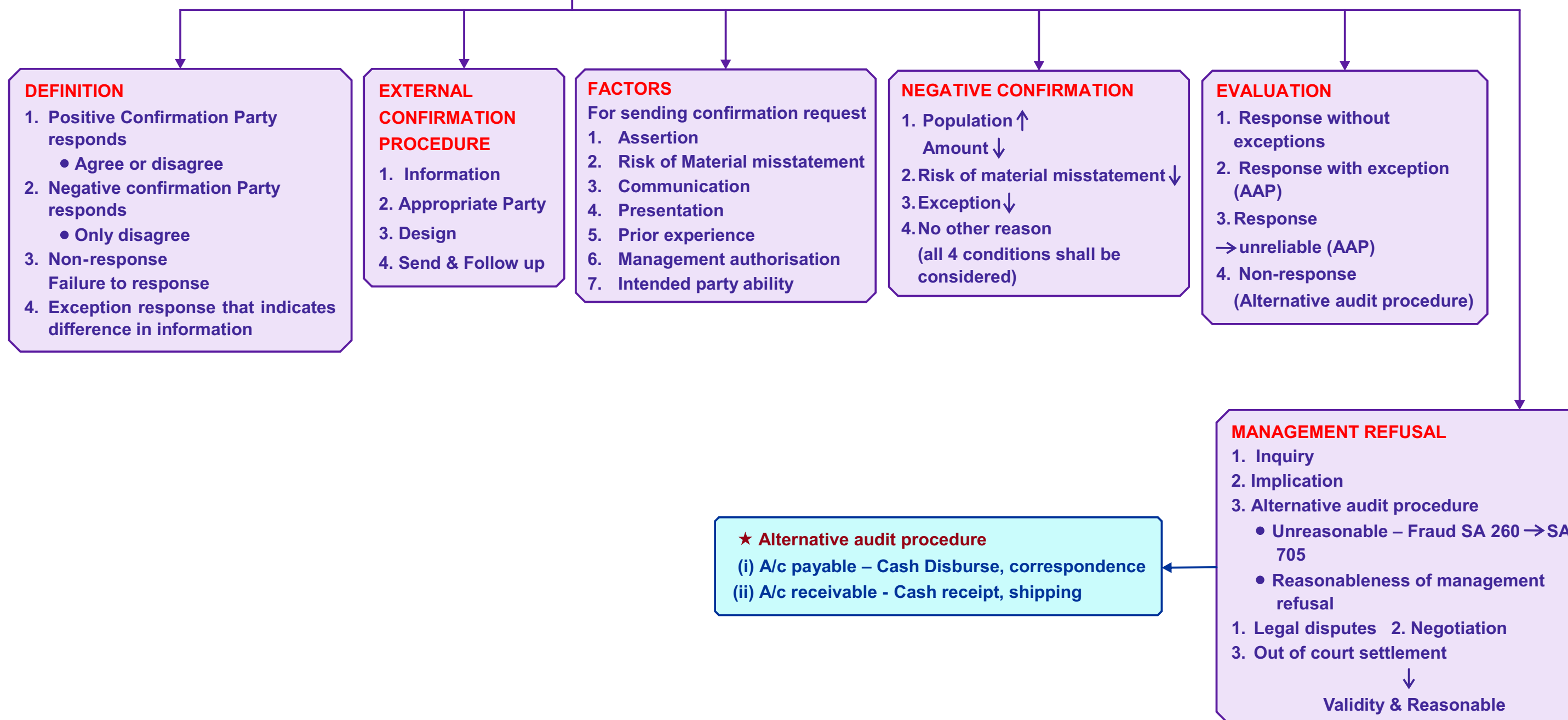
### SEGMENT REPORTING (PRESENTATION & DISCLOSURE)

#### 1. Audit Procedure

- a. Understanding of:
  - (i) Method
  - (ii) Testing's
- b. Analytical Procedure
2. Understanding method procedures
  - a. Inter segment elimination
  - b. Budgets v/s expected results
  - c. Allocation of assets
  - d. Prior Period

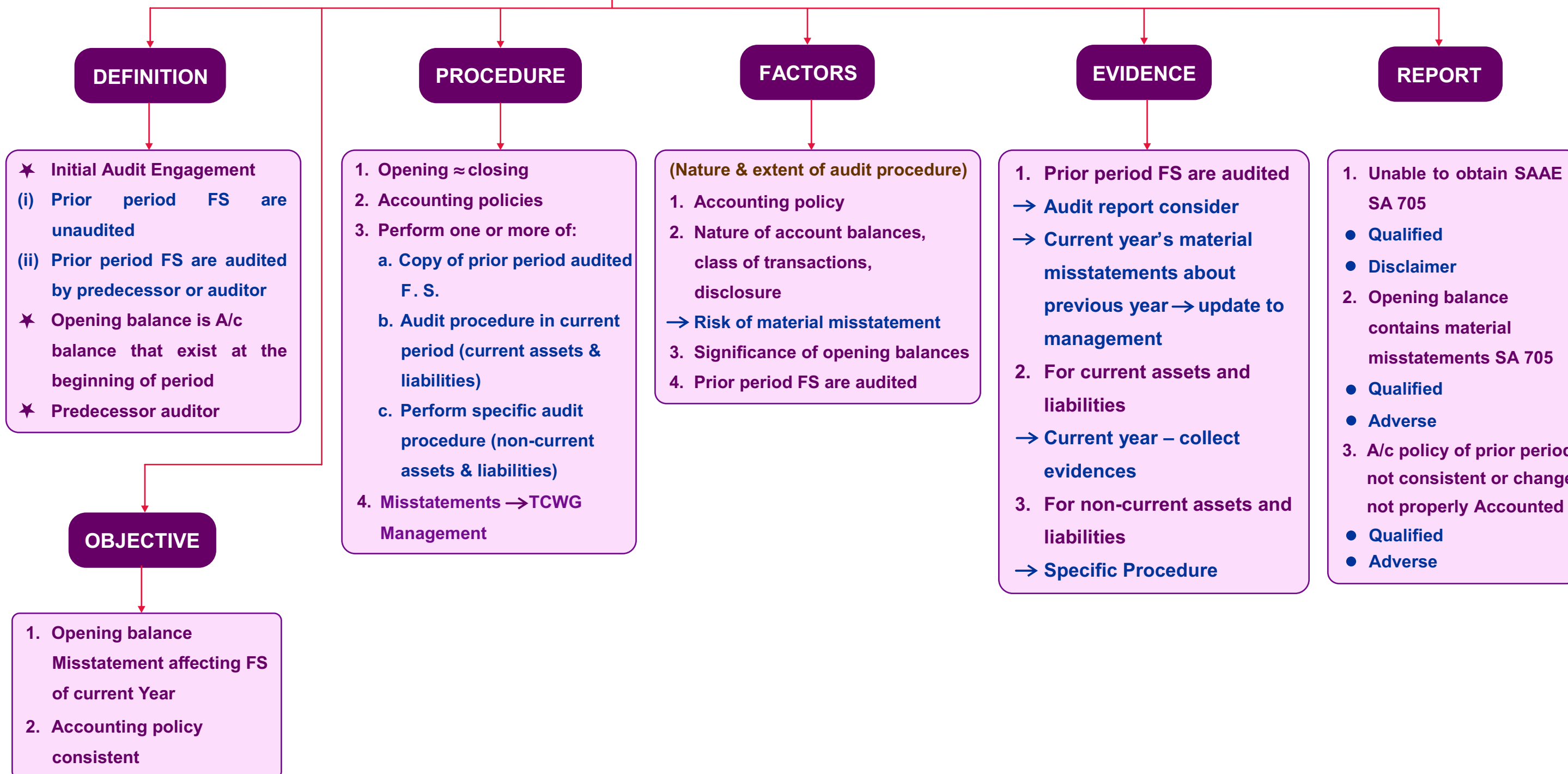


## SA 505: EXTERNAL CONFIRMATIONS





## SA 510: INITIAL AUDIT ENGAGEMENT







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### FACTORS FOR DESIGN AND PERFORMING SUBSTANTIVE ANALYTICAL PROCEDURE

1. Suitability (large volume, relationship, RMM, unsophisticated)
2. Reliability of Data (Comparable, source, relevant, controls)
3. Expectations (Availability of data precise, disaggregation, Accuracy)
4. Difference → Material Investigate, other procedures

#### ★ Techniques

- |          |                   |
|----------|-------------------|
| 1. Trend | 3. Reasonableness |
| 2. Ratio | 4. Structure      |

### OBJECTIVES

1. Relevant and reliable audit evidence
2. Understanding of entity with financial statement

### WHEN TO PERFORM

1. Planning
2. Testing
3. Completion

## SA 520: ANALYTICAL PROCEDURE

### CONSIDERATION FOR COMPARISON

1. Prior period (Trend)
2. Expected Budgets
3. Similar Industry
4. Financial Information & Non - Financial Information
5. Predictable pattern

### FACTORS FOR SUBSTANTIVE AUDIT PROCEDURE

- |                                   |                        |
|-----------------------------------|------------------------|
| 1. Availability of Data           | 2. Disaggregation      |
| 3. Source                         | 4. Predictability      |
| 5. Account Type                   | 6. Nature of Assertion |
| 7. Risk of Material Misstatements |                        |

#### ★ Purpose

- A/C Data is reasonable
- P & L compare
- Expense ratio
- Difference → material - Identify reasons

## SA 550 : RELATED PARTY

### VERIFICATION OF EXISTENCE OF RP RELATIONSHIP AND TRANSACTIONS

1. Income tax return
2. Regulatory authorities
3. Shareholders registers
4. Conflict of Interest between management & TCWG
5. Contract & agreements
6. Significant contract & agreement outside normal course of business
7. Life Insurance Policy
8. Internal auditor's report.

### DEFINITION

1. AFRF
2. If AFRF do not provide RP definition or provide minimal RP definition
3. As per SA 550:
  - a. Person / Entity → Control / Influence → Reporting entity
  - b. Reporting entity → control / Influence → other person / entity
  - c. Common Control / ownership in entity → Ownership, family, KMP

### NATURE OF RELATED PARTY TRANSACTIONS & RELATIONSHIP

1. RMM ↓ Arm length transactions
2. RMM ↑ not an arm length transaction or
  - a. Extensive & complex relationship
  - b. Info. System → cannot find relationship
  - c. RP Transaction not conducted under Normal market terms & Conditions.

### UNDERSTANDING RELATED PARTY RELATIONSHIP & TRANSACTIONS

- Inquiry: 1. Identify RP & Change
  - Nature of relationship
  - Entity → RP → Transaction
- Understanding Controls
1. In accordance with AFRF
  2. Significant Transactions (approval)
  3. Significant Transactions (outside the normal course of business)



## SA 530: AUDIT SAMPLING



### POPULATION

- Appropriate (Relevant)
- Completeness  
(All relevant Items)
- Reliability  
(Complete & accurate)

### STATISTICAL

1. Characteristic
  - a. Random
  - b. Probability for evaluation
  - c. Probability for sampling risk
- ★ Objectives
2. Advantages  
Sample size do not increase, objective minimum sample size, better description of large population, risk of sampling reduced, more scientific.

### NON - STATISTICAL

1. Personal experience
2. Knowledge
3. Commonly used
- ★ Subjective factors for extent of checking.  
Size, Internal control, reliability of books, Tolerable, degree of Confidence required

### METHODS

1. Random
  - a. Simple random
  - b. Stratified
2. Interval / Systematic sampling  
(check for pattern)
3. Monetary, Unit  
(Value weighted)
4. Haphazard (Not appropriate for statistical)
5. Block  
(High risk of sampling risk)

### PERFORM AUDIT PROCEDURE ON SAMPLE

1. Shall perform audit procedure on sample
2. Replacement item
3. Treat deviation or misstatement
4. Cancelled cheque example
5. Sale Invoice lost
6. Alternative procedure

### SAMPLE DESIGN

1. Purpose and Audit procedure
2. Consideration of Evidence
3. SA 500 requirements

### NATURE & CAUSES OF DEVIATION

1. Common features
2. Test all Items of common features
3. Investigate the cause of deviation
4. Anomaly
5. Sufficient appropriate audit evidence obtained.

### SAMPLING PROCESS

1. Sample Design
2. Sample Size
3. Sample Selection
4. Audit Procedure
5. Nature & cause of deviation
6. Projection
7. Evaluation

### PROJECTED MISSTATEMENT

1. Sample is representative of population
2. Anomaly → Exclude but if uncorrected → consider
3. Test of details  
→ Project Test of Detail  
→ No projection.

### STRATIFICATION

1. Divide Population into sub-population
2. Efficiency improved
3. Monetary Values
4. Sub-population = Stratum  
Unit = Strata
5. To Consider Population  
→ Consider all stratum outcome

### SAMPLE SIZE

1. Risk of material misstatement
2. Tolerable
3. Expectations
4. Tolerable Deviation does not exceed by actual
5. Sampling size (Sampling unit)
6. For test of Details → Stratification.

### EVALUATING

1. Result of sample
2. Whether Sampling:
  - (i) Reasonable basis
  - (ii) Not a basis

## SA 610: USING THE WORK OF INTERNAL AUDITOR

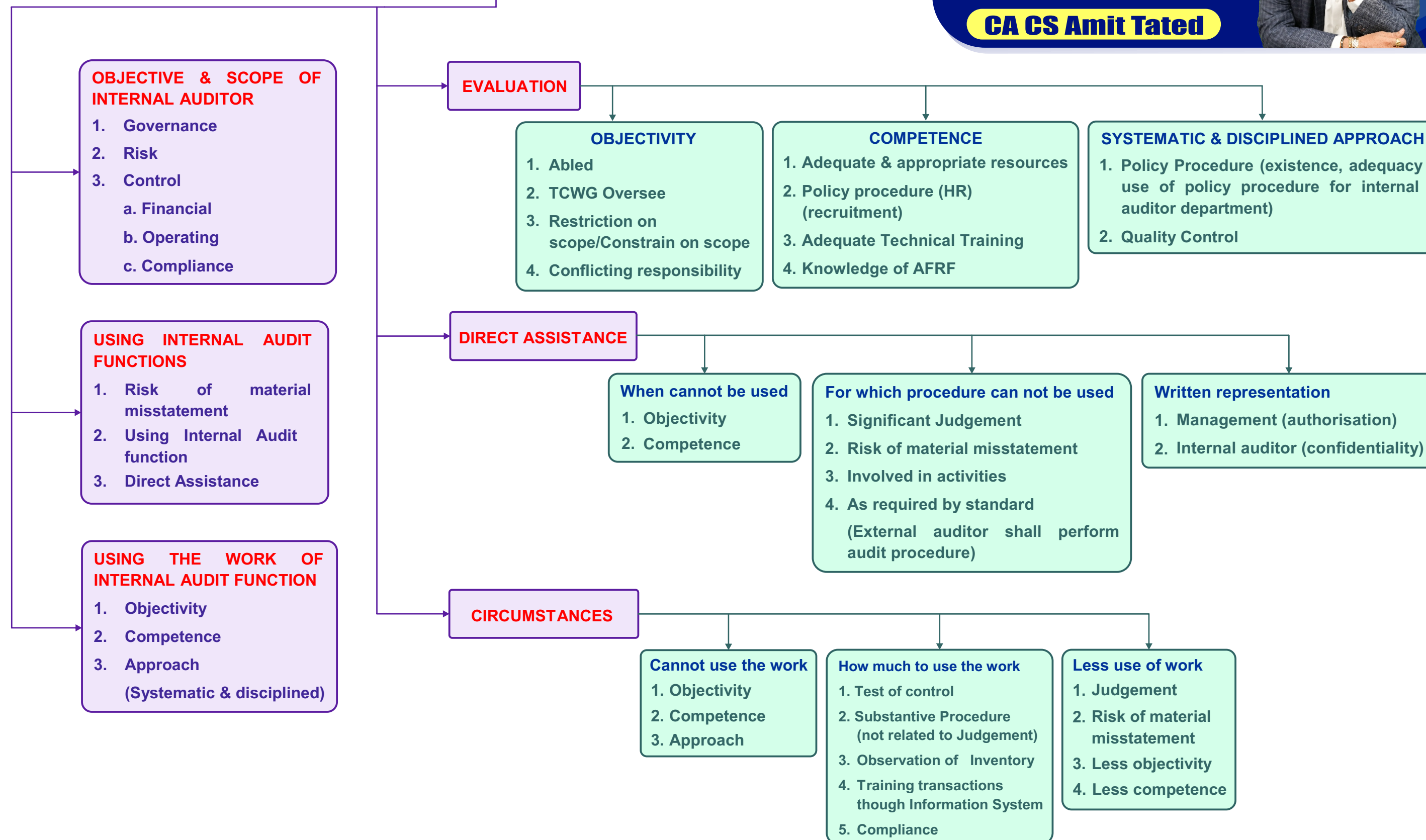
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## CHAPTER-6- AUDIT DOCUMENTATION

### SA 230 – AUDIT DOCUMENTATION

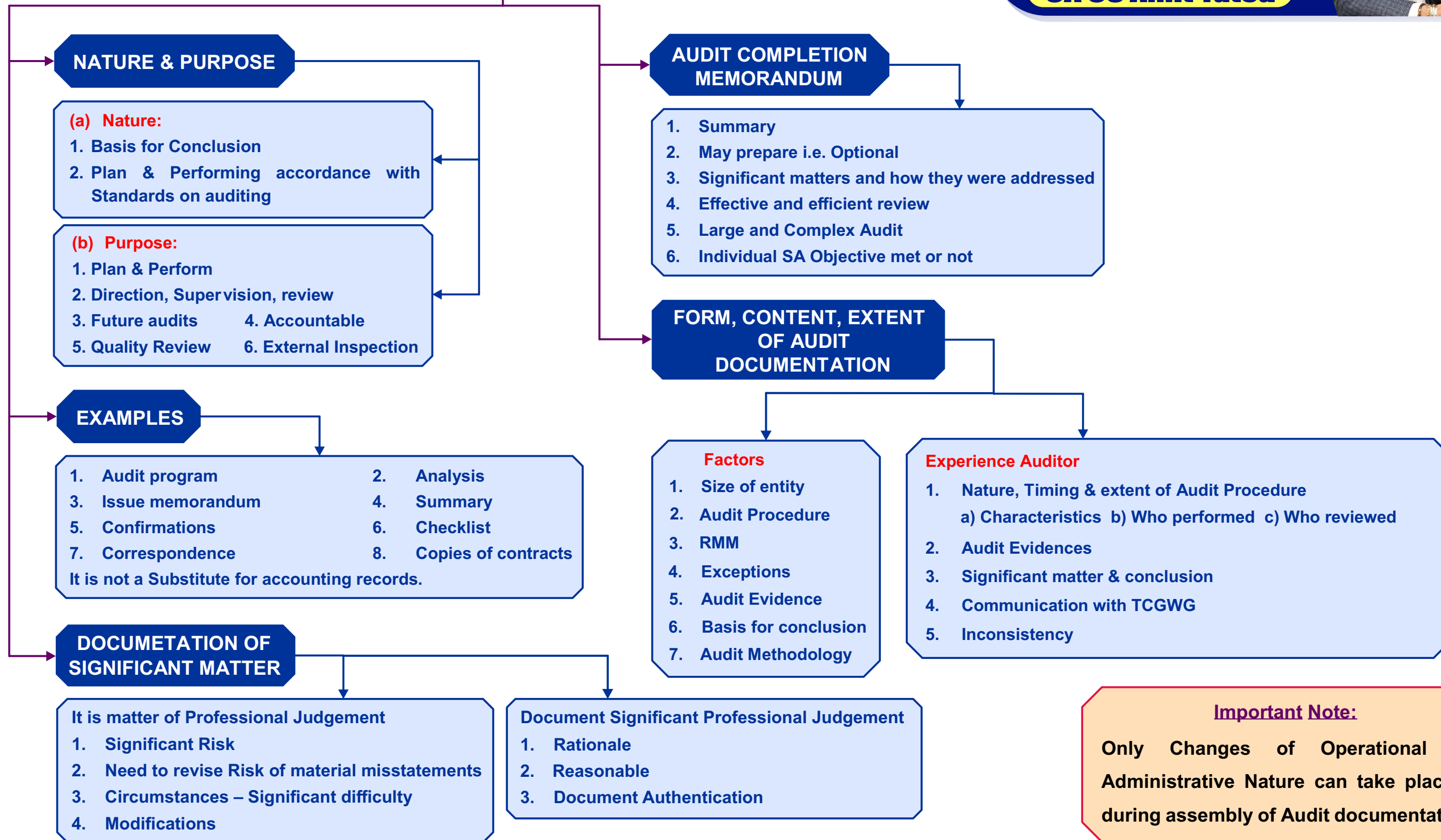
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#### Important Note:

Only Changes of Operational or Administrative Nature can take place during assembly of Audit documentation



### SA 260: COMMUNICATION WITH TCWG

**What are the matters to be communicated with those who are charged with Governance.**

1. Auditor's responsibility opinion on financial statement and management is not relived from preparation of financial statements.
2. Planned scope and Timing of Audit (overview)
3. Significant findings:
  - a. Significant qualitative aspects  
(accounting policy, estimates, disclosures)
  - b. Significant difficulties
  - c. Unless TCWG is involved in Management  
(Significant matters & written representation)
  - d. Circumstances affecting form & content of audit report
  - e. any other significant matters as per Judgement.
4. Listed Entity: Ethical Requirement & Independence

**When to Communicate:** On a timely Basis

**How to communicate:** Writer / Oral with documentation  
(Independence only written)

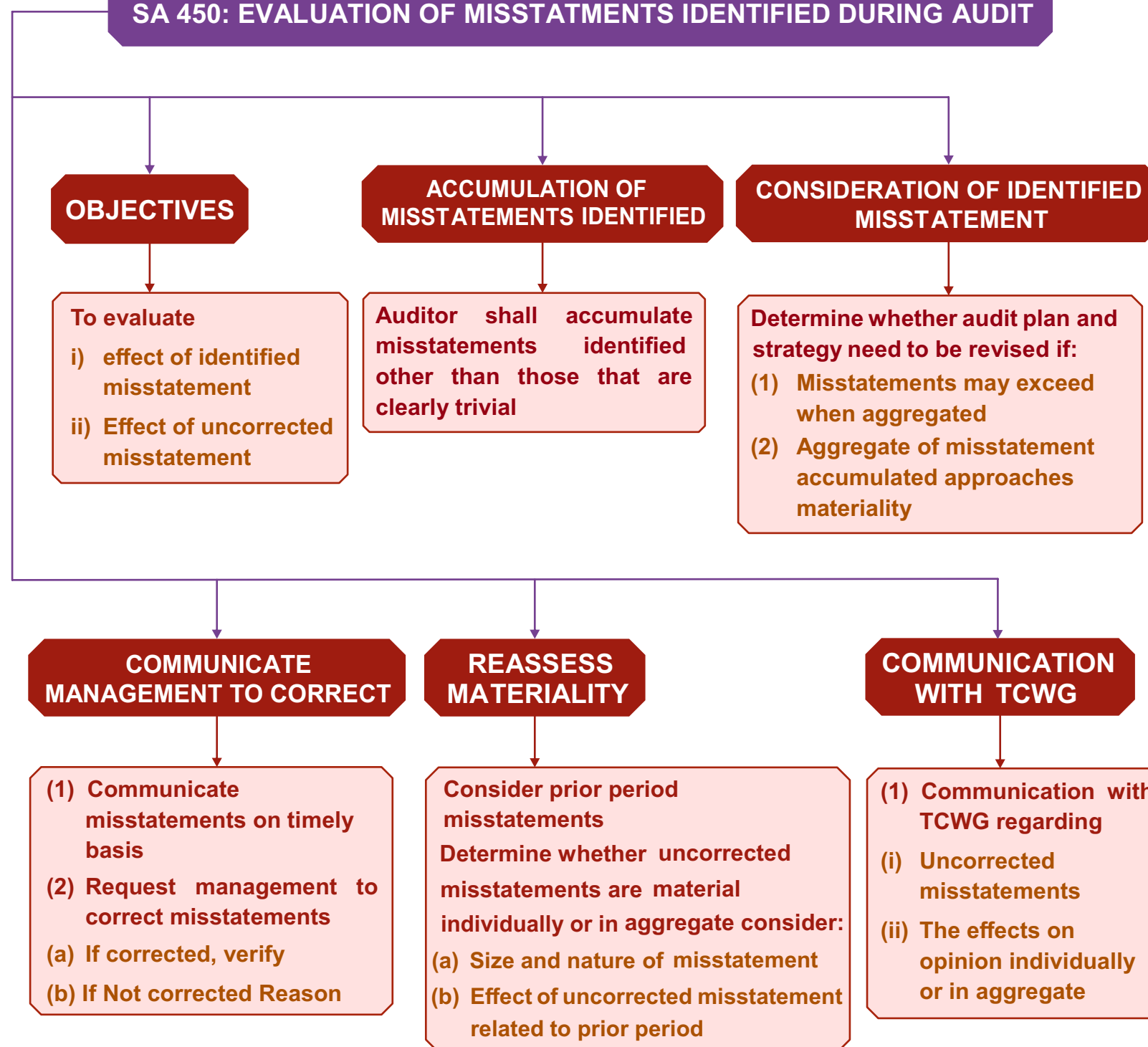
**Whom to communicate:** Those who are charged with Governance

**TCWG can be:**

- (a) Board of directors
- (b) Management (in some entities)
- (c) Legal background
- (d) Organisation structure (i.e., Trustee)
- (e) Person who appointed Auditor



### SA 450: EVALUATION OF MISSTATEMENTS IDENTIFIED DURING AUDIT



### WRITTEN REPRESENTATION

- 1) Auditor shall request a written representation from management & TCWG.
- 2) Summary of effects of uncorrected misstatement are immaterial that they believe either individually or in aggregate, to the Financial Statement as whole shall be attached

### DOCUMENTATION

- 1) Amount below which misstatement is regarded as clearly trivial
- 2) Misstatements accumulated have been corrected or not
- 3) Auditor's conclusion & basis for conclusion



## SA 560: SUBSEQUENT EVENTS

### FACTS AFTER AUDIT REPORT BUT BEFORE FINANCIAL STATEMENT ARE ISSUED

1. Discuss with management & TCWG
2. Determine → FS need to be amended
3. Inquire → How management will address
4. (A) If complete FS are revised and management approved → New audit report after management approval date with EOM  
 (B) If FS are amended → Auditor amend audit report with new procedure & issue dual date audit report with EOM
5. If Management do not revise FS, Either modify as per 705 or Notify management, not to issue report to third parties.

### FACTS AFTER FINANCIAL STATEMENTS ARE ISSUED

- Facts after Financial Statements are issued
1. Discuss with management & TCWG
  2. Determine → FS need to be amended
  3. Inquire → How management will address
    - A) Carry out Audit Procedure
    - B) Revise steps taken by management
  4. A) If complete FS are revised and management approved → New audit report after management approval date.  
 B) New audit report or amend the original audit report with EOM
  5. If Management do not revise the FS, take legal support

### AUDIT PROCEDURE FOR SUBSEQUENT EVENTS

#### TYPE

1. Type I adjusting events
2. Type II non-adjusting events

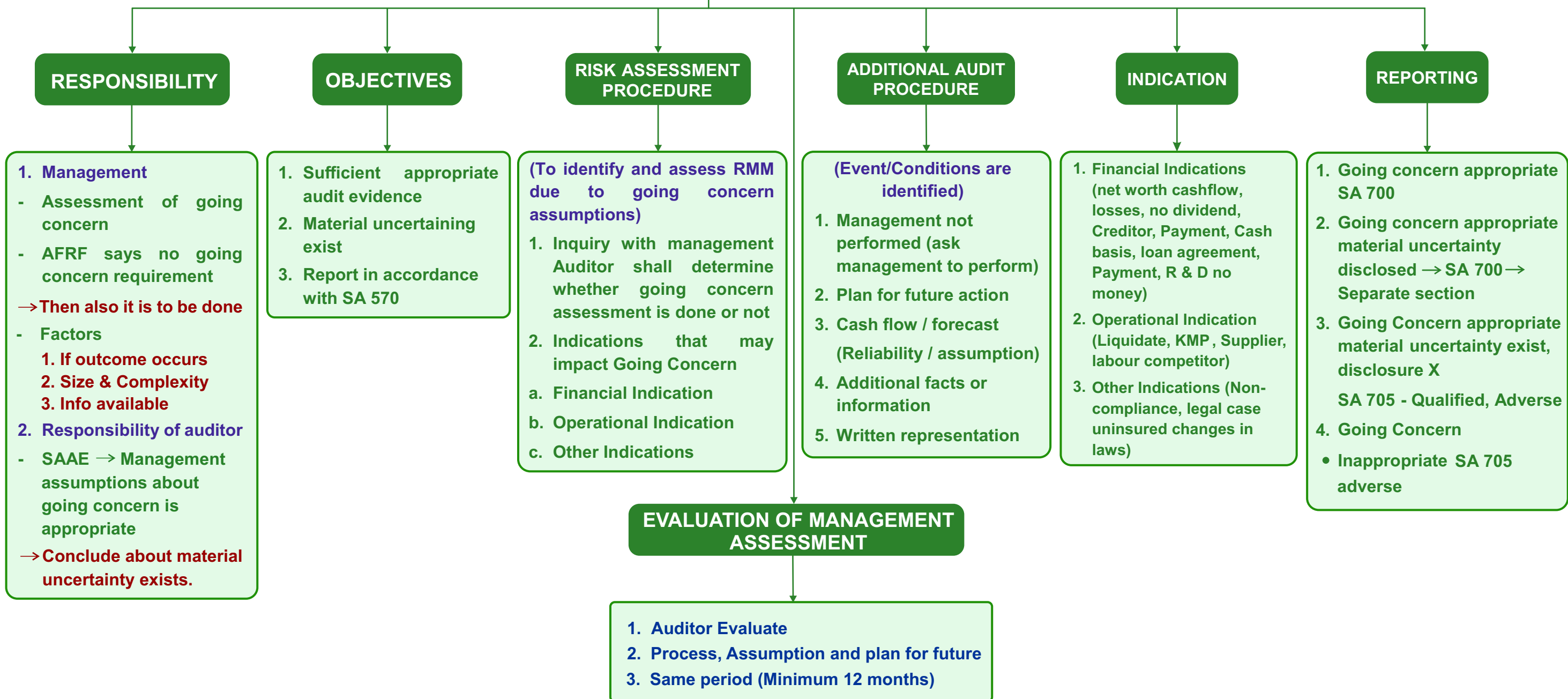
#### PROCEDURE

1. Understanding Procedures
2. Inquire with management
3. Read minutes of meetings
4. Read Interim FS, Cash flows and Budgets
5. Written representation.



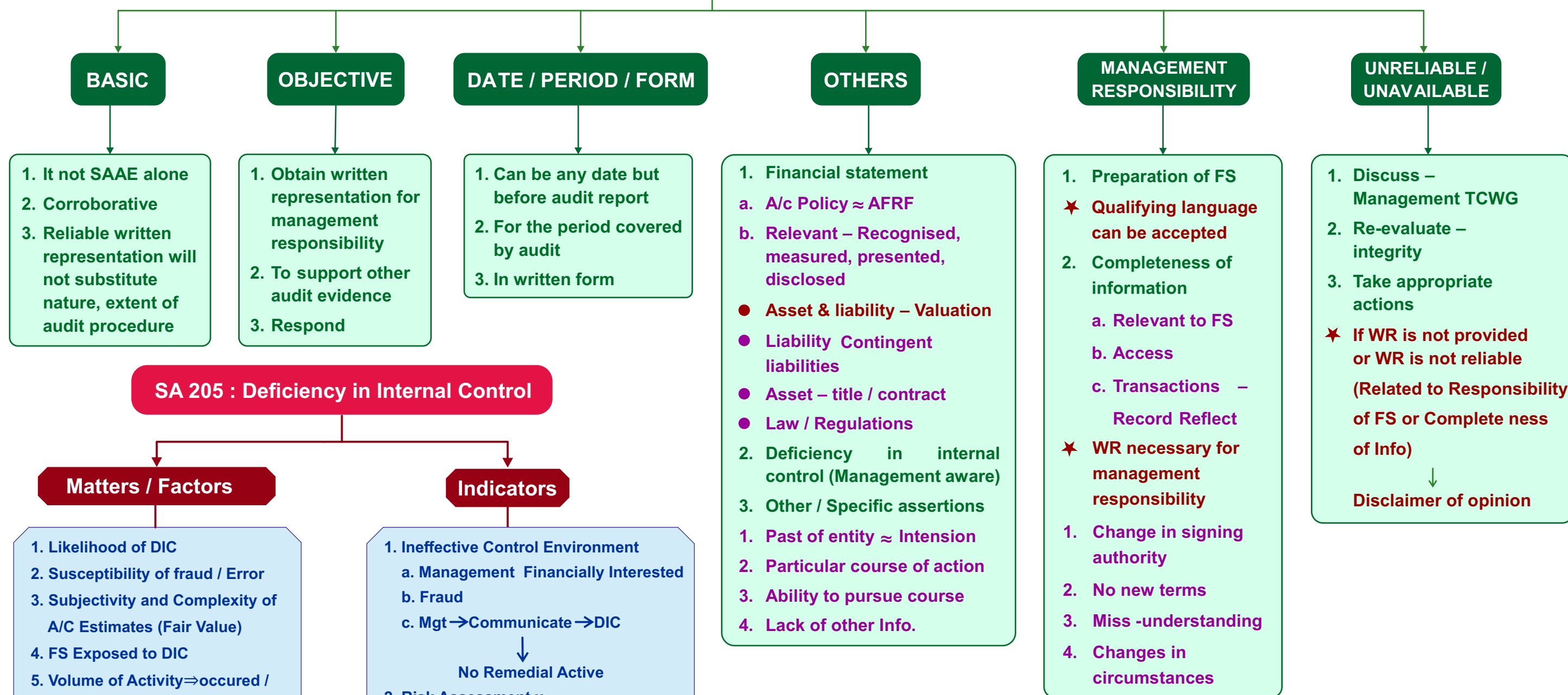


## SA 570: GOING CONCERN

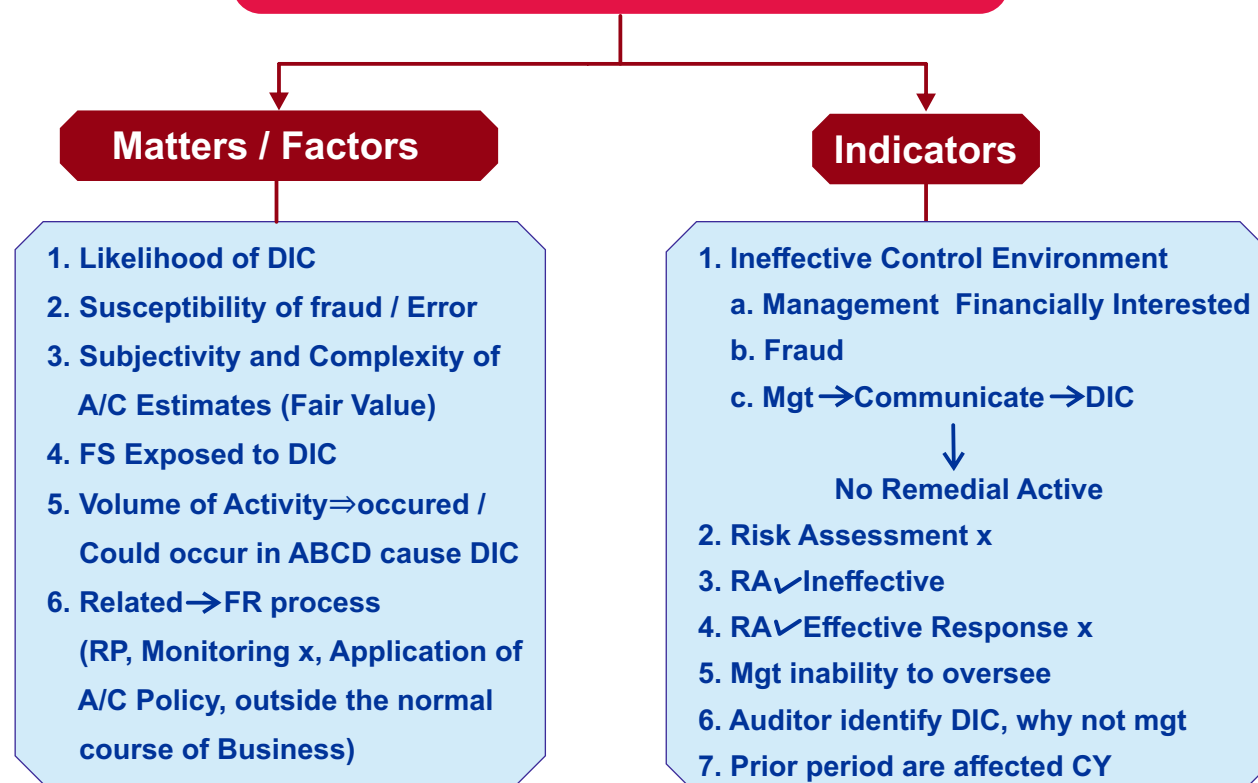




## SA 580: WRITTEN REPRESENTATION



## SA 205 : Deficiency in Internal Control



★ If Law or regulations requires management responsibility to be public in such a case WR is not required.

## CHAPTER-8- AUDIT REPORT

### SA 700: FORMING AN OPINION AND REPORT ON FINANCIAL STATEMENTS

#### OBJECTIVE

- To form an opinion
- To express opinion through written report

#### EVALUATION

##### LACK OF NEUTRALITY:

- Selective correction of misstatements
- Management bias

##### SPECIFIC EVALUATION:

1. Disclosure of Accounting Policies
2. AFRF is appropriate
3. Accounting estimates are reasonable
4. Information is relevant, reliable, comparable, and understandable
5. Material Transactions
6. Appropriate title of each financial statement

#### FACTORS FOR CONCLUSION

- Sufficient appropriate audit evidence
- Uncorrected material misstatements
- Evaluations

#### FORM OF OPINION

- Unmodified
- Modified

#### AUDIT REPORT

1. Title
  2. Addressee
  3. Opinion (Entity, Audited Financial Statements, Title, summary, Date, Opinion)
  4. Basis for opinion (Standards on Auditing, Responsibility, Ethical Requirement, SAAE)
  5. Going Concern
  6. Key Audit Matters
  7. Management responsibility (Financial Statement Internal Control, Going Concern)
  8. Auditor's Responsibility
- Section I - (Reasonable assurance, Opinion, Guarantee, Definition of Materiality)**
- Section II - ●Prof Skepticism, Prof Judgement ●RMM, ●Internal Control ●Policy estimates, disclosures, ●structure, presentation, content, ●going concern ●SA 600**
- Section III - TCWG Objective & Scope → Independence, Key audit matters**
9. Location (Within body, appendix, annexure)
  10. Other reporting
  11. Signature
  12. Place
  13. Date
- UDIN No.

### SA 705: MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPO

#### Circumstances

- Financial Statements are materially misstated
- Unable to obtain sufficient appropriate audit evidence

#### Types of Modified Opinion

1. Qualified
2. Adverse
3. Disclaimer of Opinion

#### Unable to obtain SAAE due to LOS

1. LOS → Restriction
2. Communicate with:
  - Management
  - TCWG
3. Material but not Pervasive - Qualified Opinion
4. Material & Pervasive
  - Withdraw
  - Disclaimer of Opinion
5. If withdrawn—check professional obligations

#### Pervasive

1. Not confined
2. Substantial
3. Non-disclosure

#### Disclaimer of Opinion

1. Key Audit Matter will be excluded
2. Auditor's responsibility para will not be in accordance with SA 700: Independence, Opinion, report, unable to obtain sufficient appropriate Audit evidence
3. Basis for disclaimer of opinion (para 4)
4. Opinion: We have been appointed

#### Basis for opinion (Para – 4)

##### Description for Basis Paragraph

1. Financial Statements are materially misstated
  - (a) Qualifiable: Description & Qualification
  - (b) Non-Qualifiable: Description & Mention
  - (c) Non-disclosure:- TCWG, Nature of information, SAAE, Disclosure
  - (d) Narrative disclosures explanation
2. Unable to obtain sufficient appropriate Audit evidence Reason





## SA 706: EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS

### EMPHASIS OF MATTERS

- (a) **Features**
1. Separate Section
  2. Reference to Financial statements
  3. Opinion is not modified
- (b) **Restrictions:**
1. SA 701
  2. SA 705
- (c) **Examples**
1. Contingent Liabilities
  2. Early application of AFRI
  3. Subsequent Events
  4. Major Catastrophe
- (d) **Not a Substitute for**
1. Disclosures
  2. Going Concern
  3. Modified Opinion

### OTHER MATTERS

- (a) **Features**
1. Separate heading or other reporting responsibility
  2. Laws or regulations are not prohibited
- (b) **Restrictions:**
1. SA 701
  2. Laws & Regulations
- Examples:**
1. Auditor want to resign
  2. Laws and regulation (Sec. 143)
  3. GPF, SPF – Auditor is same

### SA 701: KEY AUDIT MATTERS

#### Factors to Determine Key Audit Matters

1. Risk of material misstatements
2. Uncertainty
3. Significant Transactions

#### Key audit Matters: Not a substitute for:

1. Disclosures in financial statement
2. Going Concern (SA – 570)
3. Modified Opinion (SA – 705)
4. Not a separate opinion for individual matters.

## SA 710 : COMPARATIVE INCORMATION CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS

### DEFINITION

- (a) Corresponding Figures  
Opinion is on current year only
- (b) Comparative Financial Statement  
Opinion is on all the years.

### OBJECTIVE

- (a) Obtain SAAE about comparative information
- (b) To report as per auditor's reporting responsibility

### REPORTING RESPONSIBILITY

#### Corresponding Figures

- (a) Previous Year → Qualified, Adverse or disclaimer of Opinion (matter not resolved)  
Current Year → Modified Opinion
- (b) Previous Year → Unmodified  
Current Year → If material misstatement identified about previous Year then modified opinion for current year
- (c) Previous Year → Unaudited or audited by Predecessor auditor  
Current Year → In other matter Para:
1. Previous Year – Unaudited or predecessor auditor
  2. Opinion – Type, Reason
  3. Date of Report

#### Comparative Financial Statements

- (a) Previous Year → Modified  
Current Year → about previous year opinion may change → other matters para as per SA 706
- ↓  
Reason for change in opinion
- (b) Previous Year – Unaudited or audited by predecessor auditor current year – In other matter para:
1. Previous year – Unaudited audited by predecessor auditor
  2. Opinion – Type, Reason
  3. Date of Report

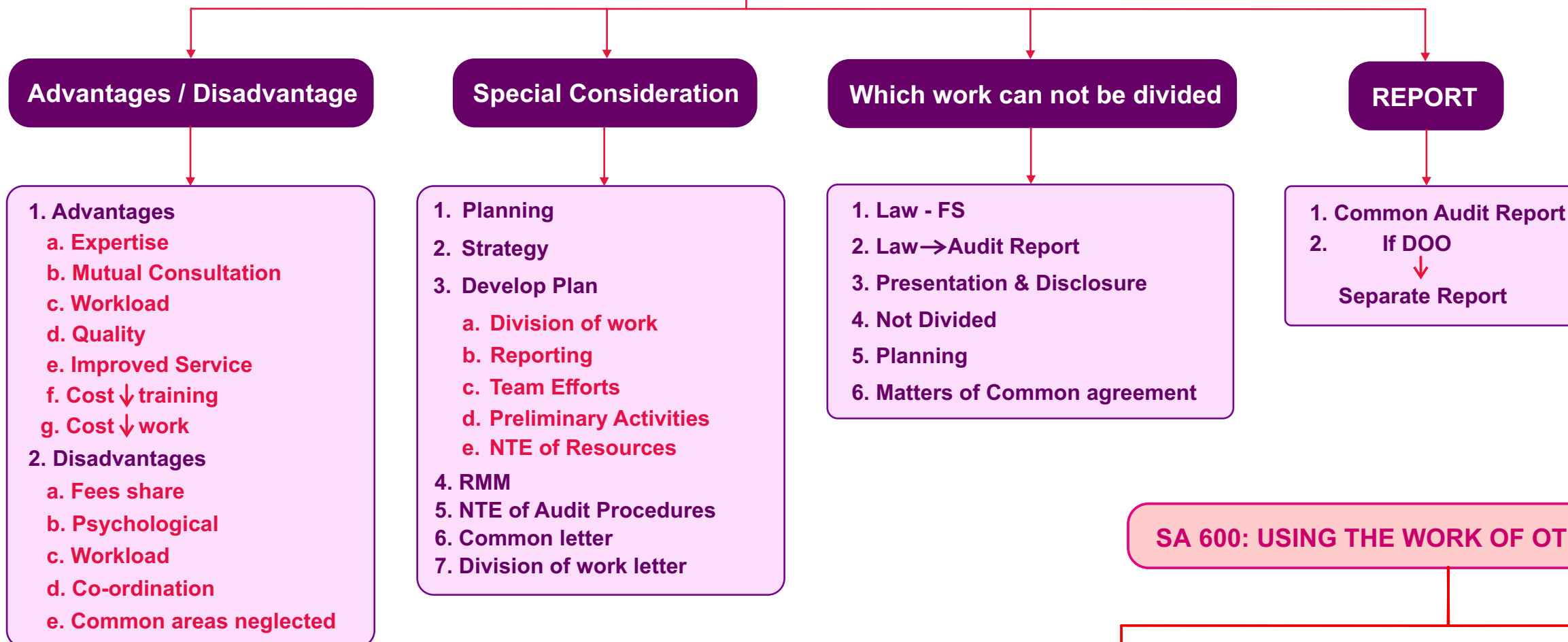
### AUDIT PROCEDURE

- (a) Opening Balance = Closing Balance
- (b) Accounting policies (consistency)
- (c) Previous Year's misstatements in current year.
- (d) Obtain written representation

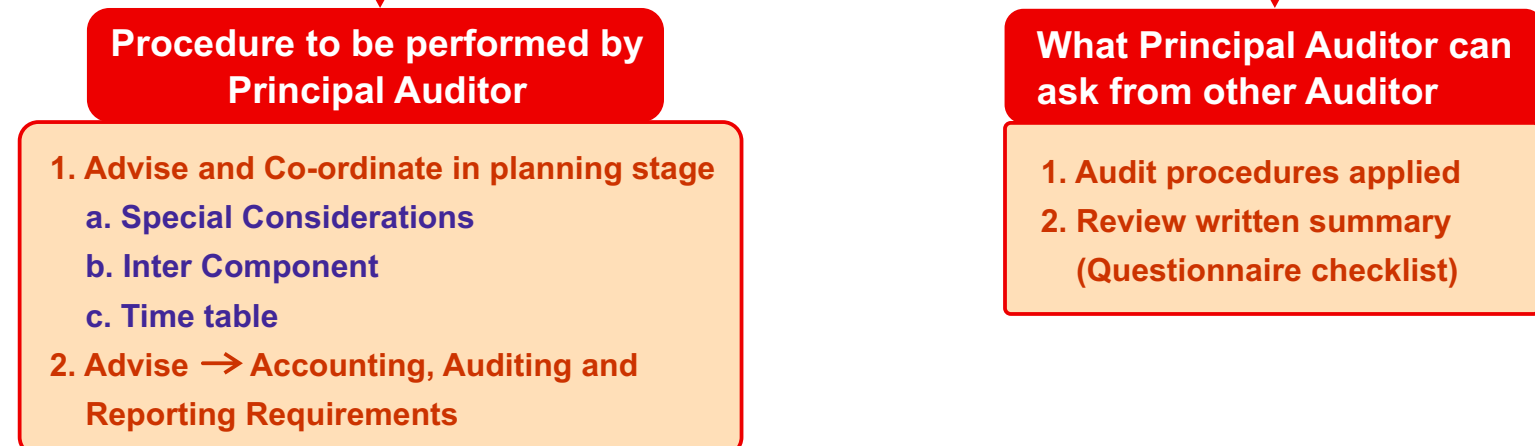




## SA 299: Joint Auditor



## SA 600: USING THE WORK OF OTHER AUDITOR





# CHAPTER-11- ETHICS AND TERMS OF AUDIT

