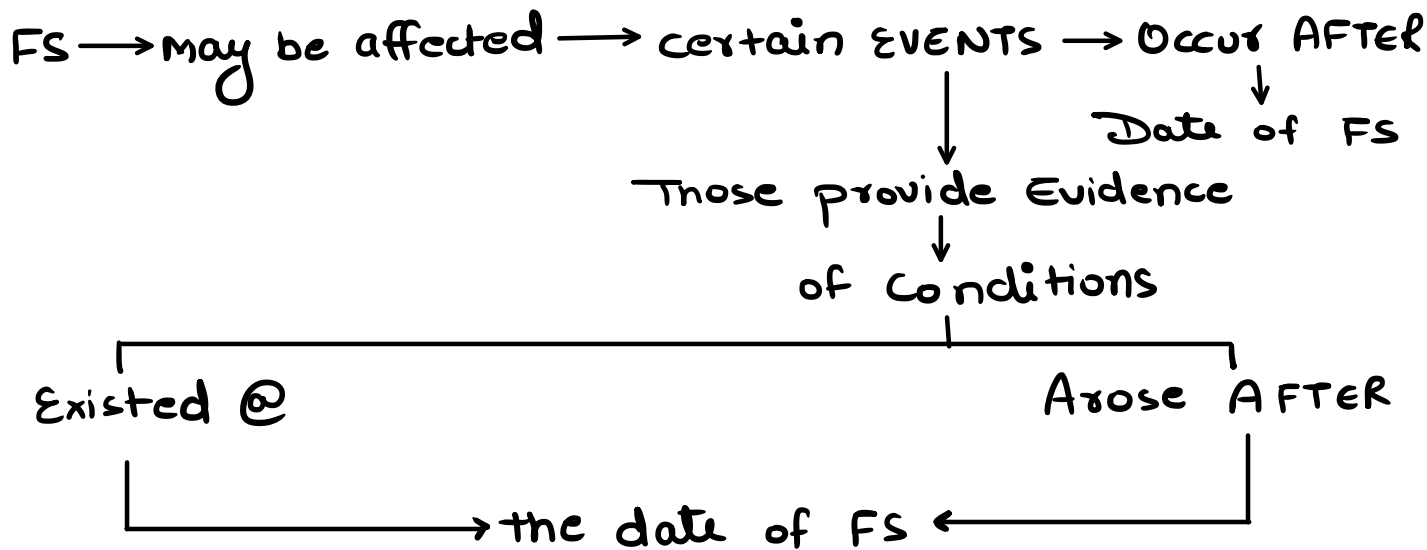


Events Occurring b/w → The date of F.S. → The date of Auditor's Report
+
Facts that became known to Auditor → After the date of Auditor's Report



EXAMPLES

① Declaration of Insolvency
of a Major Debtor

Evidence of Recoverability on
Date of FS.

② Settling Legal Claim

Reduced Amount

Provision already made on
FS

① Issue of NEW
Sh. Capital

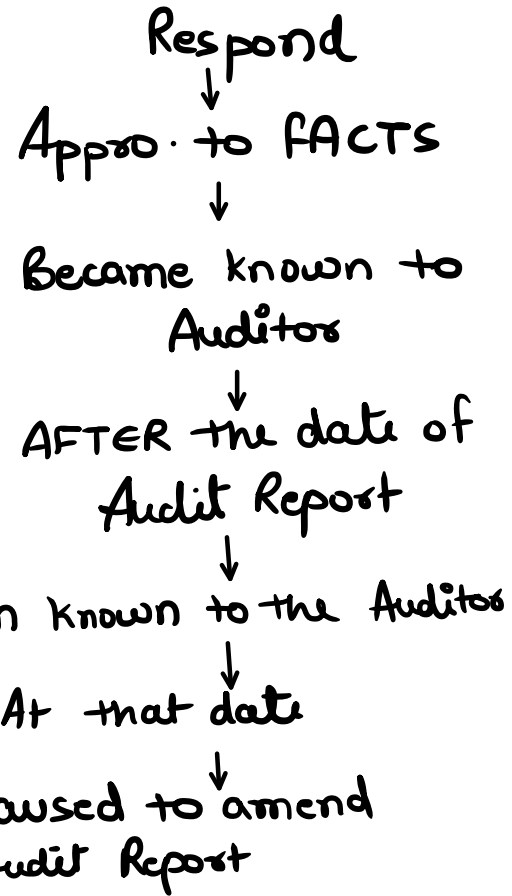
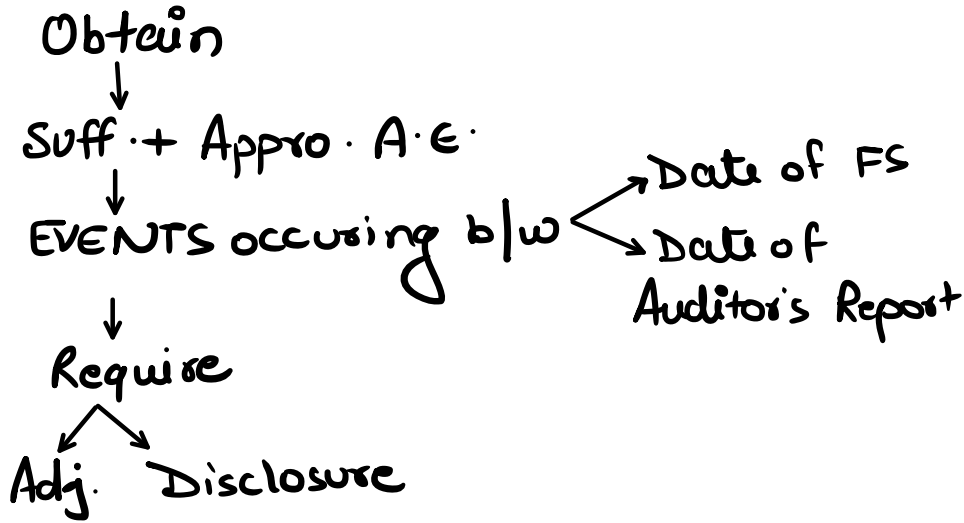
② Planned merger

③ Destruction of
significant inventory

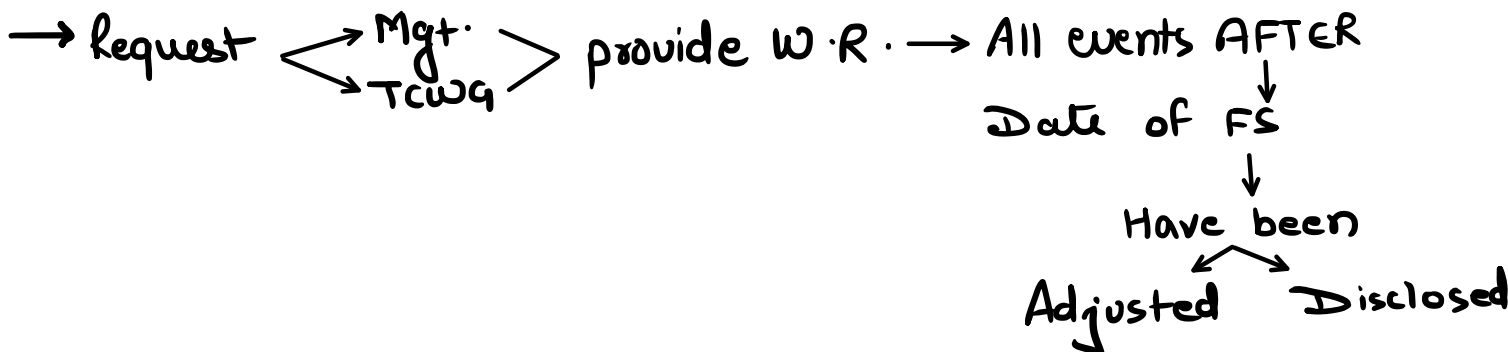
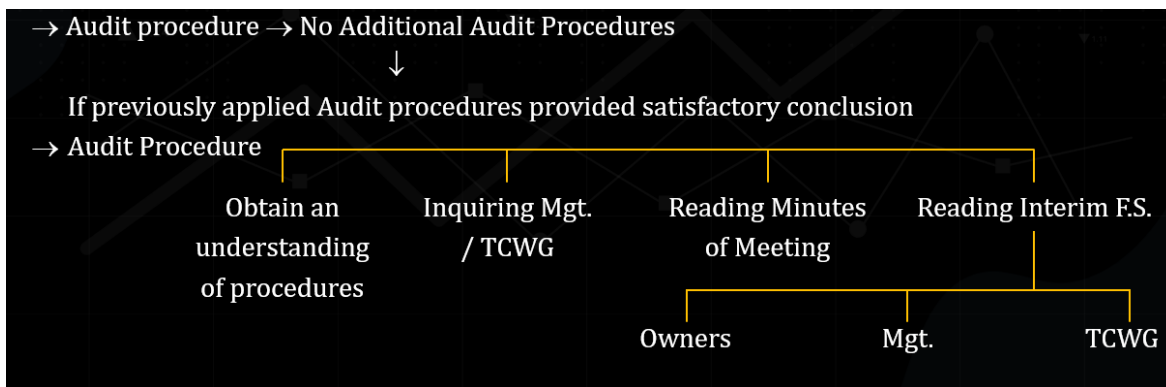
1.2 - Objectives of auditor in accordance with SA 560

Obtain

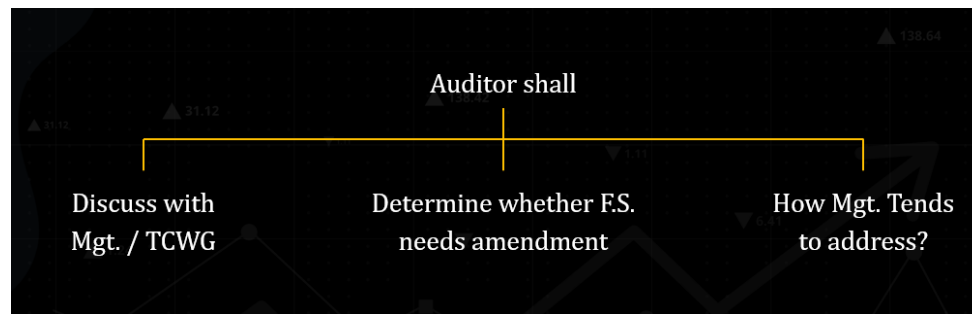
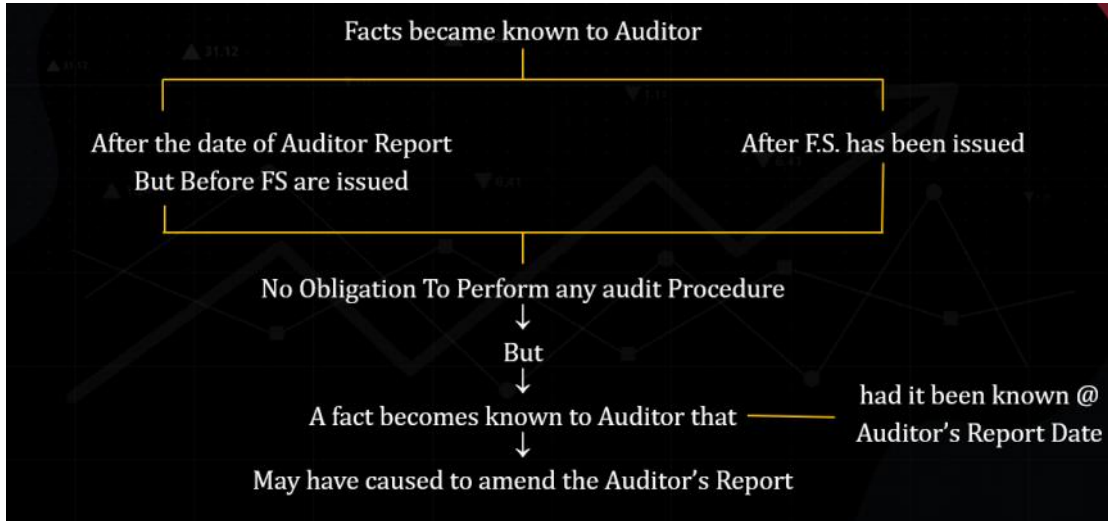
Respond



1.3 - Audit procedures relating to events occurring between the date of the financial statements and the date of the auditor's report



1.4 - Facts which become known to the auditor after the date of the auditor's report but before the date the financial statements are issued



If Mgt. amends the FS
↓
Auditor shall

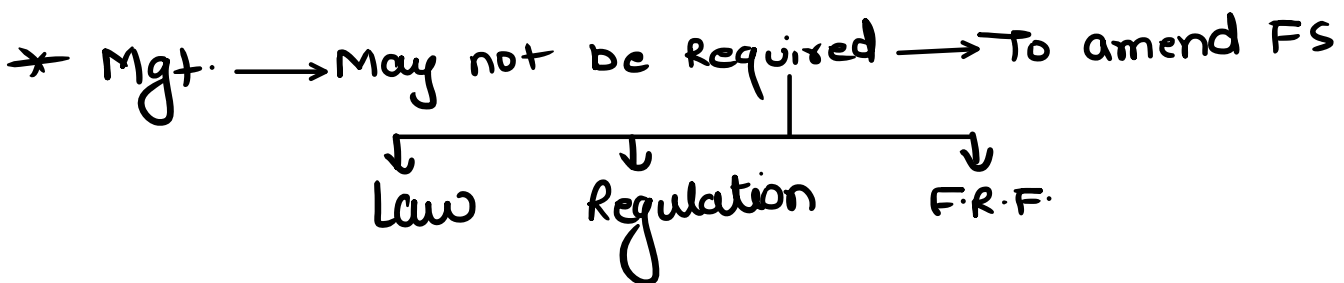
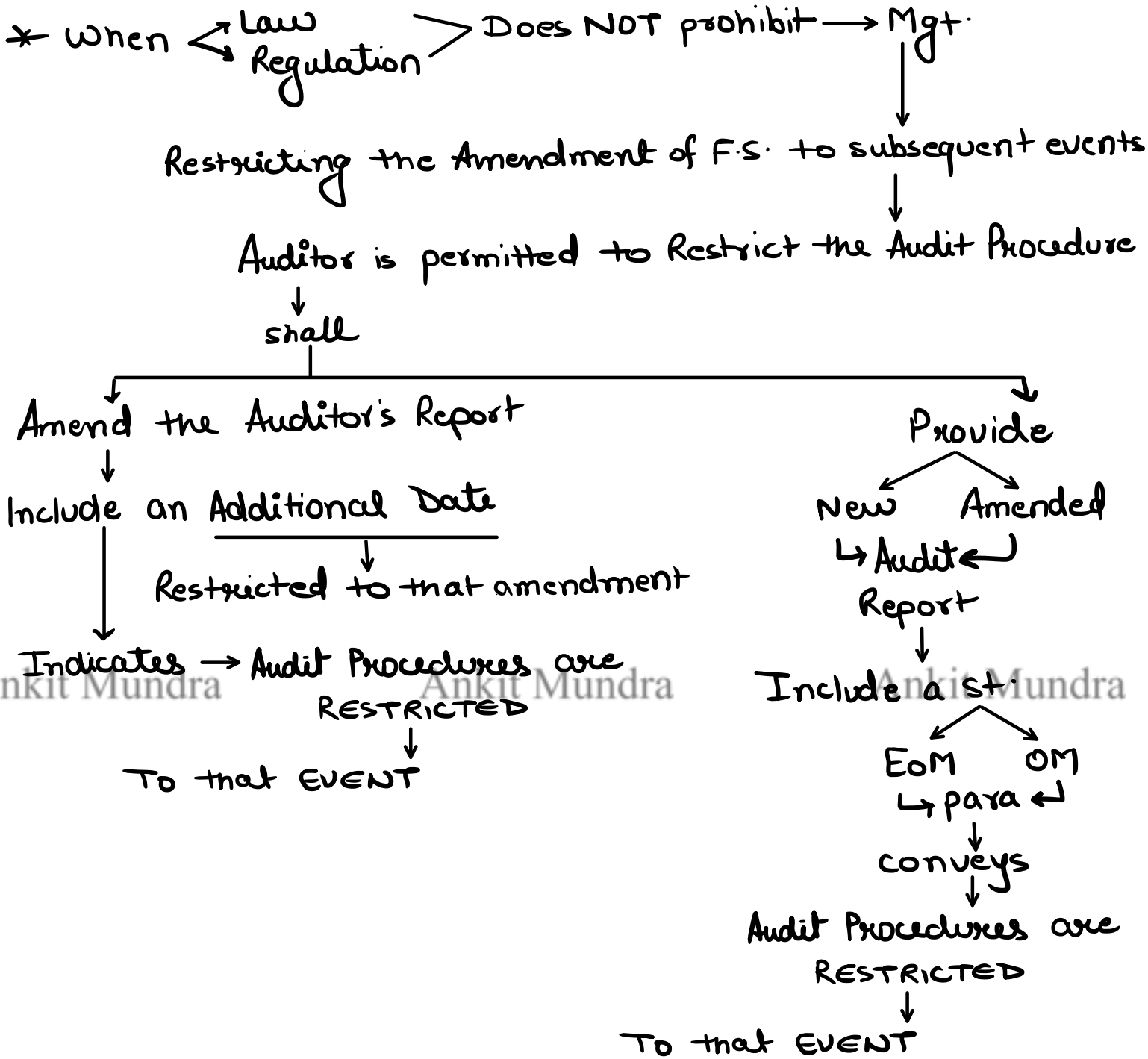
Carry
↓

Necessary Audit Procedures → To the date of New Audit Report

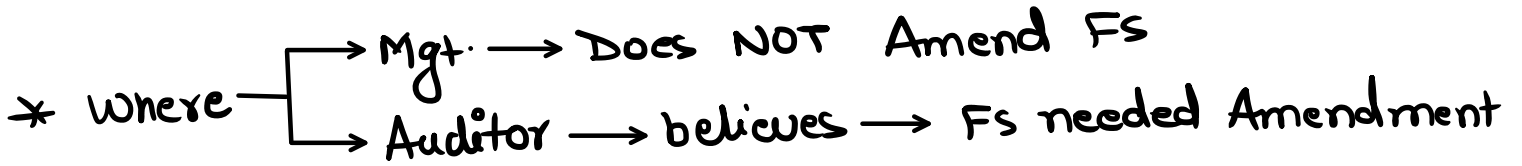
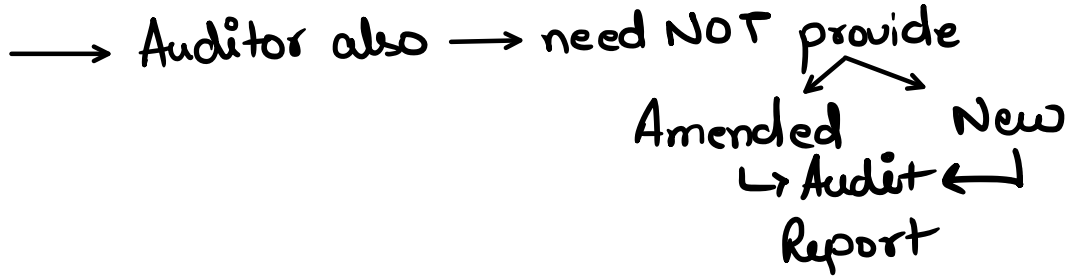
+
Provide New Audit Report ↓

shall not be dated EARLIER

↓
Than the date of Approval of Amended F.S.



\rightarrow Auditor also \rightarrow need NOT provide



Audit Report

Has NOT been provided

To the Entity

Modify the Opinion (SA 705)

the provide Audit Report

Has been provided

To the Entity

Notify

Mgt.

TCWG

NOT to issue FS to 3rd parties

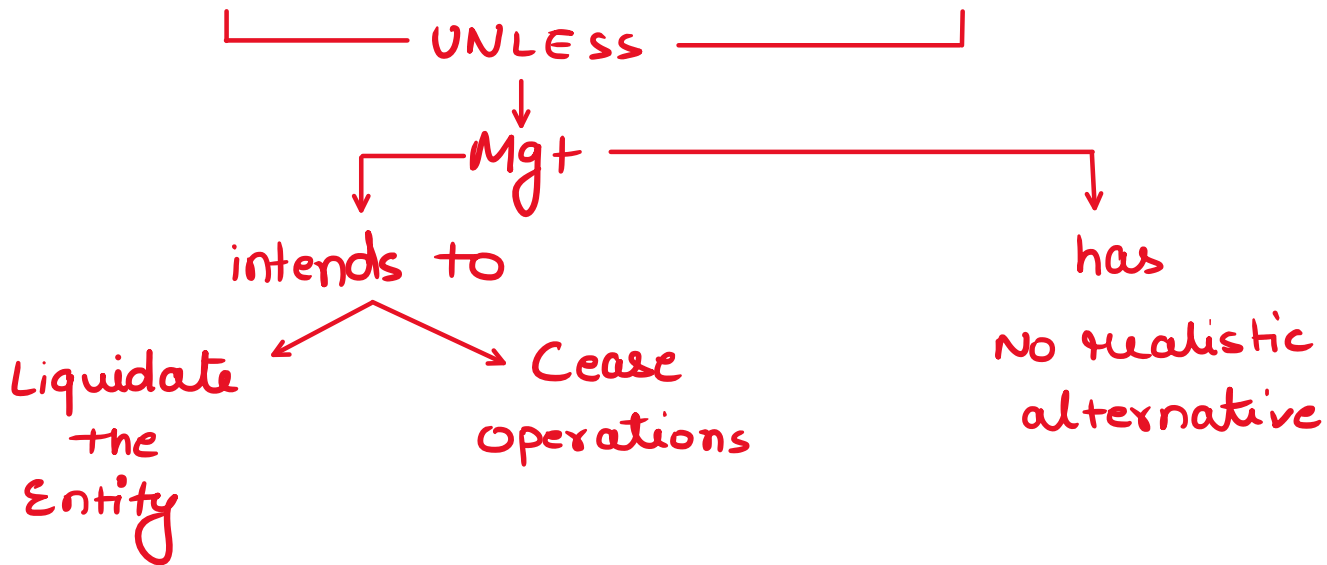
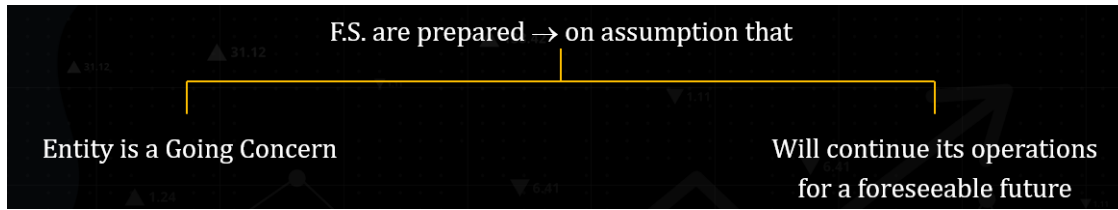
Before amendment

Still FS issued w/o Amendment

Take Appro. Action

To seek to prevent Reliance on Audit Report

2. MEANING OF GOING CONCERN AND ITS SIGNIFICANCE



When Enterprise → NOT VIEWED → as Going Concern
 ↓
 Fs are prepared → Liquidation Basis

2.1 - SA 570 Going Concern → Auditor's Responsibility in
 ↙
 Audit
 ↘
 Auditor's Report

2.2 - Responsibility for assessment of the entity's ability to continue as a going concern

Preparation of FS → By Mgt → Assess Entity's ability
 ↓
 To continue as Going concern
 ↓

EVEN IF F.R.F. DO NOT INCLUDE AN EXPLICIT REQ.

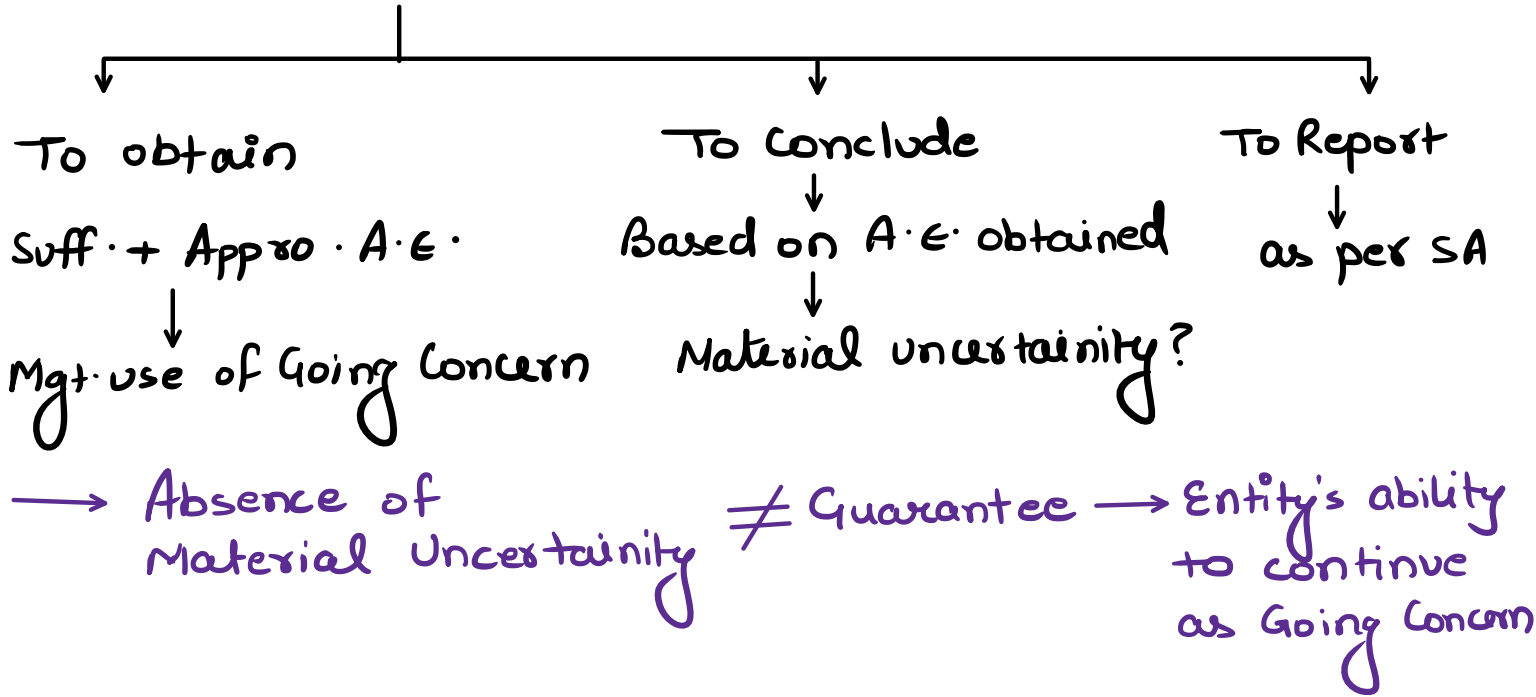
→ Factors Relevant to Mgt. Judgement

Degree of

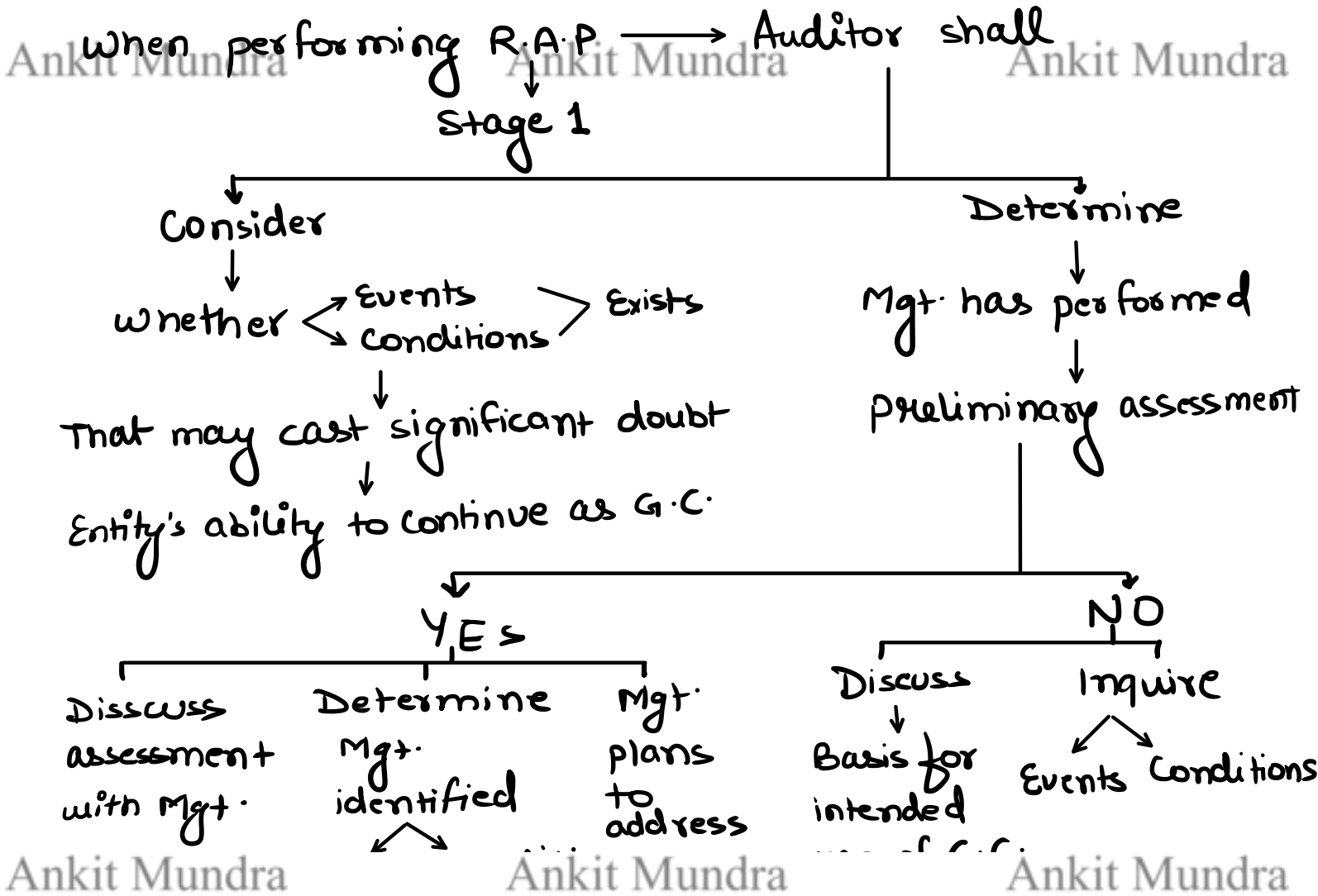
size / complexity
 of the entity

Info available
 at the time of

2.3 - Responsibilities of the auditor & 2.4 - Objectives of auditor in accordance with SA 570



2.5 - Risk assessment procedures and related activities



with Mgt.

identified to address
Events conditions

intended use of G.C.

EVENTS

→ Events & Conditions → that may cast significant Doubt on Entity's ability to continue as a going concern

| Eg.: Financial | Operating | Others |
|---|---------------------------|---|
| (1) Short term loans against F.A | (1) Loss of Major F.A. | (1) Assets not enough to cover the claims of Litigation |
| (2) Entity not able to service its interest | (2) Strikes in the Entity | |

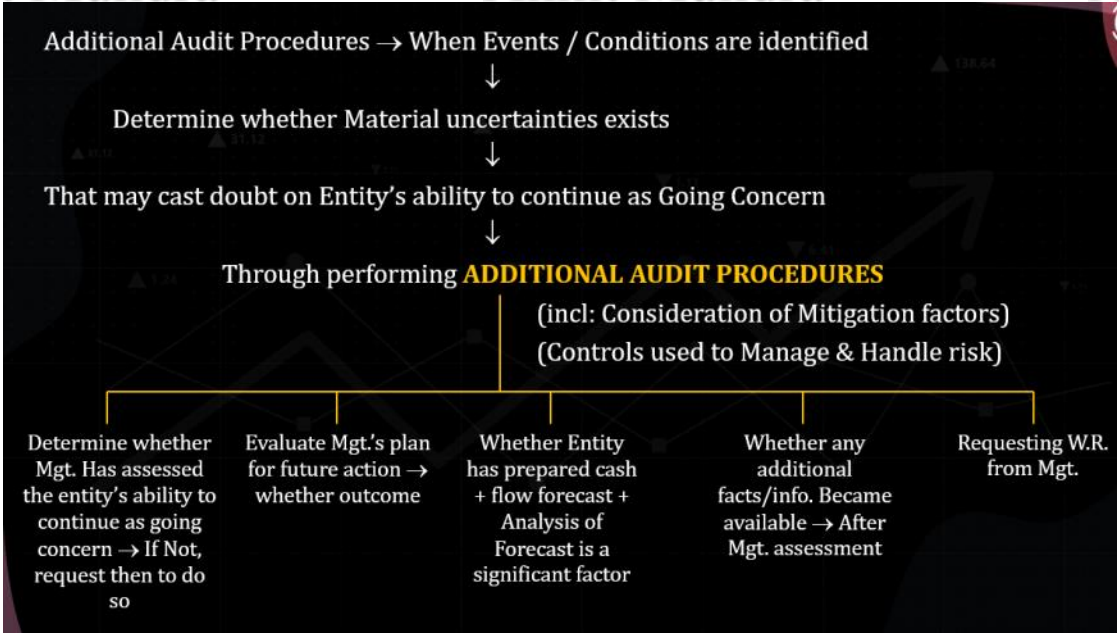
2.6 - Evaluating management's assessment

1) Auditor → Evaluate → Mgt. assessment of G.C.
 ↓
 Key part of Auditor's consideration of Mgt's use of G.C.

2) Not Auditor's Responsibility → Rectify → Lack of analysis
 ↓
 By Mgt.

3) Auditor → cover → same period → used by Mgt.
 ↓
 AT LEAST 12 months

2.7 - Additional audit procedures when events or conditions are identified



Ankit Mundra
F.S. → प्रेषण → Basis

Ankit Mundra

Ankit Mundra
QUALIFIED / DISCUSSION
OF OPINION

Auditor's → Inappropriate
Opinion

Made in F.S.

Not Made in F.S.



ADVERSE OPINION

UNMODIFIED
OPINION
+
Separate
Section

QUALIFIED / ADVERSE
OPINION
(as per SA 705)
+

Heading: "Material uncertainty
Relating to G.C."

"Basis for Qualified/
Adverse Opinion"
Section

Draw attention
to the note in F.S.

State → Events
→ Conditions

Material
Uncertainty
EXISTS

Indicate
Material Uncertainty

+
FS not adequately
disclose this
matter

Auditor's Opinion is NOT MODIFIED

Ankit Mundra

Ankit Mundra

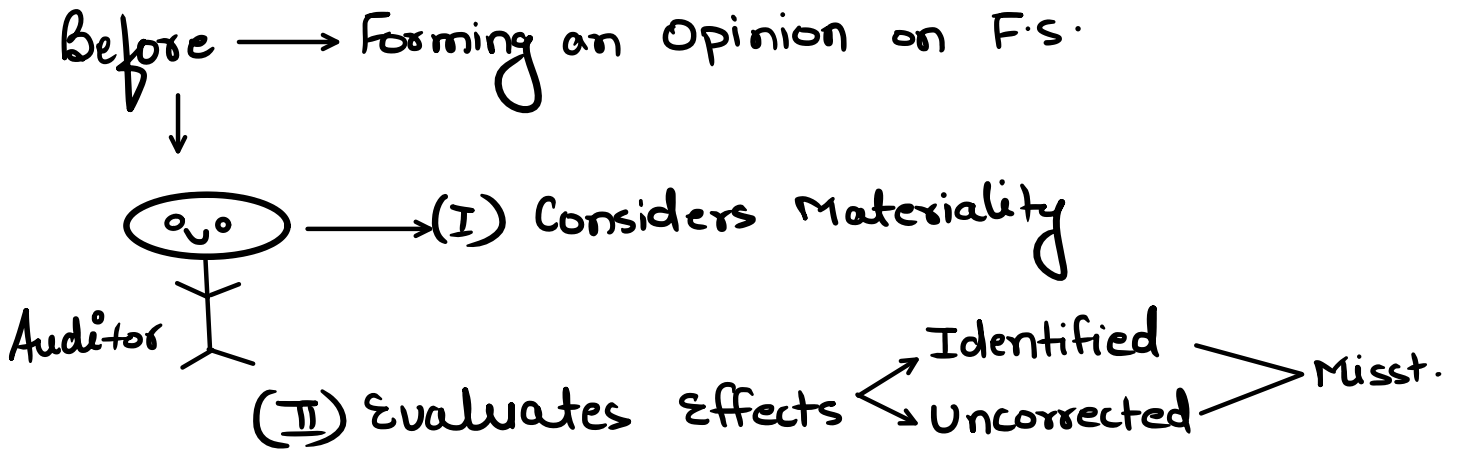
Ankit Mundra

Ankit Mundra

Ankit Mundra

Ankit Mundra

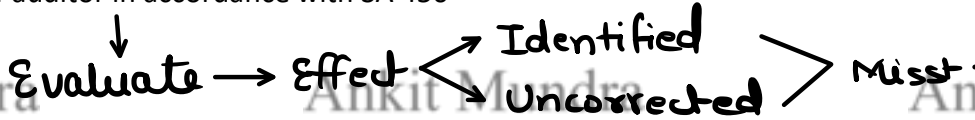
3. - EVALUATION OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT



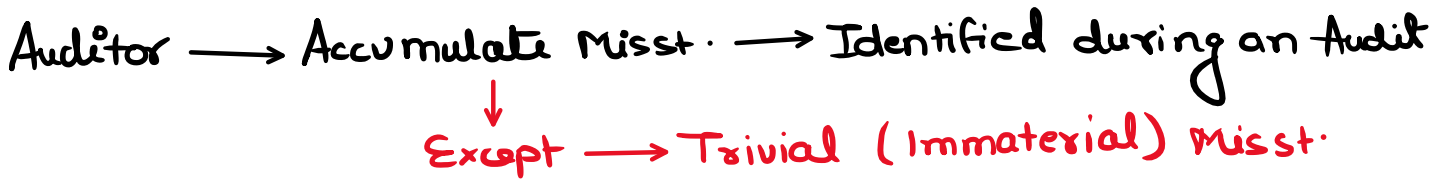
3.1 - SA 450 Evaluation of Misstatements Identified during the Audit

+
Uncorrected Misst.

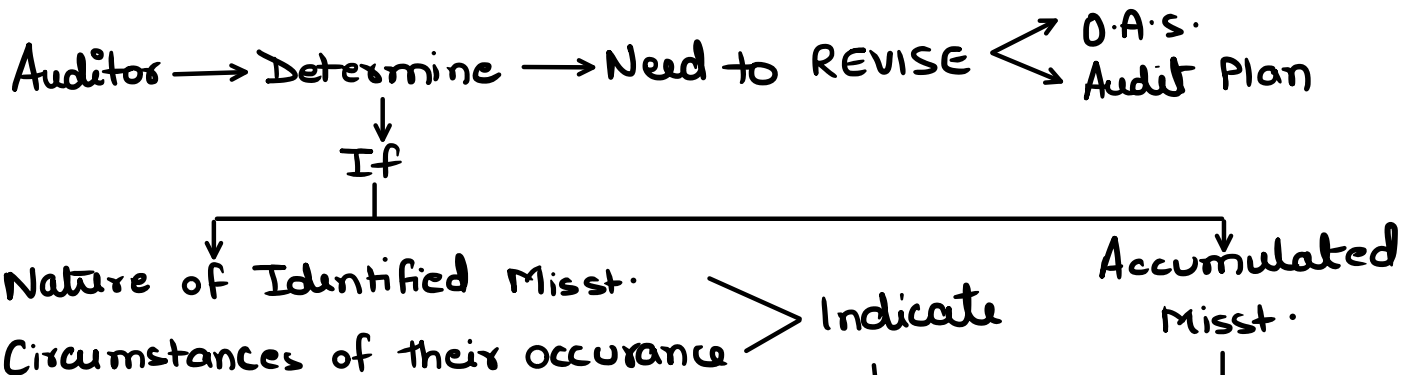
3.2 - Objectives of auditor in accordance with SA 450



3.3 - Accumulation of misstatements identified during the audit



3.4 - Consideration of identified misstatements as the audit progresses

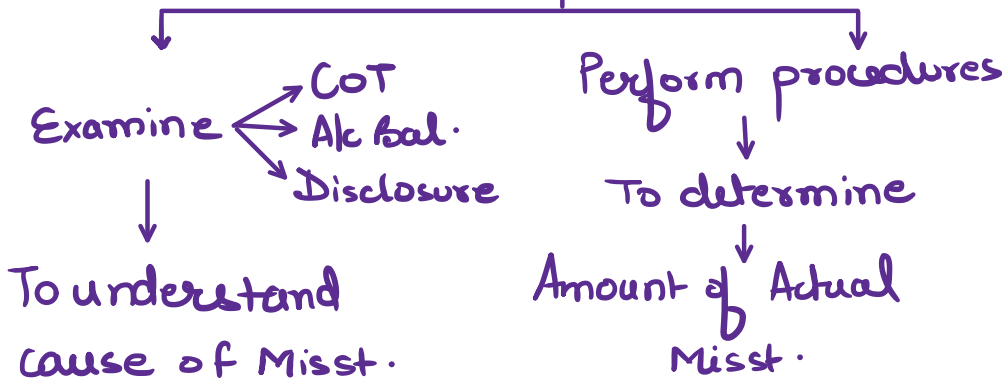


OTHER MISST. MAY EXIST
+

When Accumulated → COULD BE MATERIAL

Approaches
↓
MATERIALITY
(DM)

* Auditor May Request Mgt. to



→ If Mgt. ACCEPTS → Auditor's Request → Examine → COT
Alc Bal.
Disclosure
+
CORRECTED MISST.

Auditor → perform → Additional Audit Procedures
↓
To determine
↓
Misst. REMAIN?

3.5 - Communication and correction of misstatements

Timely Basis

Auditor → communicate → ALL ACCUMULATED MISST.
+
Request to correct

Auditor → Communicate → ALL ACCUMULATED MISST.

Request to correct

Appro. level of Mgt. → unless prohibited ↗ Law ↘ Regulation

If Mgt. → REFUSES

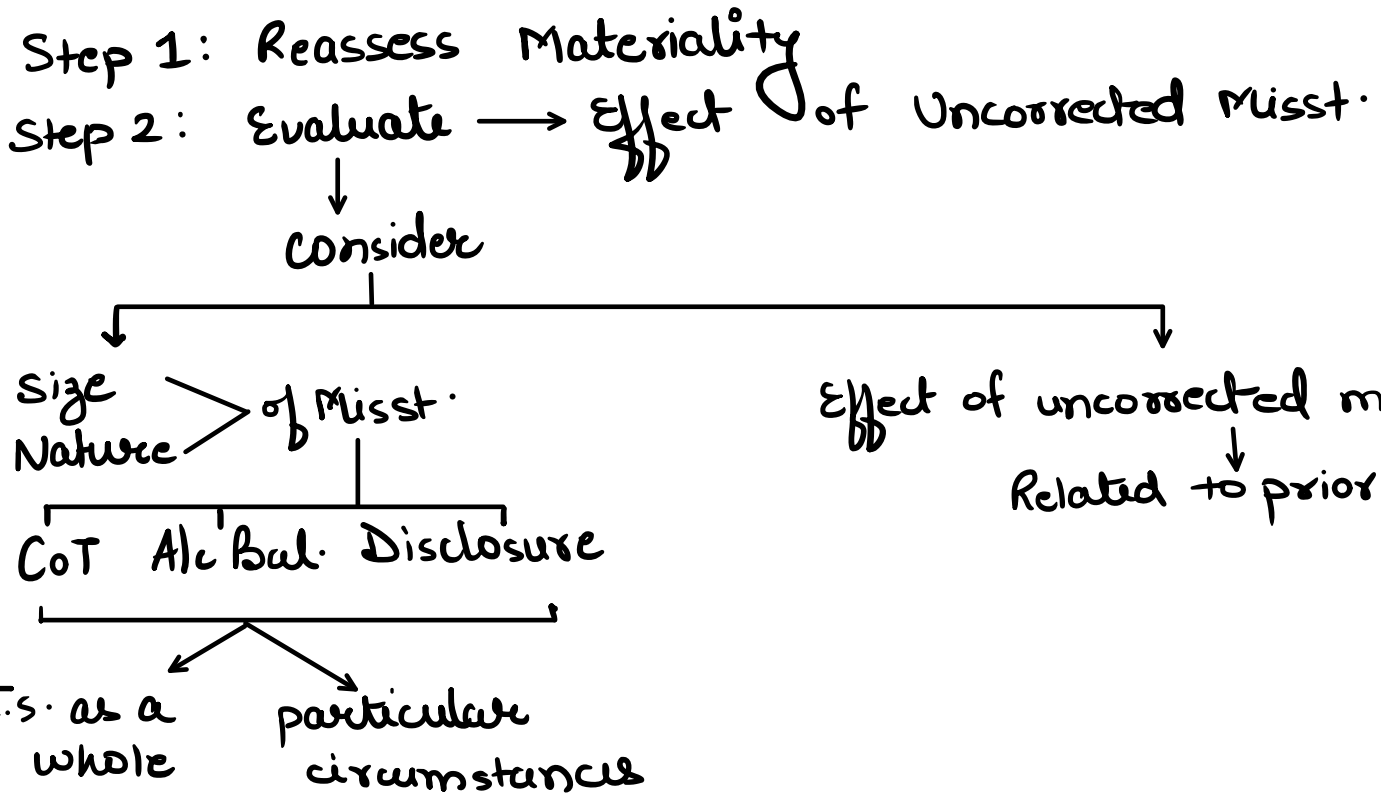
Auditor shall

Obtain understanding

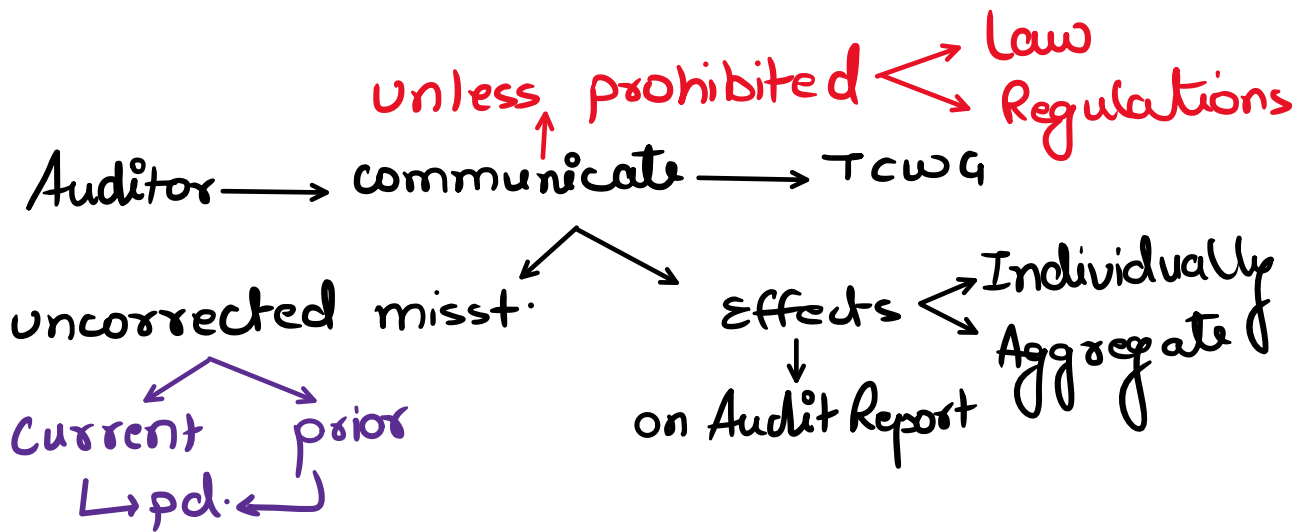
Mgt's Reason for refusal

Evaluate whether F.S. as a whole are Free from MM

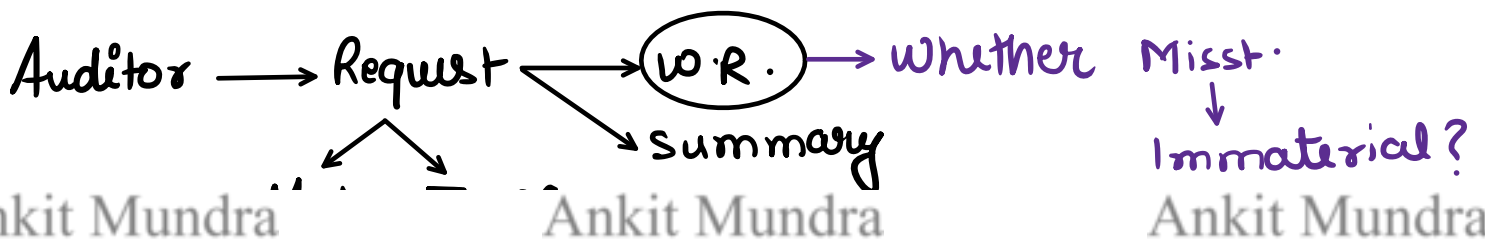
3.6 - Evaluating the effect of uncorrected misstatements



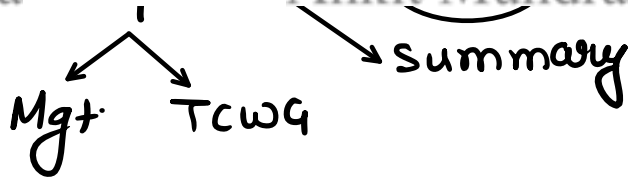
3.7 - Communication with those charged with governance



3.8 - Written Representation from management regarding effects of uncorrected statements

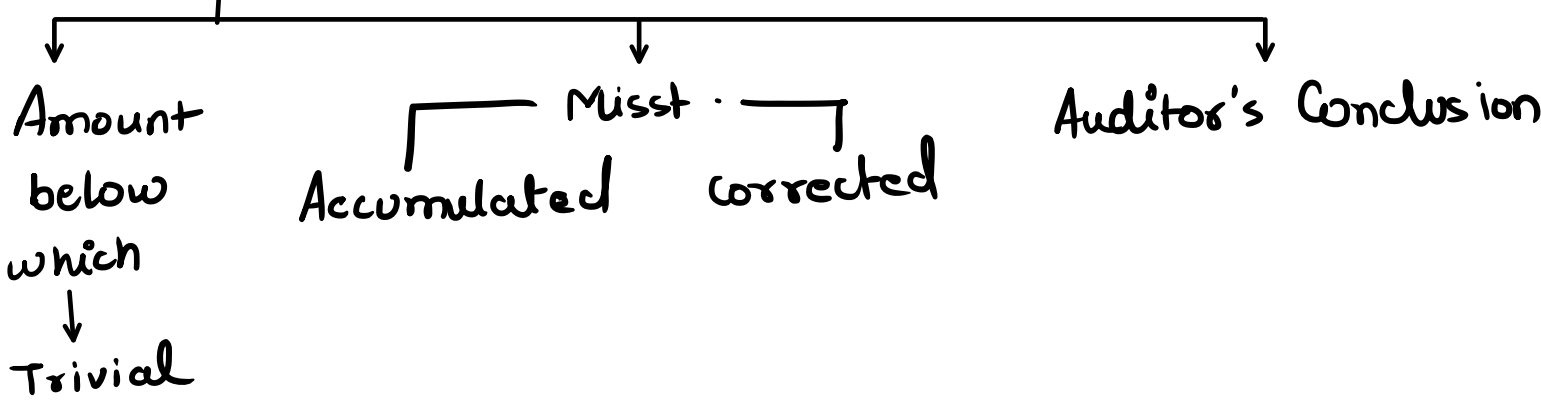


Ankit Mundra



Ankit Mundra
↓
Immaterial?

3.9 - Documentation regarding misstatements identified during audit



Ankit Mundra

Ankit Mundra

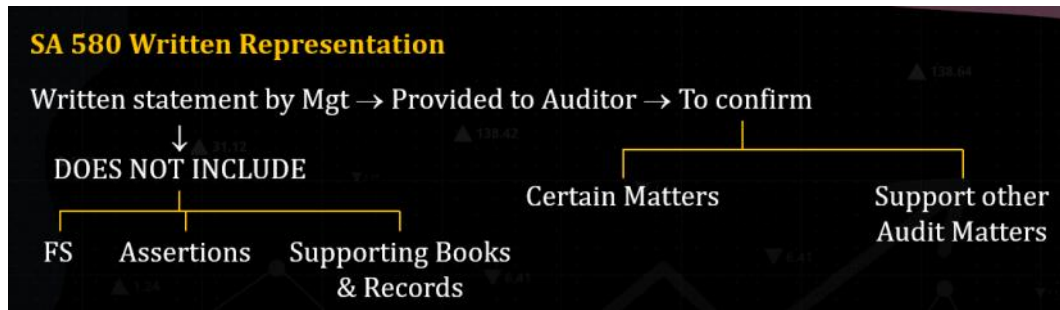
Ankit Mundra

Ankit Mundra

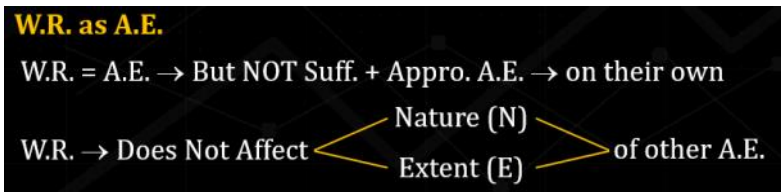
Ankit Mundra

Ankit Mundra

4. - WRITTEN REPRESENTATIONS



4.1 - Written representations as audit evidence



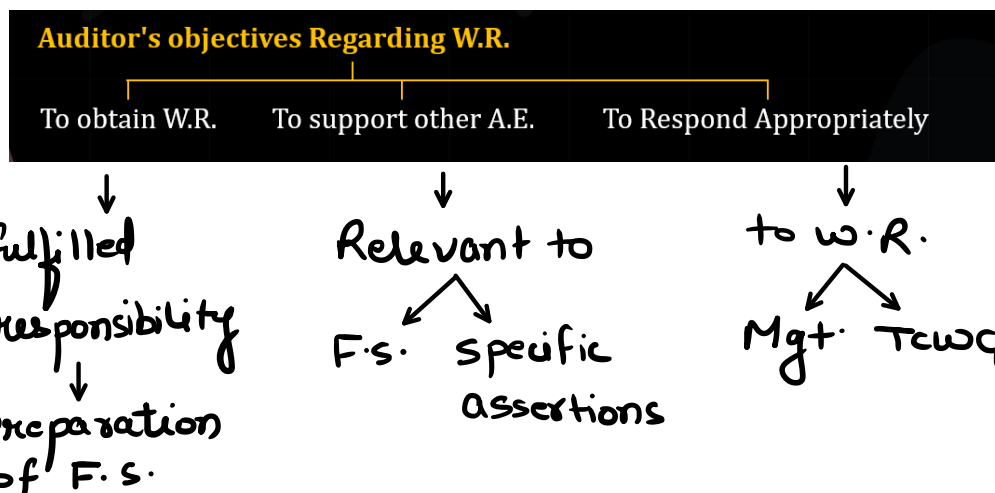
If Mgt $\left\{ \begin{array}{l} \text{Modifies} \\ \text{Does not provide} \end{array} \right\}$ W.R. → It may alert Auditor

one more > significant issues may exist

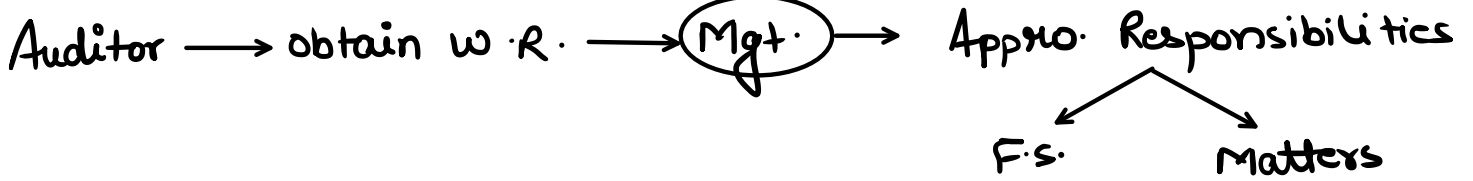
4.2 - SA 580 - Written Representations

Auditor's Responsibility → To obtain W.R. $\left\{ \begin{array}{l} \text{Mgt.} \\ \text{TCWG} \end{array} \right\}$

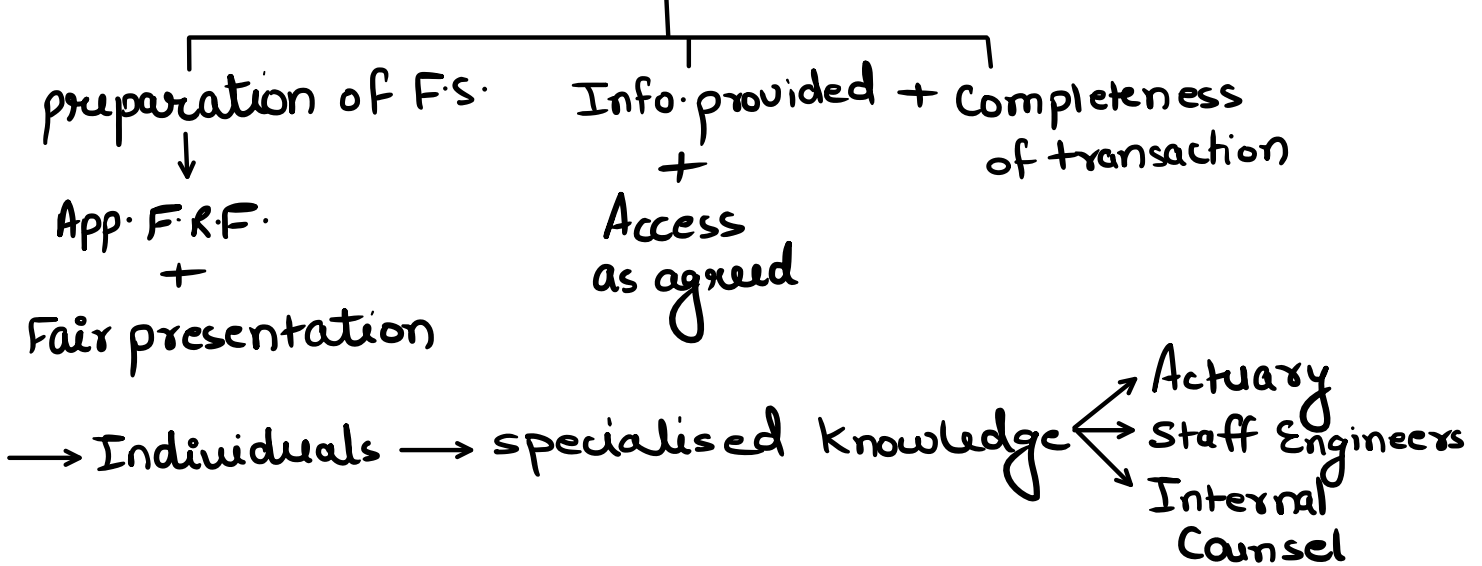
4.3 - Objectives of auditor in accordance with SA 580



4.4 - From whom Written representations are requested by auditor?

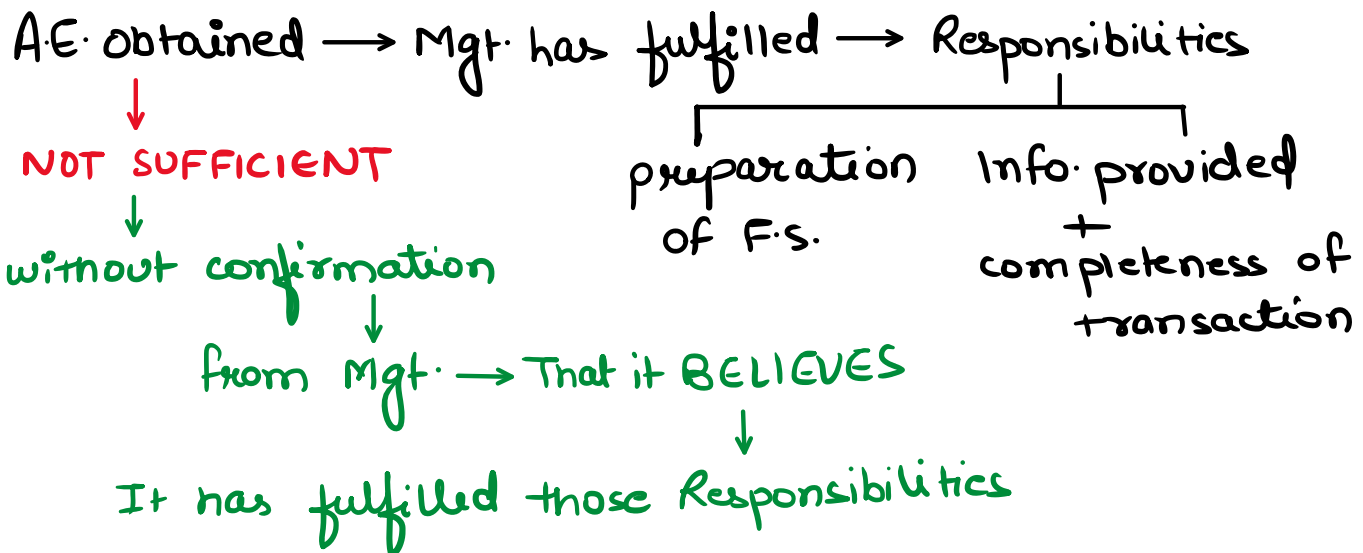


4.5 - Written representations about management's responsibilities



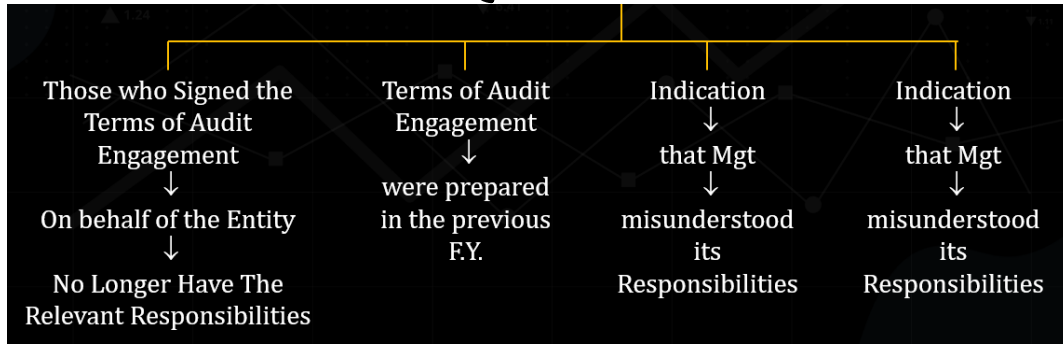
May include Qualifying Language → That Representations (WR) are made
↓
TO THE BEST OF ITS KNOWLEDGE & BELIEFS

4.6 - Why Written representations about management responsibilities are necessary?

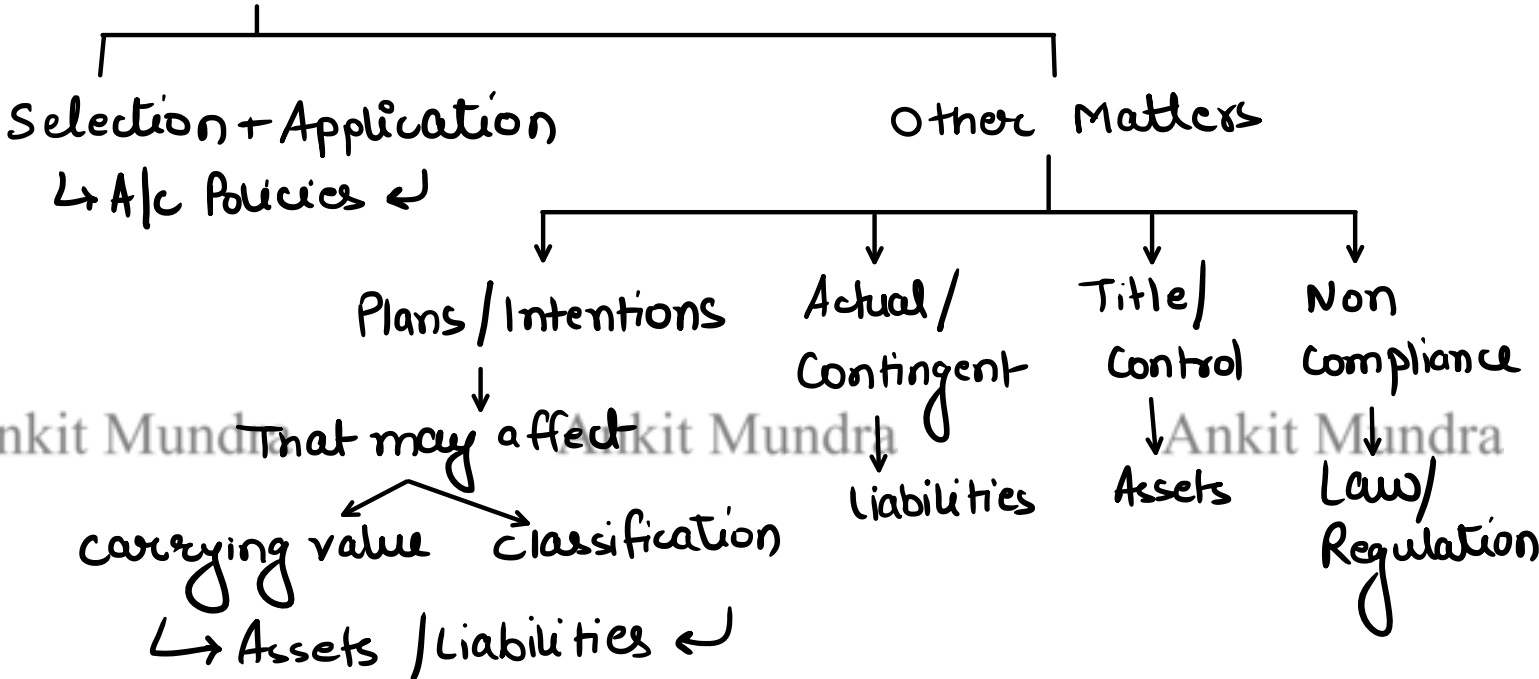


* This is particularly appropriate when

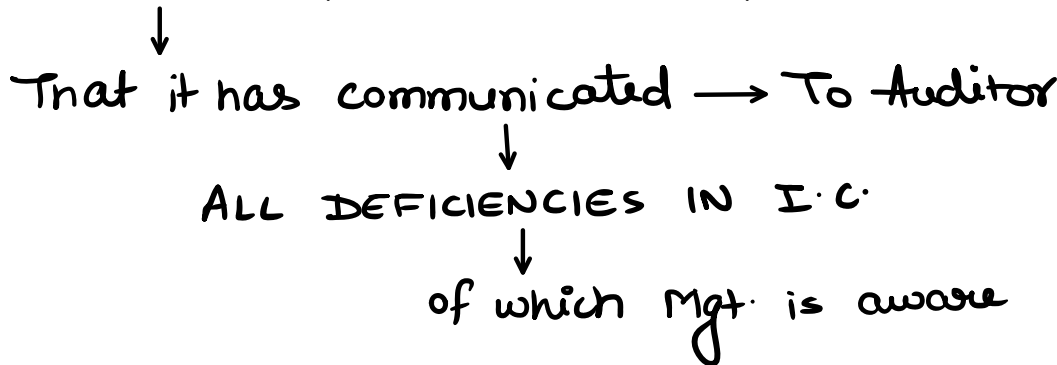
* This is particularly appropriate when



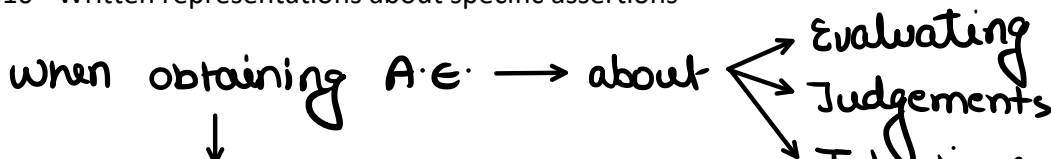
4.8 - Other Written representations

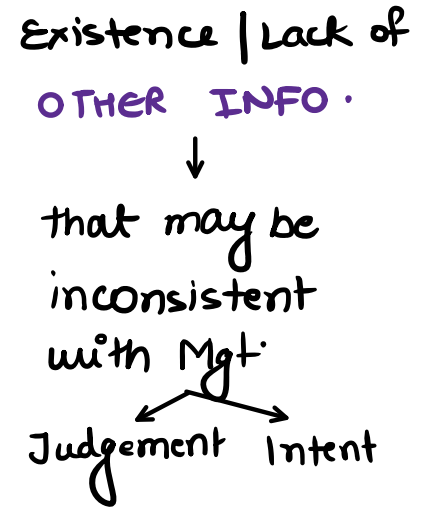
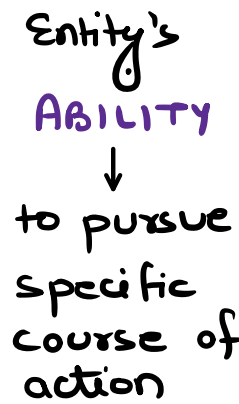
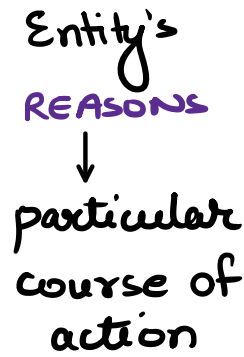
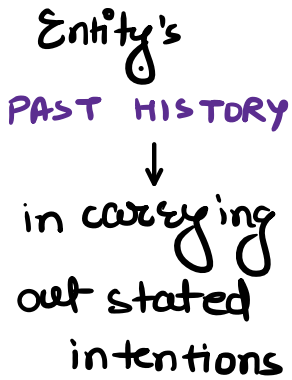
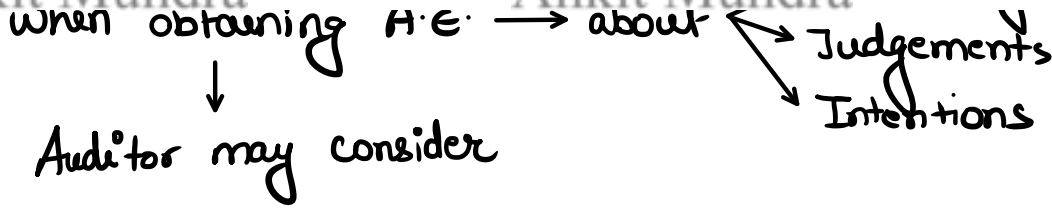


4.9 - Additional Written representations about information provided to the auditor



4.10 - Written representations about specific assertions



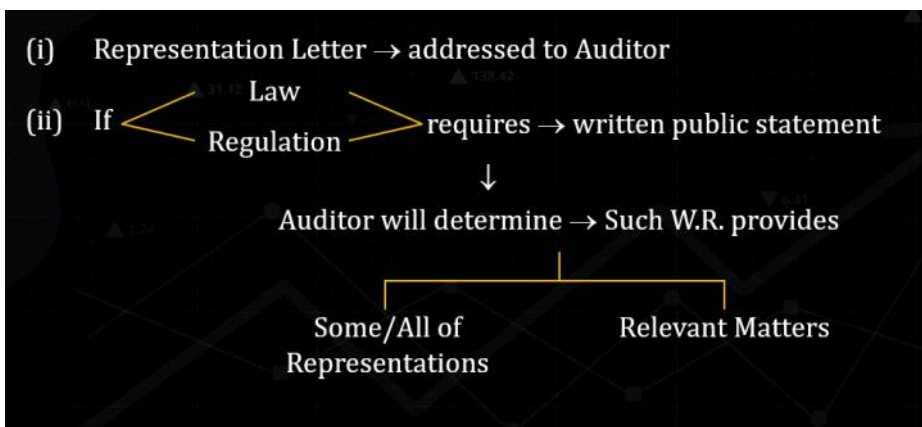


4.11 - Date of and Period(s) covered by Written Representations

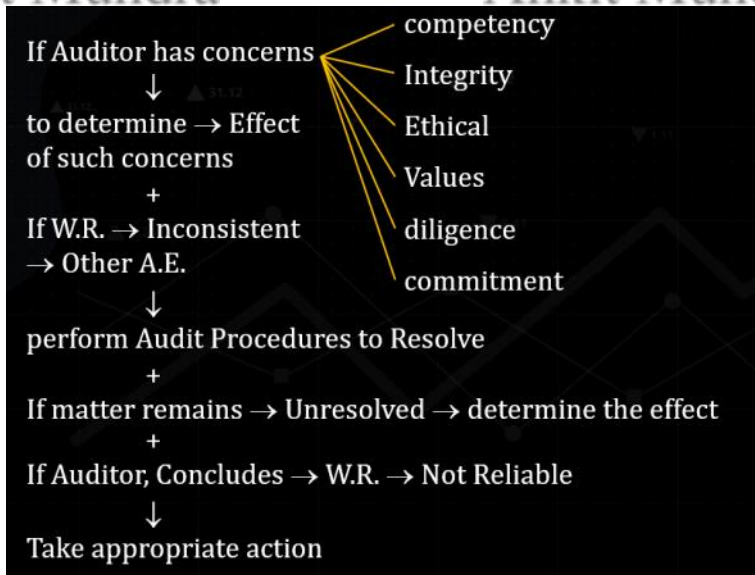
Date & Period (s) covered by W.R.

- As near as practicable → To Auditor's Report But NOT AFTER because Auditor is concerned with events up to the date of Auditor's Report
- W.R. → for all $\left\langle \begin{matrix} \text{FS} \\ \text{Period (S)} \end{matrix} \right\rangle$ referred in Auditor's Report

4.12 - Form of Written representations



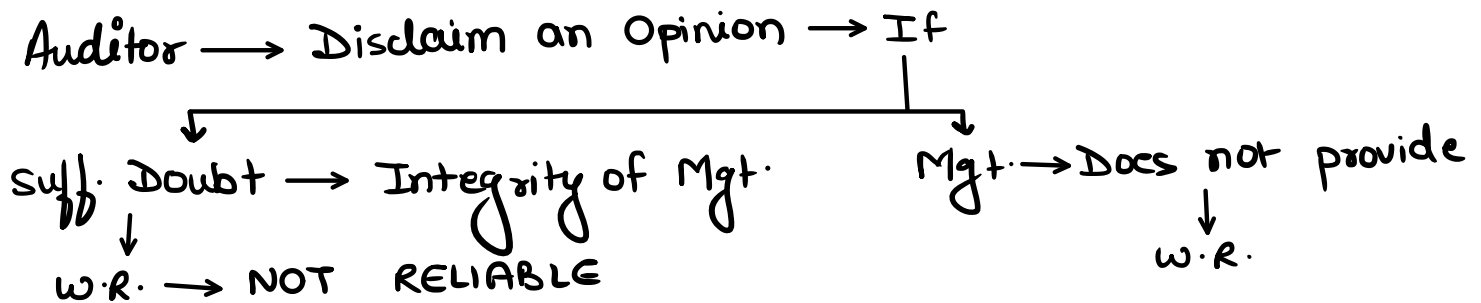
4.13 - Doubt as to the reliability of Written representations



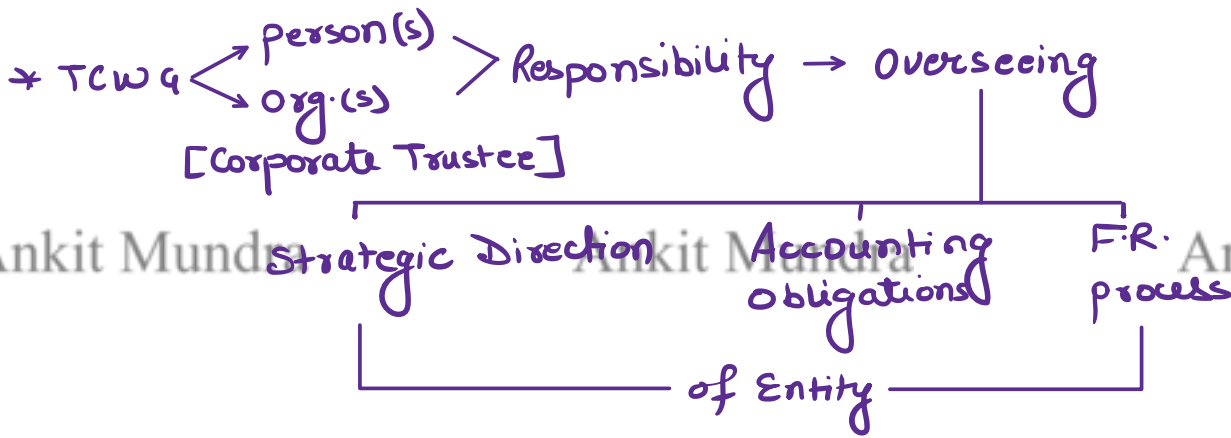
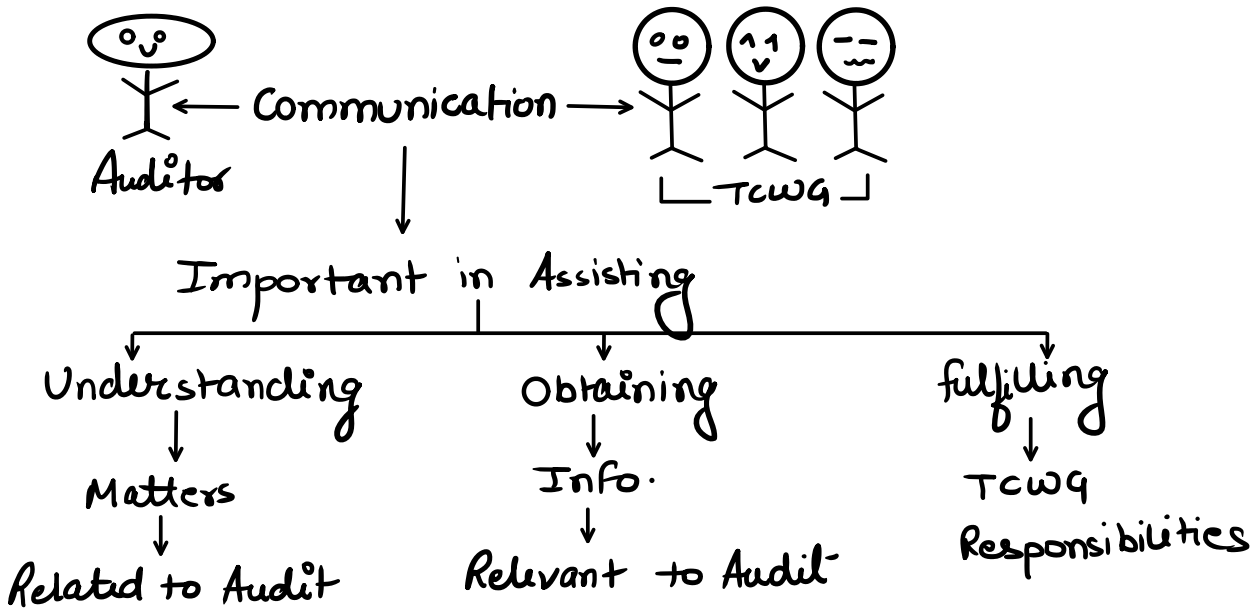
4.14 - Requested Written representations not provided

- (1) Discuss matter with Mgt.
- (2) Re-evaluate the Integrity of Mgt.
- +
- Evaluate the reliability of W.R.
- (3) Take appropriate action

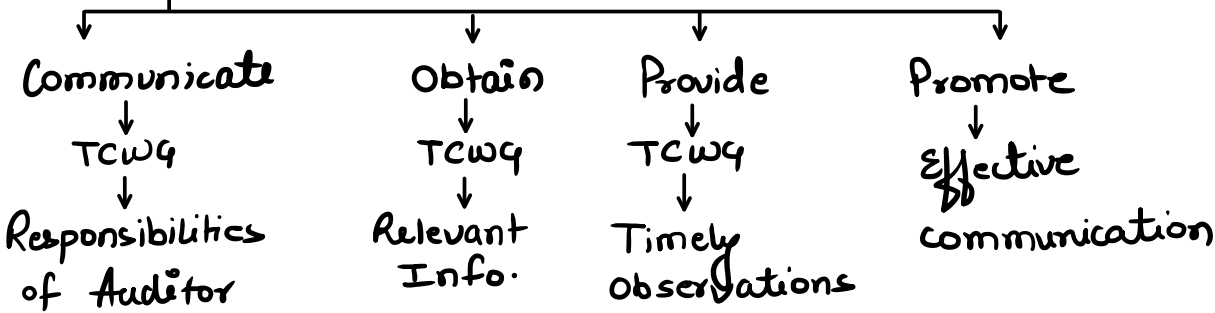
4.15 - Disclaimer of opinion in case of non-reliability of Written Representations about management's responsibilities or failure to provide such Written Representations



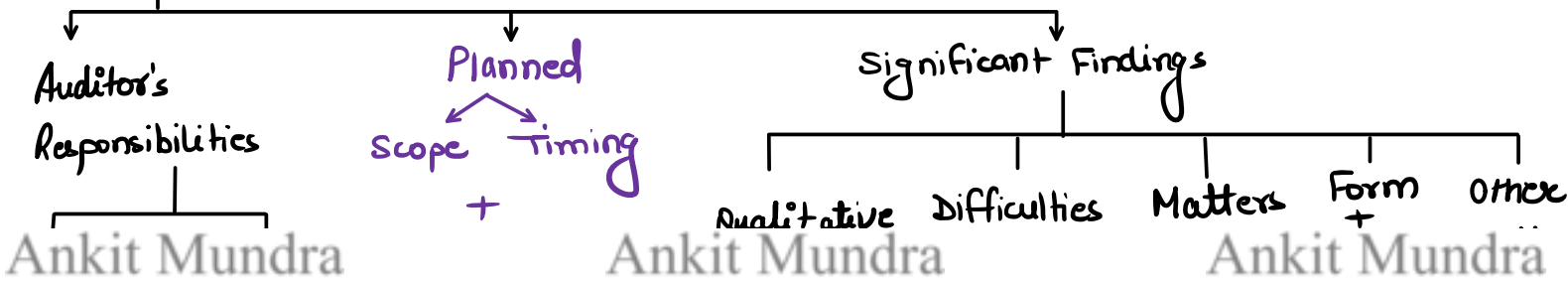
5. SIGNIFICANCE OF COMMUNICATION WITH TCWG

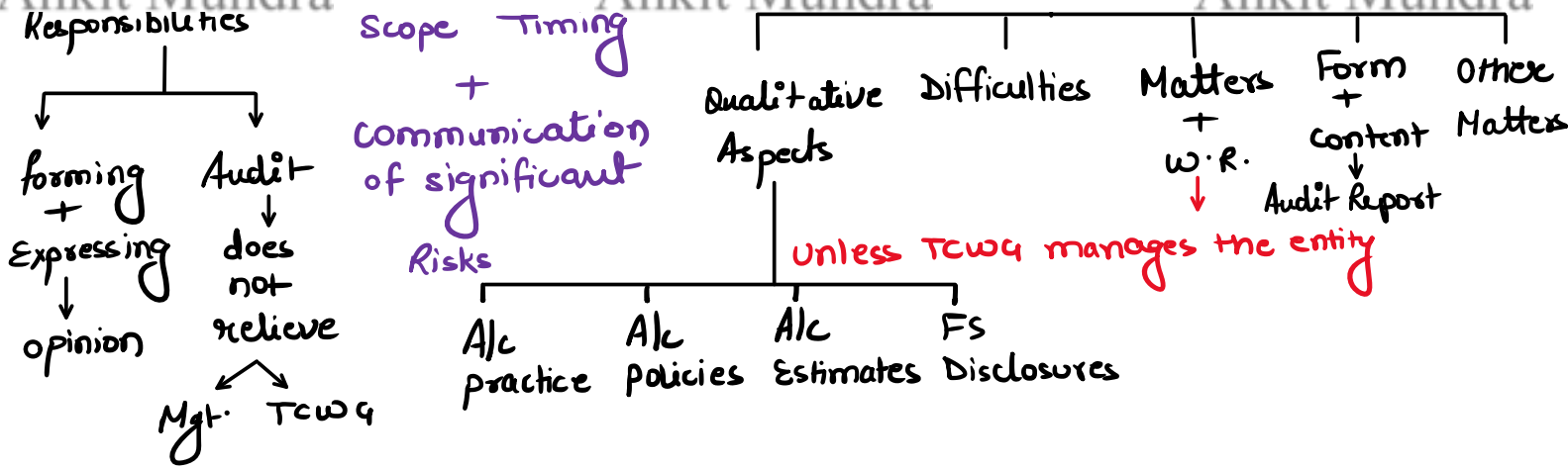


5.3 - Objectives of auditor in accordance with SA 260

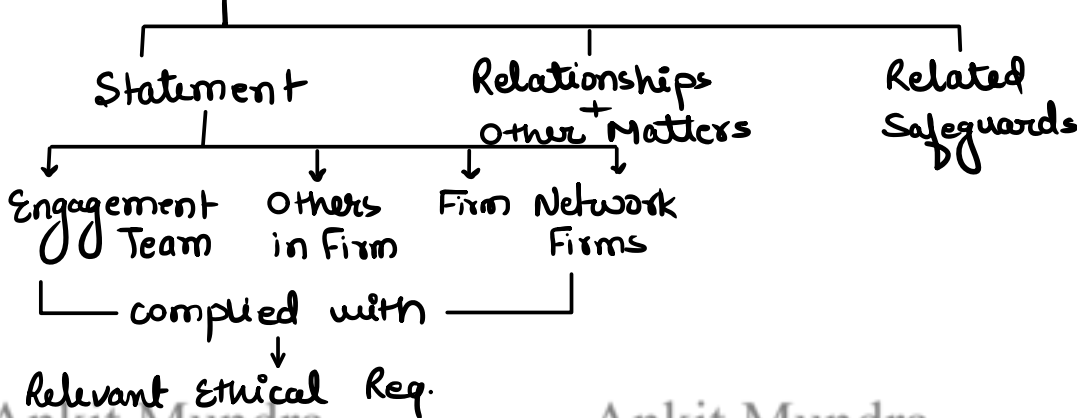


5.5 - Matters to be communicated by auditor

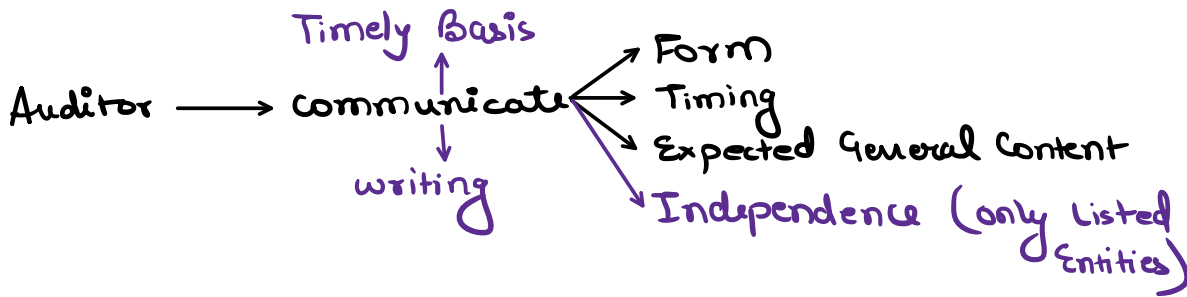




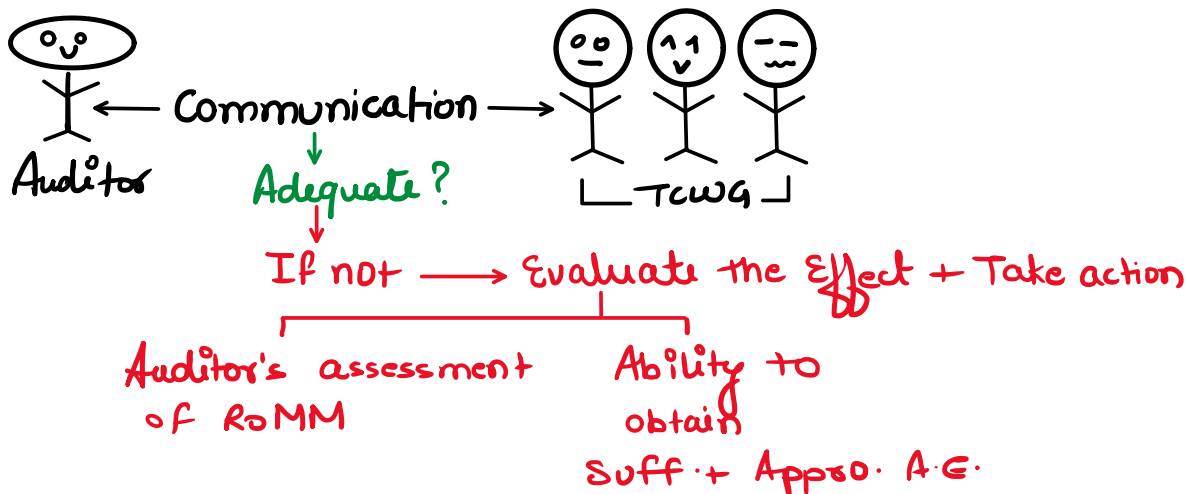
5.6 - Communication of auditor's independence in case of listed entities



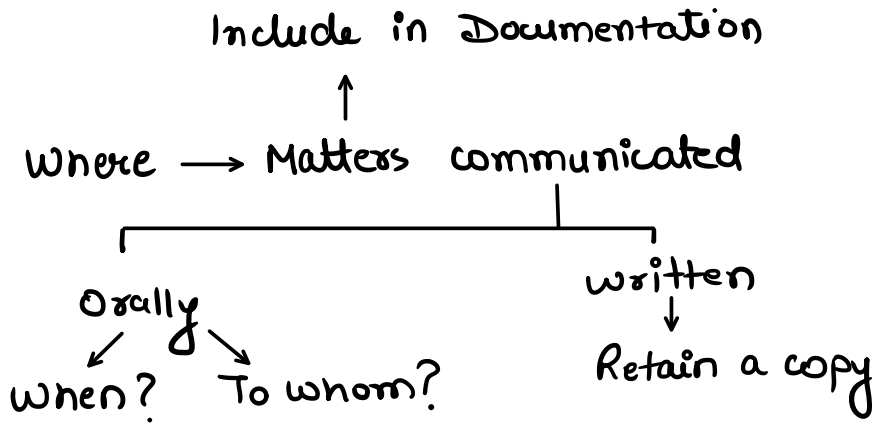
5.7 - The Communication process



5.8 - Adequacy of the communication process



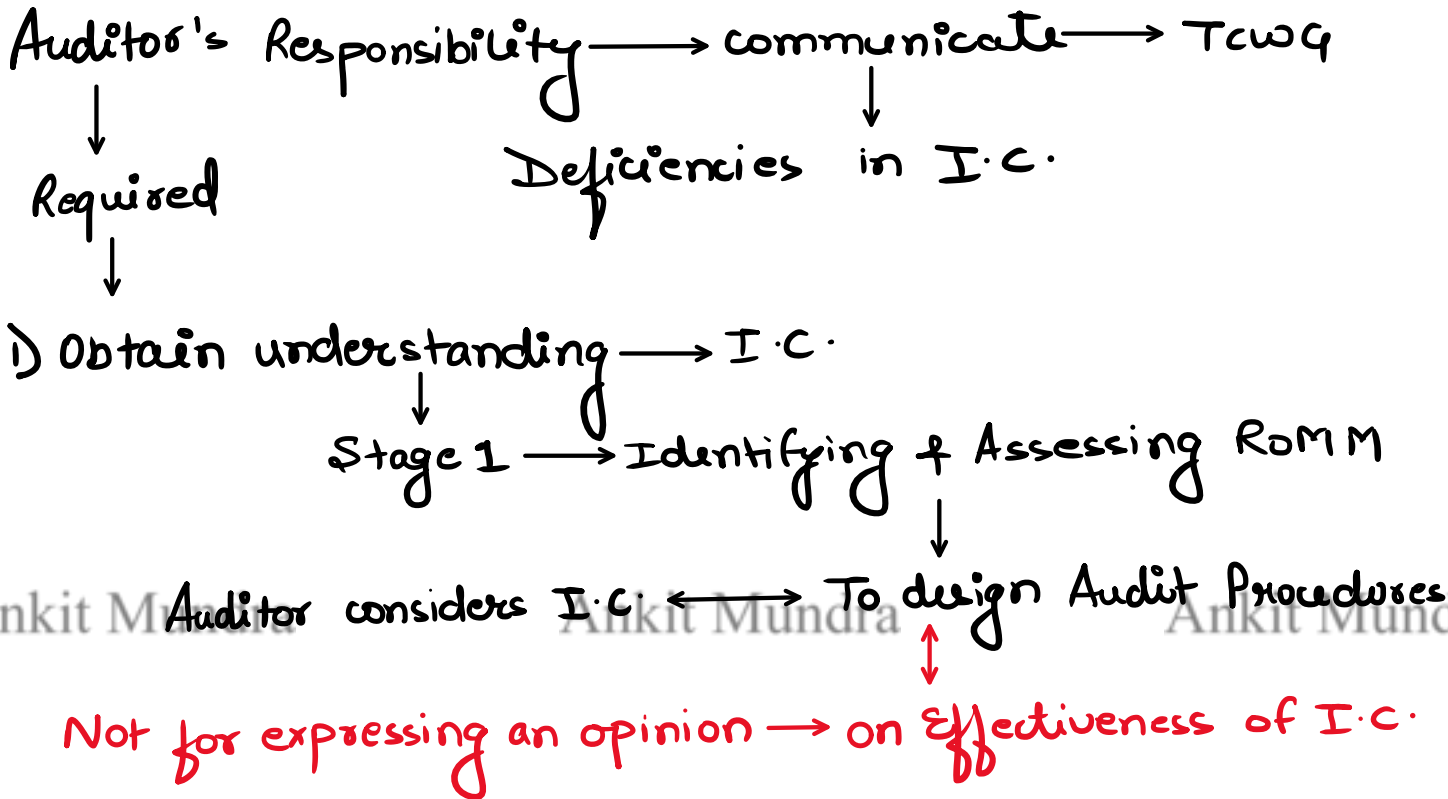
5.9 - Documentation



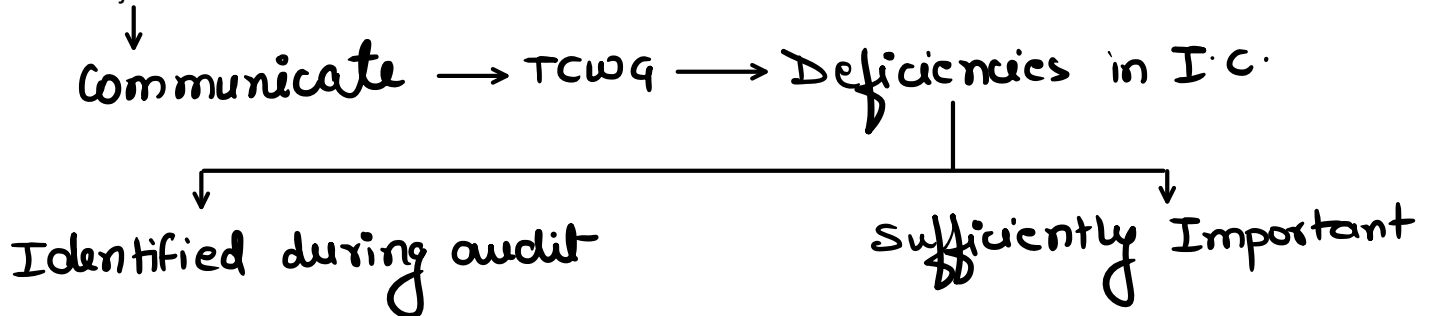
6. - WHY COMMUNICATION OF SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL IS NECESSARY?

In writing

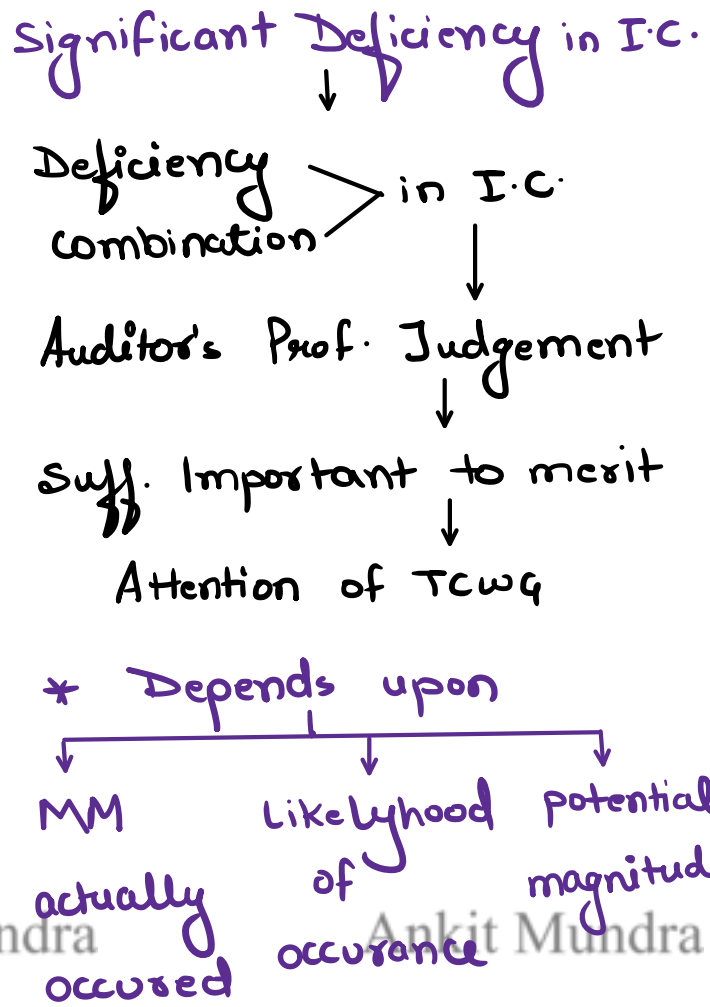
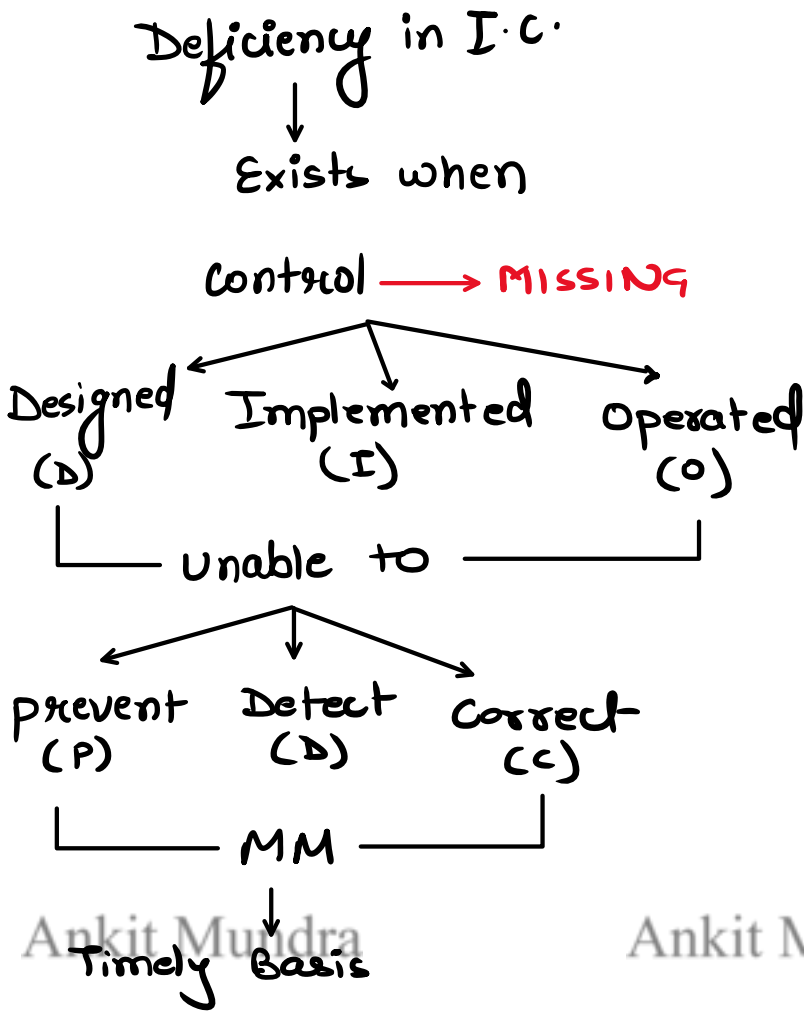
6.1 Scope of SA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management



6.2 - Objective of auditor in accordance with SA 265



6.3 - Meaning of "Deficiency in internal control" and "significant deficiency in internal control"

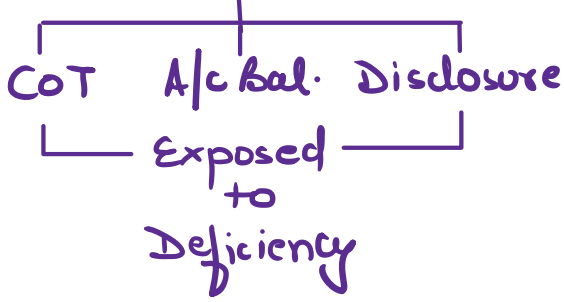


* Examples : Deficiency combination > Constitutes → Sig. Deficiency

| Matters | Indicators |
|--|---|
| 1) likelihood → in future | 1) Evidence of Deficiency ↓ Control Env. └─ Mgt. Fraud |
| 2) susceptibility <┐ Loss └─ Fraud | └─ Mgt. failure → Remedial Action |
| 3) subjectivity > Estimating complexity amounts | 2) Absence of R.A.P. |
| 4) FS → amounts → exposed | |

4) FS → amounts → exposed

5) Volume of Transaction



c) Cause Frequency > Exceptions

2) Absence of R.A.P.

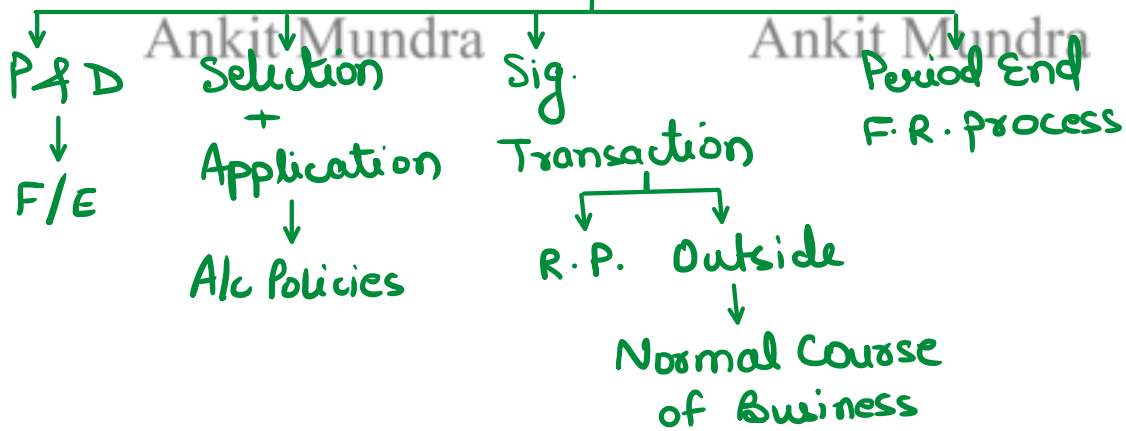
3) Ineffective R.A.P.

4) Misst. detected → NOT [P, D, C] → I.C.
↓
by Audit Procedures

* Importance of Controls → F.R. Process

General Monitoring

Controls over

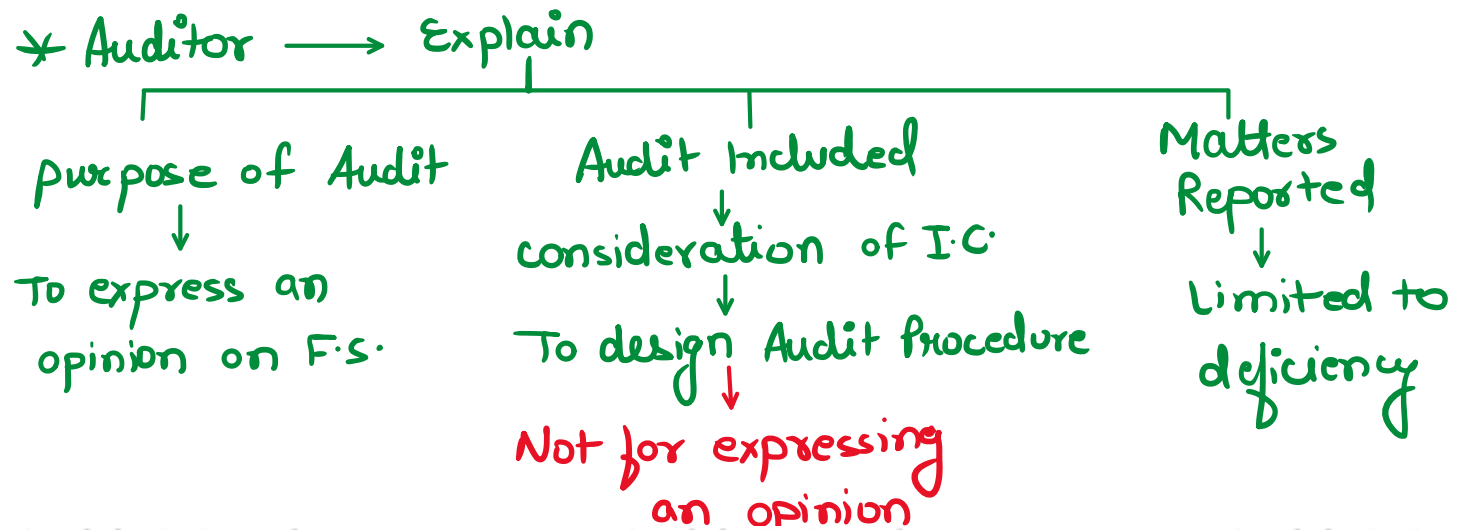
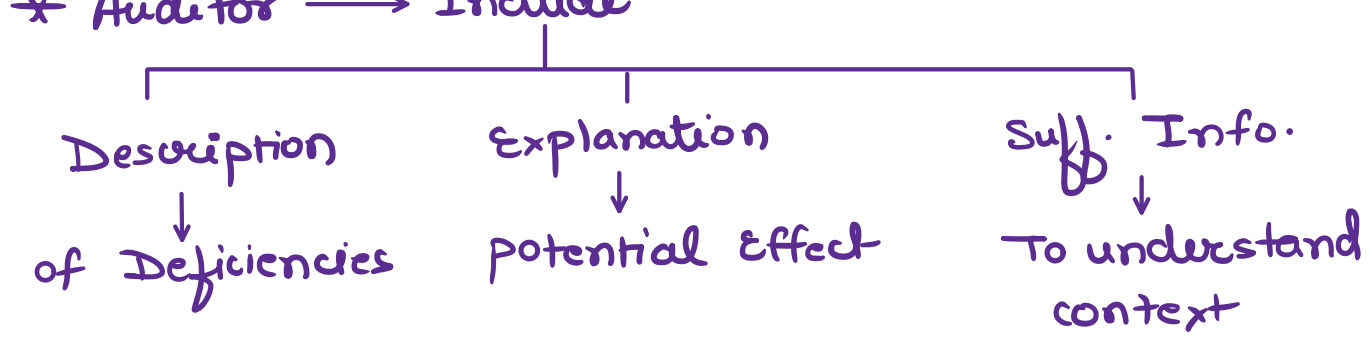
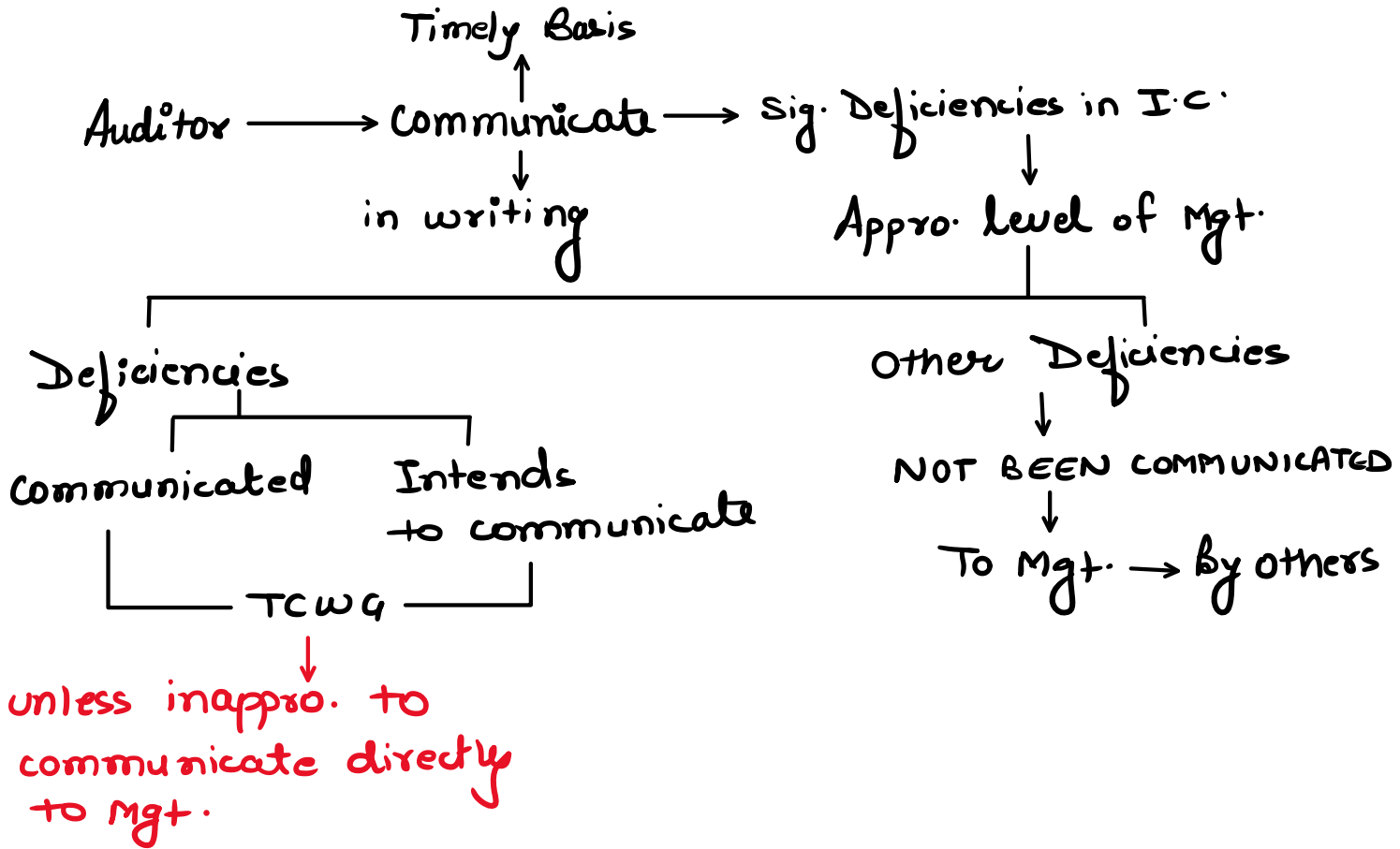


6.4 - Determination of significant deficiencies in internal control

Auditor shall determine → Identified <One more> Deficiencies in I.C.
↓
Basis of Audit Work performed

6.5 - Communication of significant deficiencies in internal control to those charged with governance

Timely Basis



Ankit Mundra

Ankit Mundra
Not for expressing
an opinion

Ankit Mundra

Ankit Mundra

Ankit Mundra

Ankit Mundra

Ankit Mundra

Ankit Mundra

Ankit Mundra