

CONCEPT NO

01

SA 700 FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

02

SA 701 COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

03

SA 705 MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

04

SA 706 EMPHASIS OF MATTER PARAGRAPHS & OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

05

SA 710 COMPARATIVE INFORMATION -CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL INFORMATION

06

SA 600 USING THE WORK OF ANOTHER AUDITOR

तरक्की होगी तो गिराने वाले भी होंगे
तुम तैयार रहना आजमाने वाले भी
होंगे !!!

1

SA 700 FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

<p>Scope of SA</p>	<p>It covers the following:</p> <ul style="list-style-type: none"> ➤ Auditor’s responsibility is to form an opinion on the financial statements. ➤ It explains form and content of independent auditor’s report ➤ It is framed in the context of an audit of a complete set of general-purpose financial statements prepared in accordance with general purpose framework. ➤ This SA also applies to audits for which SA 800 or SA 805 applies.
<p>Objectives of the Auditor</p>	<div style="text-align: center;"> </div> <p>Forming an opinion on the financial statements based on conclusions drawn from evidences obtained & expressing clearly that opinion through a written report.</p>
<p>General purpose framework</p>	<p>This FRF meets the common financial information needs of many users. It may be of two types:</p> <p>Fair presentation framework</p> <p>FRF that requires compliance with the requirements of FRF and acknowledges that</p> <ul style="list-style-type: none"> • Management may provide disclosures beyond those specifically required by the framework. • Management may depart from a requirement of framework to achieve fair presentation of financial statements (in very rare case). <p>Example: Financial Statements of a company.</p> <p>Compliance Framework</p> <p>FRF requiring compliance with requirements of the framework but does not contain acknowledgement as above.</p>

Reference to "Accounting Standards" in this SA includes	<p>The Accounting Standards issued by the ICAI; or</p> <ul style="list-style-type: none"> ➤ The Standards of Accounting notified by the Central Government under section 133 of the Companies Act, 2013 ; or ➤ The International Financial Reporting Standards (IFRSs); or ➤ The International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board;
Forming an opinion	<p>1) Auditor shall form an opinion as to whether the financial statements are prepared in accordance with applicable FRF. To form such an opinion, he shall obtain reasonable assurance as to whether financial statements as a whole are free from material misstatements.</p> <p>2) In forming such opinion he shall consider the following:</p> <ul style="list-style-type: none"> ◆ Sufficiency and appropriateness of audit evidences ◆ materiality of uncorrected misstatements ◆ Adequacy of disclosures in financial statements ◆ Consistency of accounting Policies with applicable FRF ◆ Reasonableness of Accounting Estimates ◆ Reliability & relevance of financial information ◆ Adequacy of disclosure of material transactions & Events ◆ Appropriateness of Terminology used in financial statements <p>3) In case of fair presentation framework, he shall also consider:</p> <ul style="list-style-type: none"> ◆ Overall presentation, structure and content of the financial statements, & ◆ Whether financial statements (including notes), represent the underlying transactions & events so as to achieve fair presentation.
Expression of opinion	<p>Unmodified opinion</p> <p>When he concludes that financial statements are prepared, in all material respects, in accordance with applicable FRF.</p> <p>Modified opinion</p> <p>When the auditor</p> <ul style="list-style-type: none"> ◆ concludes that financial statements as a whole are not free from material misstatements, or ◆ is unable to obtain sufficient and appropriate evidence to conclude that the financial statements as a whole are free from material misstatement <p>(Details of modified opinion are covered in SA 705)</p>
Auditor's Report	<p>Auditor's report for audits conducted in accordance with SA's has following basic elements:</p> <p>1) Title</p> <p>Clearly indicating that it is an "Independent Auditor's Report", So that it can be distinguished from the reports issued by others.</p>

2) Addressee - As per the circumstances, to members/TCWG. For Eg: In case of companies, it is addressed to the shareholders.

3) Auditor's Opinion - The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion."

3.1 The Opinion section of the auditor's report shall also:

- a. Identify the entity whose financial statements have been audited;
- b. State that the financial statements have been audited;
- c. Identify the title of each statement comprising the financial statements;
- d. Refer to the notes, including the summary of significant accounting policies; and
- e. Specify the date of, or period covered by, each financial statement comprising the financial statements.

3.2 While expressing unmodified opinion he shall use the following:

- a. In case of fair presentation framework

In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [the applicable FRF], or

In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable FRF].

- b. In case of compliance framework

The accompanying Financial statements are prepared in all material respects in accordance with [applicable FRF]

If the reference to the applicable FRF in the auditor's opinion is not to Accounting Standards, the auditor's opinion shall identify the origin of such other framework.

4) Basis for Opinion - The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion", that:

- a. States that the audit was conducted in accordance with Standards on Auditing;
- b. Refers to the section of the auditor's report that describes the auditor's responsibilities under the SAs;
- c. 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 in accordance with these requirements. The statement shall refer to the Code of Ethics issued by ICAI;
- d. States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

5) Going Concern

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

6) Key Audit Matters

- For audits of complete sets of general purpose financial statements of listed entities, the auditor shall communicate key audit matters in the auditor's report in accordance with Sa701.

- When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the auditor's report, the auditor shall do so in accordance with SA 701.

7) Responsibilities for the Financial Statements

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

1. Preparing the financial statements in accordance with the applicable FRF, and
2. Such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; and
3. 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.
4. The preparation of financial statements that give a true and fair view, in case of the fair presentation framework.

8) Auditor's Responsibilities for the Audit of the Financial Statements

This section of the auditor's report shall State that:

1. The objectives of the auditor are to:

- Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- Issue an auditor's report that includes the auditor's opinion.

2. State that reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists; and

3. State that misstatements can arise from fraud or error, and either:

- Describe that they are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements; or
- Provide a definition or description of materiality in accordance with the applicable FRF.

In addition to above, further description of the auditor's responsibilities for the audit of the financial statements shall also be made:

- i. Within the body of the auditor's report;
- ii. Within an appendix to the auditor's report, in which case the auditor's report shall include a reference to the location of the appendix; or
- iii. By a specific reference to the location of such a description on a website of an appropriate authority, where law, regulation or the auditing standards expressly permit the auditor to do so.

NOTE: For matter on these further responsibilities, please refer to the Illustration 1 given at end of this SA 700, wherein these further responsibilities are written in shaded material under this Section.

9) Other Reporting Responsibilities

- If the auditor addresses other reporting responsibilities in the auditor's report that are in addition to the auditor's responsibilities under the SAs, these other reporting responsibilities shall be addressed in a separate heading titled "Report on Other Legal and Regulatory Requirements".
- In case these other reporting responsibilities address the same topics as required by the SAs, the other reporting responsibilities may be presented in the same section as the related report elements required by the SAs.

10) Signature of the Auditor

- 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 his membership number assigned by ICAI.
- They also include the registration number of the firm, wherever applicable.

11) Place of Signature

The auditor's report shall name specific location.. It is ordinarily the city where the audit report is signed.

12) Date of the Auditor's Report

It can't be earlier the date on which:

All components of financial statements have been prepared, & Management/TCWG have asserted that they have taken the responsibility for those financial statements.

- If auditor's Report is Prescribed by law or regulation, then he shall refer to SA only if his report includes aforesaid elements.
- In case of audit conducted in accordance with both SA's and ISA's, then auditor's report may refer to ISA in addition to SA only if there is no conflict between requirements of both.
- When the auditor's report refers to both the IS As or the auditing standards of a specific jurisdiction and the SA issued by ICAI, the auditor's report shall clearly identify the same including the jurisdiction of origin of the other auditing standards.

Supplementary information presented with financial statements	If supplementary information is an integral part of the financial statements	The supplementary information shall be covered by the auditor's opinion.
	If supplementary information is not an integral part of the financial statements	Auditor shall evaluate whether it is clearly differentiated from the audited financial statements. If not, then he shall ask the management to change the way it is presented. If management refuses to do so, the auditor shall mention in the audit report that such supplementary information has not been audited.

2

SA 701 COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT

Key audit matters (KAM) - Meaning	Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with TCWG.
Scope of this SA	It covers the following: Auditor's judgment as to what to communicate in the auditor's report and the form and content of such communication.
purpose of communicating key audit matters (KAM)	<ul style="list-style-type: none"> ❖ It enhances the communicative value of the auditor's report by providing greater transparency about the audit. ❖ It provides additional information to intended users of the financial statements to assist them in understanding those matters that, in the auditor's professional judgment, were of most significance in the audit. ❖ It assist intended users in understanding the entity and areas of significant management judgment in the audited financial statements.
Communicating KAM in the auditor's report is not	<ul style="list-style-type: none"> ❖ A substitute for disclosures in the financial statements that the applicable FRF requires or that are necessary to achieve fair presentation; ❖ A substitute for the auditor expressing a modified opinion when required in accordance with SA 705 (Revised); ❖ A substitute for reporting in accordance with SA 570 (Revised) when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern; or ❖ A separate opinion on individual matters.
Applicability	<p>This SA applies to:</p> <ul style="list-style-type: none"> ❖ Audits of complete sets of general purpose financial statements of listed entities. ❖ Circumstances when the auditor otherwise decides to communicate KAM in the auditor's report. ❖ When the auditor is required by law or regulation to communicate KAM in the auditor's report. <p>However, SA 705 (Revised) prohibits the auditor from communicating KAM when the auditor disclaims an opinion, unless such reporting is required by law or regulation.</p>
Objectives of the Auditor	To determine key audit matters (KAM) and, having formed an opinion on the financial statements, communicate those matters by describing them in the auditor's report.
Determining Key Audit Matters	<p>The auditor shall determine, from the matters communicated with TCWG, those matters that required significant auditor attention in performing the audit.</p> <p>In making this determination, the auditor shall take into account the following:</p> <ul style="list-style-type: none"> ❖ Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SA 315.

	<ul style="list-style-type: none"> ❖ Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates having high estimation uncertainty. ❖ The effect on the audit of significant events or transactions that occurred during the period.
Communicating KAM	<p>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,"</p> <p>The introductory language in this section of the auditor's report shall state that:</p> <ul style="list-style-type: none"> ❖ Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements [of the current period]; and ❖ These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.
KAM Not a Substitute for Expressing a Modified Opinion	<p>The auditor shall not communicate a matter in the Key Audit Matters section of the auditor's report when the auditor would be required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter.</p>
Descriptions of Individual KAM	<p>The description of each KAM in the KAM section of the auditor's report shall include a reference to the related disclosure(s), if any, in the financial statements and shall address:</p> <ul style="list-style-type: none"> ❖ Why the matter was considered to be one of most significance in the audit and therefore determined to be a KAM; and ❖ How the matter was addressed in the audit.
Matter Determined to Be a KAM, still Not Communicated in the Auditor's Report	<p>The auditor shall describe each key audit matter in the auditor's report unless:</p> <ul style="list-style-type: none"> ❖ Law or regulation precludes public disclosure about the matter; or ❖ In extremely rare circumstances, the auditor determines that the adverse consequences of communicating the matter would reasonably be expected to outweigh the public interest benefits. This shall not apply if the entity has publicly disclosed information about the matter.
Interaction between KAM and Other Elements in the Auditor's Report	<p>A matter giving rise to a modified opinion in accordance with SA 705 (Revised), or a material uncertainty related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with SA 570 (Revised), are by their nature key audit matters.</p> <p>However, in such circumstances, these matters shall not be described in the KAM section of the auditor's report. Rather, the auditor shall:</p> <ul style="list-style-type: none"> ❖ Report on these matter(s) in accordance with the applicable SA(s); and ❖ Include a reference to the Basis for Qualified (Adverse) Opinion or the Material Uncertainty Related to Going Concern section(s) in the KAM section.

Form & Content of the KAM Section in Other Circumstances	<p>If the auditor determines that there are no key audit matters to communicate or that the only key audit matters communicated are those matters addressed by above paragraph, the auditor shall include a statement to this effect in a separate section of the auditor's report under the heading "Key Audit Matters."</p> <p>The following illustrates the presentation in the auditor's report if the auditor has determined there are no key audit matters to communicate:</p> <p>Key Audit Matters</p> <p>[Except for the matter described in the Basis for Qualified (Adverse) Opinion section or Material Uncertainty Related to Going Concern section,] We have determined that there are no [other] key audit matters to communicate in our report.</p>
Communication with TCWG	<p>The auditor shall communicate with those charged with governance: Those matters the auditor has determined to be the key audit matters; or the auditor's determination that there are no key audit matters to communicate in the auditor's report.</p>
Documentation	<ul style="list-style-type: none"> ◆ The matters that required significant auditor attention and the rationale for the auditor's determination as to whether or not each of these matters is a KAM; ◆ Where applicable, the rationale for the auditor's determination that there are no KAM to communicate in the auditor's report; and ◆ Where applicable, the rationale for the auditor's determination not to communicate in the auditor's report a matter determined to be a KAM.

Differences between KAM. & EOM

KAM	EOM
SA-701 - not mandatory for all clients	705 for all (on client, KAM is not required then EOM can only be there in audit report)
KAM - Considered to be most significant by auditor	EOM - for user's understanding
Disclosure may or may not be made by management in financial statement (If made - the referred in KAM)	Regarding matter for which disclosure has already been made in f.st. (To be referred to in EOM)
Not as such, KAM may be w.r.t financial statement related matter or other matters	Pertains to a financial statement related matter only

If in KAM - Not in EOM

If in KAM- Not in OM

3

SA 705 MODIFICATIONS TO THE OPINION
IN THE INDEPENDENT AUDITOR'S REPORT

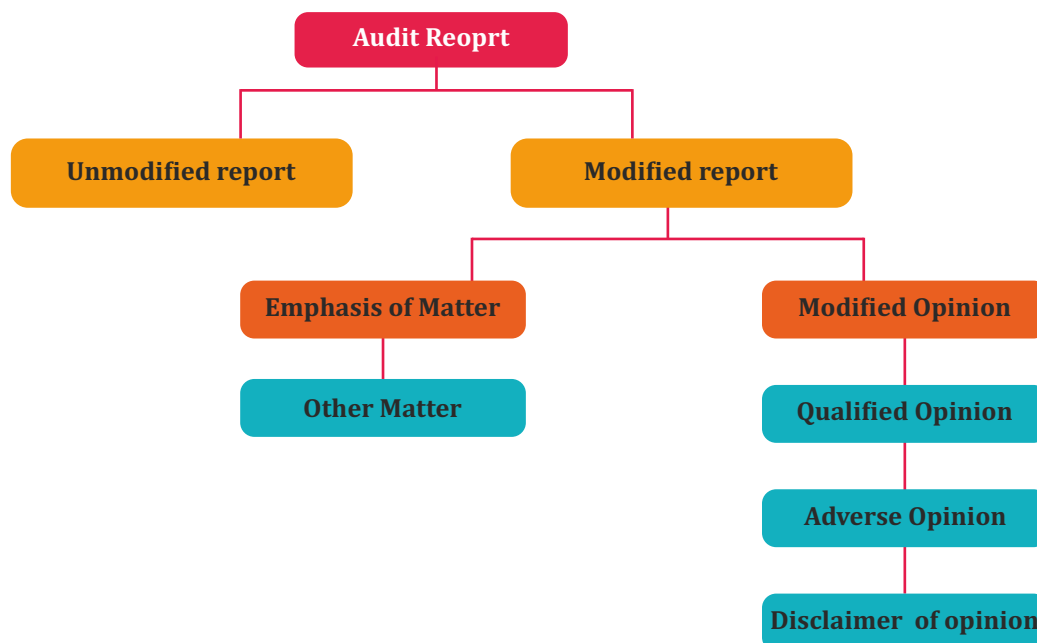
Objective of the auditor	<p>To express clearly an appropriately modified opinion on the financial statements when the auditor:</p> <p>(a) Concludes, based on the evidences obtained that the financial statements as a whole are not free from material misstatements, or</p> <p>(b) Is unable to obtain sufficient and appropriate evidences to conclude that financial statements as a whole are free from material misstatements.</p>
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Types of modified opinion

There are three types of modified opinions, namely-

1. A qualified opinion
2. An adverse opinion
3. A disclaimer of opinion

Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements are material, but not pervasive.	The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive.	The auditor shall disclaim an opinion when he is unable to obtain sufficient appropriate audit evidence and he concludes that the possible effects on the financial statements of undetected misstatements could be both material and pervasive.



Determining type of modification

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

WHAT IS PERVASIVE?

Definition of Pervasive - A term used, in the context of misstatements, to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence.

Pervasive effects on the financial statements are those that, in the auditor's judgment:

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

Determining the Type of Modification to the Auditor's Opinion in Detail

Qualified Opinion	<p>The auditor shall express a qualified opinion when:</p> <p>The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or</p> <p>The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.</p>
Adverse Opinion	<p>The auditor shall express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.</p>
Disclaimer of Opinion	<p>The auditor shall disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, could be both material and pervasive.</p> <p>The auditor shall disclaim an opinion when, in extremely rare circumstances involving multiple uncertainties, the auditor concludes that, notwithstanding having obtained sufficient appropriate audit evidence regarding each of the individual uncertainties, it is not possible to form an opinion on the financial statements due to the potential interaction of the uncertainties and their possible cumulative effect on the financial statements.</p>

Form & Content of auditor's report in case of modified opinion

1) Auditor's Opinion

When the auditor modifies the audit opinion, the auditor shall use the heading "Qualified Opinion," "Adverse Opinion," or "Disclaimer of Opinion," as appropriate, for the Opinion section.

2) "Basis for modified opinion"

- ❖ Amend the heading "Basis for Opinion" required by SA 700 (Revised) to "Basis for Qualified Opinion," "Basis for Adverse Opinion," or "Basis for Disclaimer of Opinion," as appropriate.
- ❖ Within this section, include a description of the matter giving rise to the modification.
- ❖ The auditor shall include in the Basis for Opinion section a description and quantification of the financial effects of the misstatement, unless impracticable.
- ❖ If it is not practicable to quantify the financial effects, the auditor shall so state in this section.
- ❖ If there is a material misstatement of the financial statements that relates to narrative disclosures, the auditor shall include in the Basis for Opinion section an explanation of how the disclosures are misstated
- ❖ If there is a material misstatement that relates to the non- disclosure of information, the auditor shall:
 - Discuss the non-disclosure with TCWG;
 - Describe in the Basis for Opinion section the nature of the omitted information; and
 - Unless prohibited by law or regulation, include the omitted disclosures, if practical and the auditor has obtained sufficient appropriate audit evidence about the omitted information.
- ❖ If the modification results from an inability to obtain sufficient appropriate audit evidence, the auditor shall include in the Basis for Opinion section the reasons for that inability.

3) Wordings of Qualified opinion

In the auditor's opinion, except for the effects of matter described in the "Basis for qualified opinion" section,

- a) The financial statements present fairly, in all material respects (or give a true & fair view) in accordance with fair presentation framework, or
- b) The financial statements have been prepared in all material respects, in accordance with compliance framework.

(Note: in case of Qualified opinion due to inability to obtain evidences the word "effects" shall be substituted by "possible effects")

4) Wordings of adverse opinion

"In the auditor's opinion because of significance of matters described in the basis for adverse opinion section,

- (a) The financial statements do not present fairly (or give a true & fair view) in accordance with the fair presentation framework; or
- (b) The financial statements have not been prepared, in accordance with compliance framework."

	<p>5) Wordings of disclaimer of opinion</p> <p>When the auditor disclaims an opinion due to an inability to obtain sufficient appropriate audit evidence, the auditor shall:</p> <p>(a) State that the auditor does not express an opinion on the accompanying financial statements;</p> <p>(b) 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 sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements; and</p> <p>(c) Amend the statement required by SA 700 (Revised), which indicates that the financial statements have been audited, to state that the auditor was engaged to audit the financial statements.</p>
<p>Description of auditor's responsibility</p>	<p>In case of qualified / adverse opinion</p> <p>State that auditor has obtained sufficient & appropriate evidences to provide a basis for auditor's modified opinion</p> <p>In case of disclaimer of opinion</p> <p>Auditor responsibility is to express an opinion on the financial statements, based on conducting the audit as per SA issued by ICAI. However, Auditor were not able to obtain sufficient & appropriate evidences.</p> <p>to include only the following:</p> <ol style="list-style-type: none"> A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with SA 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 financial statements; and The statement about auditor independence and other ethical responsibilities required by SA 700 (Revised). <p>Considerations When the Auditor Disclaims an Opinion</p> <p>Unless required by law or regulation, when the auditor disclaims an opinion on the financial statements, the auditor's report shall not include a Key Audit Matters section in accordance with SA 701.</p>
<p>Communication with TCWG</p>	<p>In case he expects to modify his opinion, Auditor shall communicate the circumstances & proposed wordings</p>

4

SA 706 EMPHASIS OF MATTER PARAGRAPHS & OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

Objective of the auditor	To draw user's attention by way of additional communication in the auditor's report, to <ul style="list-style-type: none"> ❖ Matter appropriately incorporated in the financial statements, that is of such importance that it is fundamental to user's understanding of financial statements; or ❖ Any other matter (other than those in financial statements) relevant to users or auditor's responsibility or his report.
"Emphasis of matter" Para	
Meaning	Para which refers to a matter appropriately incorporated in the financial statements that is of such importance that it is fundamental to user's understanding of financial statements.
In audit report	the auditor shall include an Emphasis of Matter paragraph in the auditor's report provided: <ol style="list-style-type: none"> 1. The auditor would not be required to modify the opinion in accordance with SA 705 (Revised) as a result of the matter; and 2. When SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor's report.
Heading	"Emphasis of matter"
It includes	Clear reference to the matter being emphasised; and where exactly it can be found in the financial statements.
Clarification by auditor	That audit opinion is not modified in respect of the matter emphasised.
Examples where EOM may be necessary	<ul style="list-style-type: none"> ❖ An uncertainty relating to the future outcome of 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.
Drafting	<p>Emphasis of Matter</p> <p>We draw attention to Note X to the financial statements which describes the uncertainty related to the outcome of the lawsuit filed against the Company by XYZ Company. Our opinion is not qualified in respect of this matter.</p>

“Other matter” Para	
Meaning	Para relating to matter other than those in financial statements which is relevant to user’s understanding or auditor’s responsibility or his report.
In audit report	The auditor shall include an Other Matter paragraph in the auditor’s report, provided: <ul style="list-style-type: none"> ❖ This is not prohibited by law or regulation; and * When SA 701 applies, the matter has not been determined to be a key audit matter to be communicated in the auditor’s report.
Heading	“Other Matter”
Examples where it is necessary	Reporting on more than one set of financial statements <p>An entity may prepare one set of financial statements in accordance with a general purpose framework (e.g., IND AS) and another set of financial statements in accordance with another general purpose framework (e.g., IFRS), the auditor may include an Other Matter paragraph in the auditor’s report, that another set of financial statements has been prepared by the same entity in accordance with another general purpose framework and that the auditor has issued a report on those financial statements.</p> <p>Restriction on distribution or use of the auditor’s report</p> <p>When Financial statements are prepared for a specific purpose, the auditor may consider it necessary to include an Other Matter paragraph, stating that the auditor’s report is intended solely for the intended users, and should not be distributed to or used by other parties.</p>
SAs Containing Requirements for Other Matter Paragraphs	<ul style="list-style-type: none"> ❖ SA 560, Subsequent Events ❖ SA 710, Comparative Information—Corresponding Figures and ❖ Comparative Financial Statements ❖ SA 720. The Auditor’s Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements
Communication with TCWG	If auditor expects to include an EOM or OM paragraph, he shall communicate the same to TCWG.


STUDENT NOTES

5

SA 710 COMPARATIVE INFORMATION -CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL INFORMATION

"Comparative financial statements"	Comparative information where amounts and other disclosures for the prior period are included for comparison with the financial statements of the current period but, if audited, are referred to in the auditor's opinion.
"Corresponding figures"	Comparative information where amounts and other disclosures for the prior period, are included as an integral part of current period financial statements, and are intended to be read only in relation to the amounts and other disclosures relating to the current period.
Audit reporting (difference between two approaches)	Comparative financial statements: Auditor's Opinion refers to each period for which financial statements are presented, Corresponding Figures: Auditor's Opinion on financial statements refers to current period only.
Considerations of other SA	If prior period financial statements are audited by another auditor /unaudited: Also apply revised SA 510 to audit of opening balances. If auditor had audited the prior period financial statements, then SA 560 (revised) "Subsequent Event" also applies
Audit procedures	
Determine as to whether	Financial statements include Comparative information required by FRF, & Such information is classified appropriately
Evaluate whether	Comparative information agrees with the amounts other disclosures presented in the prior period; and Accounting policies reflected in the comparative information are consistent with those applied in the current period. Changes in accounting policies, if any, have been properly accounted for and disclosed.
Professional skepticism	In case there is a doubt of Material Misstatement in comparative information, he shall perform additional audit procedures to obtain sufficient appropriate audit evidence regarding existence of material misstatement.
Obtain WR	For all periods referred to in his opinion. Also, for any prior period item separately disclosed in current year's profit and loss statement
Prior period financial statements	
Audited by another auditor	Auditor shall state in OTHER MATTERS PARA: <ul style="list-style-type: none"> • That financial statements of prior period were audited by predecessor auditor • Type of opinion expressed by him (reasons for modifications, if any). • Date of that report.

	<p>In case, prior period financial statements contain material misstatements (not reflected in previous audit report):</p> <ul style="list-style-type: none"> • Communicate misstatement to TCWG and Management. • Request that predecessor auditor be informed.
Are Unaudited	<p>Auditor shall state in OTHER MATTERS PARA that corresponding financial statements are unaudited.</p> <p>(note: this statement does not relieve the auditor from need to obtain evidences that opening balances do not contain misstatements affecting current financial statements)</p>
Reporting - comparative financial statements	<p>Audit opinion to refer to each period for which financial statements are presented and on which opinion is expressed. If opinion on prior period financial statements expressed in current period is different from opinion expressed in the relevant prior period, give reason for difference in Other Matter Para. (As per SA 706)</p>
Reporting - corresponding figures	<p>Audit opinion shall not refer to corresponding figures, EXCEPT:</p> <p>(1) When Auditor's report in prior period financial statements was modified & the subject matter is still unresolved (Modify opinion on current period's financial statements)</p> <p>(2) When auditor obtains audit evidence w.r.t. existence of material misstatement in prior period financial statements on which unmodified opinion was issued, and misstatement has not been dealt as required by applicable FRF. (qualified / adverse opinion on current financial statements w.r.t. Corresponding figures)</p>

INDEPENDENT AUDITOR'S REPORT

Qualified Opinion: We have audited the accompanying financial statements of ABC Company, which comprise the balance sheet as at March 31, 20X1, & the statement of profit and loss, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section, the financial statements give a true and fair view of the state of affairs of the Company as of March 31, 20X1, & of its results of operations & its cash flows for the year then ended in accordance with the Accounting Standards.

Basis for Qualified Opinion: As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which constitutes a departure from the Accounting Standards. This is the result of a decision taken by management at the start of the preceding financial year and caused us to qualify our audit opinion on the financial statements relating to that year. Based on the straight-line method of depreciation and annual rates of 5% for the building and 20% for the equipment, the loss for the year should be increased by Rs. XXX in 20X1 and Rs. XXX in 20X0, property, plant and equipment should be reduced by accumulated depreciation of Rs. XXX in 20X1 and Rs. XXX in 20X0, and the accumulated loss should be increased by Rs. XXX in 20X1 and Rs. XXX in 20X0.

INDEPENDENT AUDITOR'S REPORT

Opinion : We have audited the accompanying financial statements of ABC Company Limited ("the Company"), which comprise the balance sheet as at March 31, 20X1, and the statement of profit and loss, and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the state of affairs of the Company as of March 31, 20X1, and of its results of operations and its cash flows for the year then ended in accordance with the Accounting Standards.

Other Matters : The financial statements of the Company for the year ended March 31, 20x0. Were audited by another auditor who expressed an unmodified opinion on those statements on June 30. 20x0.

Illustration Relevant extract of report in case of Comparative financial statements when Auditor's Report on Prior Period as previously issued includes a qualified opinion and matter still unresolved.

Comparative financial Statements	Corresponding Figures
→ Refer to each period → give opinion on each period and OM para, only if his opinion is different from the opinion expressed in last year's audit report.	→ Refer to last year's corresponding figures only when last year's Audit Report was (i) Modified but the matter is still unresolved. (ii) Unmodified still auditor finds misstatements not adjusted/ disclosed by the management.

UDIN

It was noticed that financial documents/certificates attested by third person misrepresenting themselves as CA Members were misleading the Authorities and Stakeholders, ICAI also received number of complaints of signatures of CAs being forged by non CAS. To curb the malpractices, the Professional Development Committee of ICAI implemented in phased manner as innovative concept of UDIN i.e. Unique Documents Identification Number. All Certificates were made mandatory with effect from 1st February, 2019 as per the Council decision taken at its 379th Meeting held on 17th-18th December, 2018.

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.

STUDENT NOTES



6

SA 600 USING THE WORK OF ANOTHER AUDITOR

Component	Any branch, division, subsidiary, joint venture or associates, etc., whose financial information is used in the financial statements of client
Principal auditor	Auditor of client.
Another auditor	Auditor of component of client.
Applicability	This standard is applicable to material components, w.r.t. financial statements as a whole. Not applicable to Joint Auditors and Predecessor Auditors
Factors to be considered while accepting the position of principal auditor	<ol style="list-style-type: none"> the materiality of the portion of the financial information which the principal auditor audits; the principal auditor's degree of knowledge regarding the business of the components; the risk of material misstatements in the financial information of the components audited by the other auditor; and the performance of additional procedures as set out in this SA regarding the components audited by other auditor resulting in the principal auditor having significant participation in such audit.
Consideration by principal auditor	<ol style="list-style-type: none"> Principal auditor is entitled to rely upon another auditor, provided he exercised due skill and care and there is nothing to doubt. Principal auditor should advise another auditor regarding - <ol style="list-style-type: none"> Use to be made of his report. Areas requiring special consideration. Time table for completion of audit. Significant accounting, auditing and reporting requirement. Principal auditor should ask another auditor regarding any limitation on his work. Auditor should consider his findings. He may discuss with him and branch officials. Principal auditor may require another auditor to submit questionnaire w.r.t. work performed by him. Principal auditor may require supplement tests to be performed by; a. another auditor; or b. himself. In case of foreign component, he should consider another auditor's qualification and experience. If there is modification in another auditors report then, Principal auditor should consider whether modification in his report is required.

Role of auditor of parent company (All points from “Consideration by principal auditor”)	<ol style="list-style-type: none"> Consider the professional competence of other Auditor, if Other Auditor is not a member of ICAI. Visit component and examine books of account, if essential. Obtain sufficient appropriate evidence, that work of other Auditor is adequate for Principal Auditor’s purposes. Discuss audit procedures applied by other Auditor. Review a written summary of Other Auditor’s procedures and findings through questionnaires/ checklist. Consider significant findings of Other Auditor & discuss with other Auditor. Perform supplemental tests if necessary.
Role of auditor of subsidiary company	<ol style="list-style-type: none"> Adhering to time-table. Bringing to the attention of Principle auditor any significant finding. Compliance with relevant statutory requirements. Respond to detailed questionnaire.
Co-ordination	<p>Another auditor should also share important information with principal auditor and properly coordinate with him</p>
Documentation by principal auditor	<ol style="list-style-type: none"> Components audited by another auditor; Audit procedures adopted and evidence obtained; Conclusion that particular component is not material; Manner of dealing with modification in another auditor’s report,
Reporting by principal auditor	<p>Principal auditor should Qualify / Disclaim his audit report if he</p> <p>Can’t use another auditors work procedures.</p> <p>Can’t be able to perform sufficient additional & procedures.</p> <p>There should be statement of division of responsibility in Principal Auditor’s Audit report by showing extent to which financial statement of component audited by another auditor has been included in financial statement of entity.</p>


STUDENT NOTES