

1. - FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

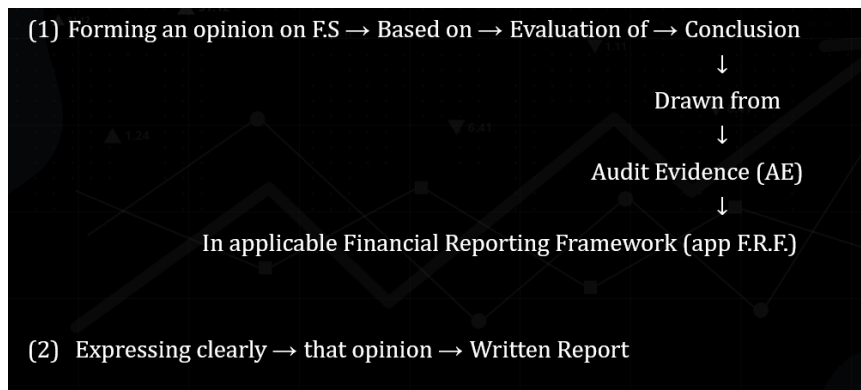


Auditor's Responsibility

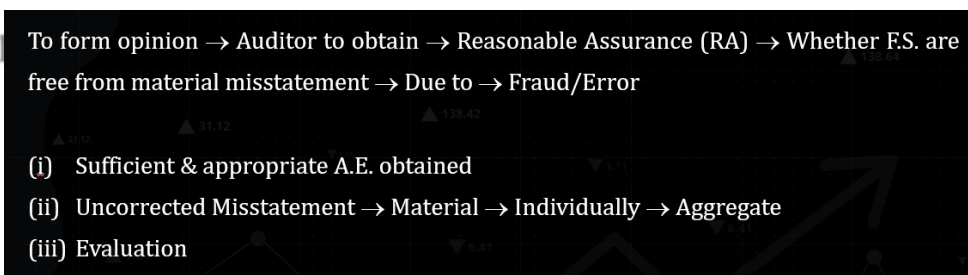
To form an Opinion on F.S.

Form Content > Audit Report

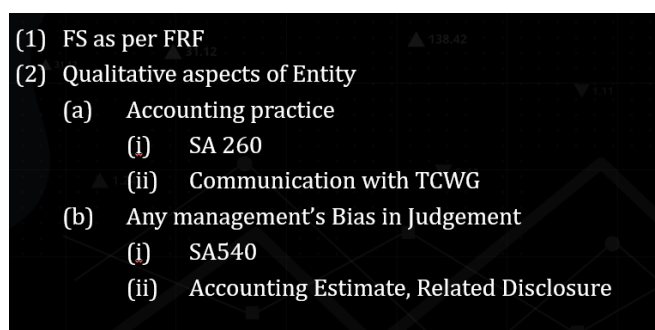
1.1 - Objective of the Auditor



1.2 - To Form Opinion – Auditor to Obtain Reasonable Assurance



1.3 - Evaluations by the Auditor



1.3.1 Qualitative Aspects of the Entity's Accounting Practices

i) Mgt. Judgement $\begin{matrix} \swarrow \\ \searrow \end{matrix}$ Amounts $\searrow$ Disclosures $\searrow$ FS

ii) Discussion → Qualitative Aspects → A/c practices

iii) * possible bias → Mgt. Judgements

* Lack of Neutrality → Indicators → Selective correction of Misst. possible Mgt. Bias → Alc Estimate

* Effect of uncorrected Misst.

iv) Possible Mgt. Bias → Alc Estimate

↓
Indicators → Do not constitute Misst.

↓
Affect Auditor's Evaluation

↓
for purpose of Drawing Conclusion

↓
FS as a whole are Free from MM on reasonableness of Individual Alc Estimate

1.4 - Specific Evaluations by the Auditor

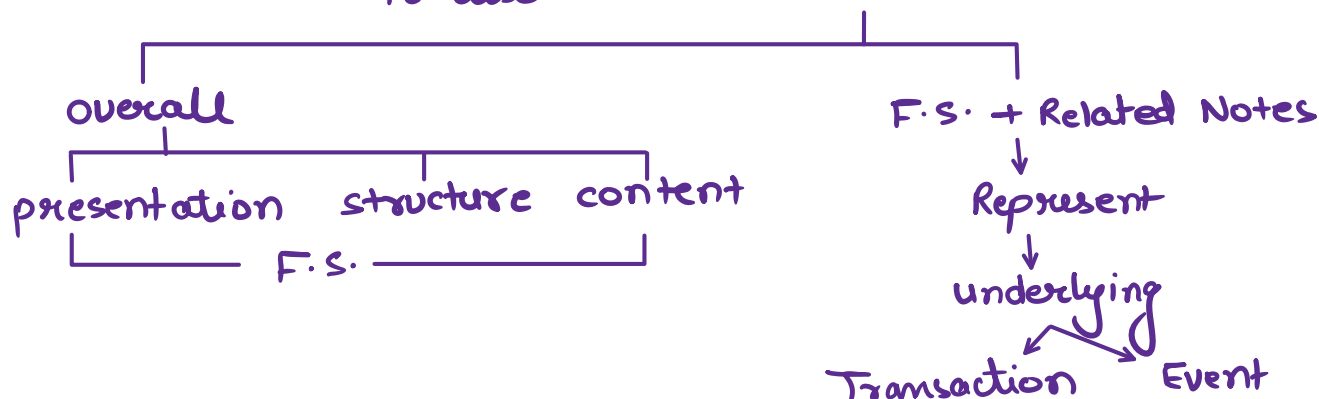
Specific Evaluation

- (1) FS → Disclose → Significant Accounting Policies → Selected → app F.R.F
- (2) Accounting Estimate → Made by Mgt. → Reasonable
- (3) Info. In F.S.
 - (a) Relevant
 - (b) Reliable
 - (c) Comparable
 - (d) Understandable
- (4) FS → Adequate Disclosure?
- (5) Terminologies → Appropriate?

* When F.S. are prepared → as per → Fair Presentation Framework

Evaluation (1.3) Specific Evaluation (1.4)

To also include consideration



2. - FORM OF OPINION

Forms of Opinion

(1) Unmodified

(a) Auditor concludes → F.S. → as per App. F.R.F.

(2) Modified (SA 705)

(a) F.S.

(i) Not free from MM

(ii) as per A.E. obtained

(b) Unable to obtain

(i) Suff. & Appro. A.E.

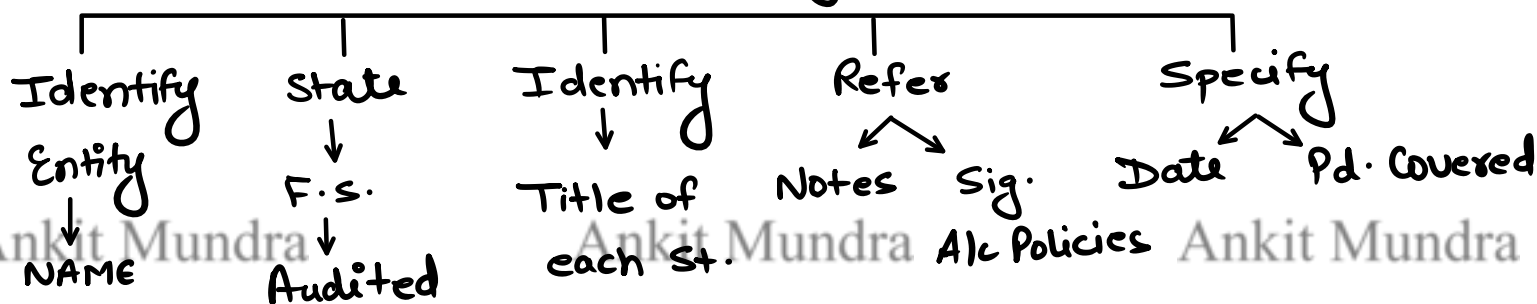
↓
Specific Headings

i) Title → "Independent Auditor's Report"

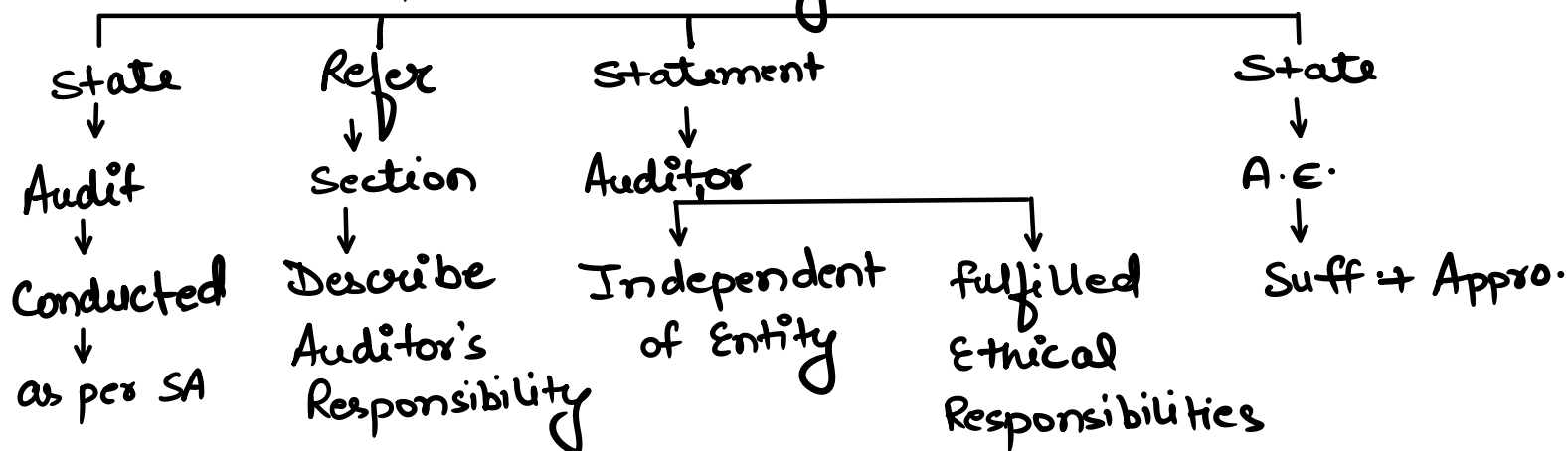
ii) Addressee → Law Regulations Terms of Engagement

specify → To whom Auditor's Report is to be Addressed

iii) Auditor's Opinion ↔ Heading + Also include



iv) Basis for Opinion → Heading



v) Going Concern → SA 570

i) F.S. → Assumption → Entity

Q.C. continue operation
↓
Forsecable future

Forseeable future

ii) Entity $\begin{cases} \text{Realise} \rightarrow \text{Assets} \\ \text{Discharge} \rightarrow \text{Liabilities} \end{cases}$

iii) Appxo. $\rightarrow$ Mgt. use of G.C.

iv) Event Condition $>$ Sig. Doubt $\rightarrow$ Entity's ability to continue as G.C.

v) Disclosure $\leftrightarrow$ Nature $+$ Implication $\leftrightarrow$ Material Uncertainty

In case of

Fair Presentation F.R.F. $\quad$ Compliance Framework

Fair Presentation of F.S. $\quad$ F.S. not misleading

vi) Key Audit Matters $\rightarrow$ SA 701 $\begin{cases} \text{Listed} \\ \text{Other} \end{cases} > \text{Entities}$

Required $\begin{cases} \text{Law} \\ \text{Regulation} \end{cases}$

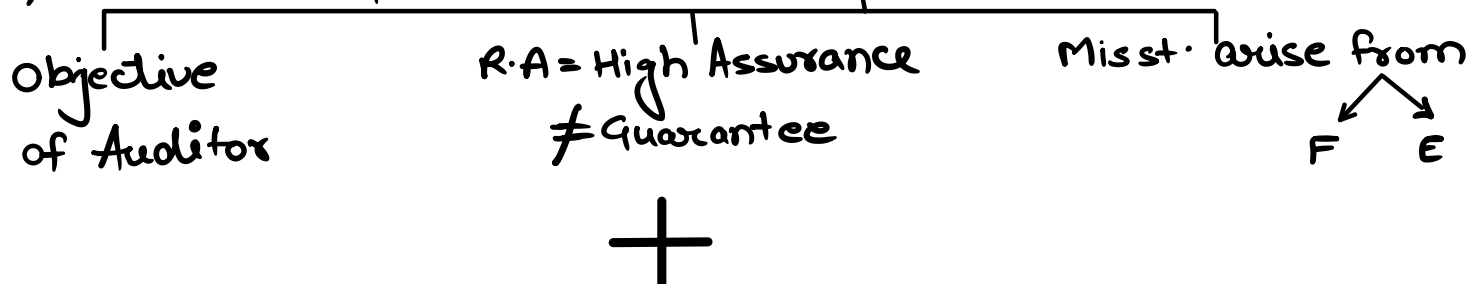
vii) Mgt. Responsibilities

Prepare F.S. $\rightarrow$ app. F.R.F. $\quad$ I.C. $\quad$ Assess G.C.

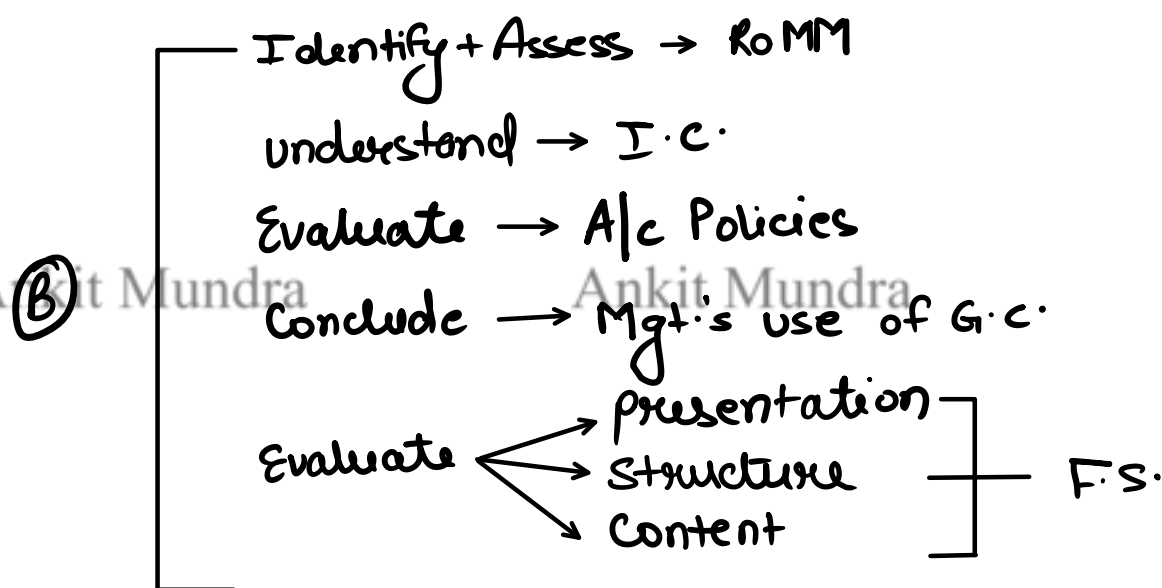
viii) Auditor's Responsibilities $\rightarrow$ state

$\begin{cases} \text{Opinion} \\ \text{with Assurance} \end{cases} \quad \text{Misst. arise from}$

VIII) Auditor's Responsibilities

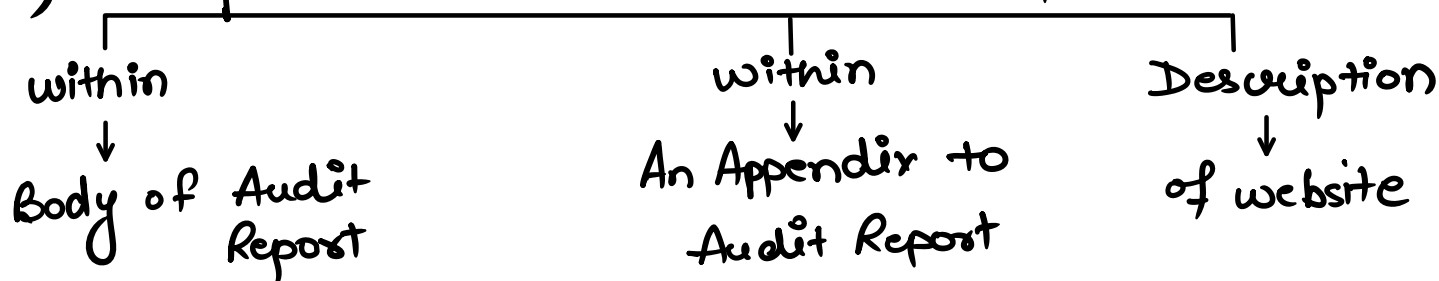


(A) Exercises → Prof. Judgement
Maintains → Prof. Skepticism



(C) Describe → Group Audit Responsibilities

ix) Location of Description of Auditor's Responsibilities



Firm

Personal Name (Eng. Partner)
+
Name of Audit Firm

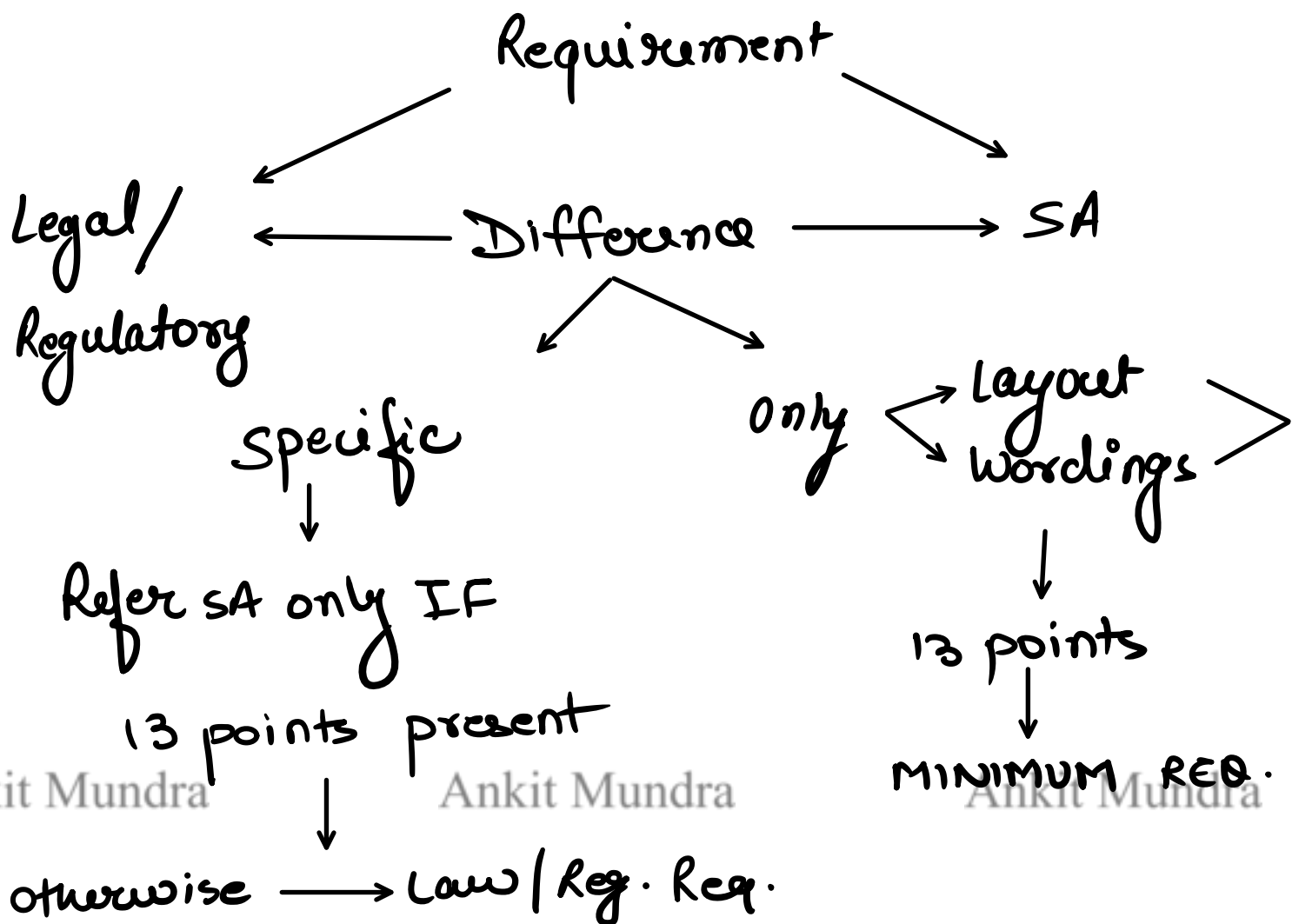
ICAI F.R.N.

UDIN

xiii) Date of Auditor's Report $\rightarrow$ Not earlier than

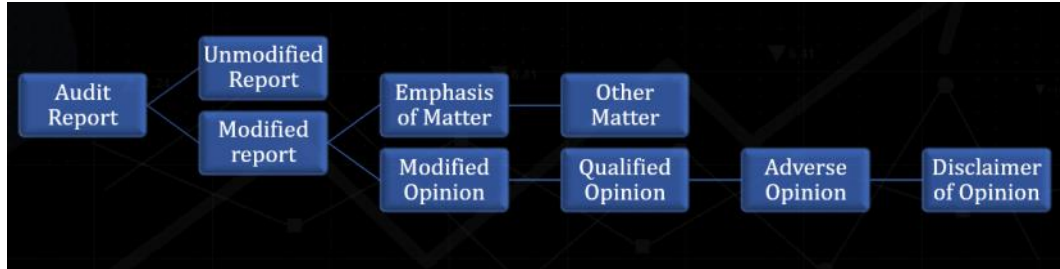
The date when Auditor obtains Suff. + Appro. A/E

└ Last 10 Digits → Random Alpha - Numeric

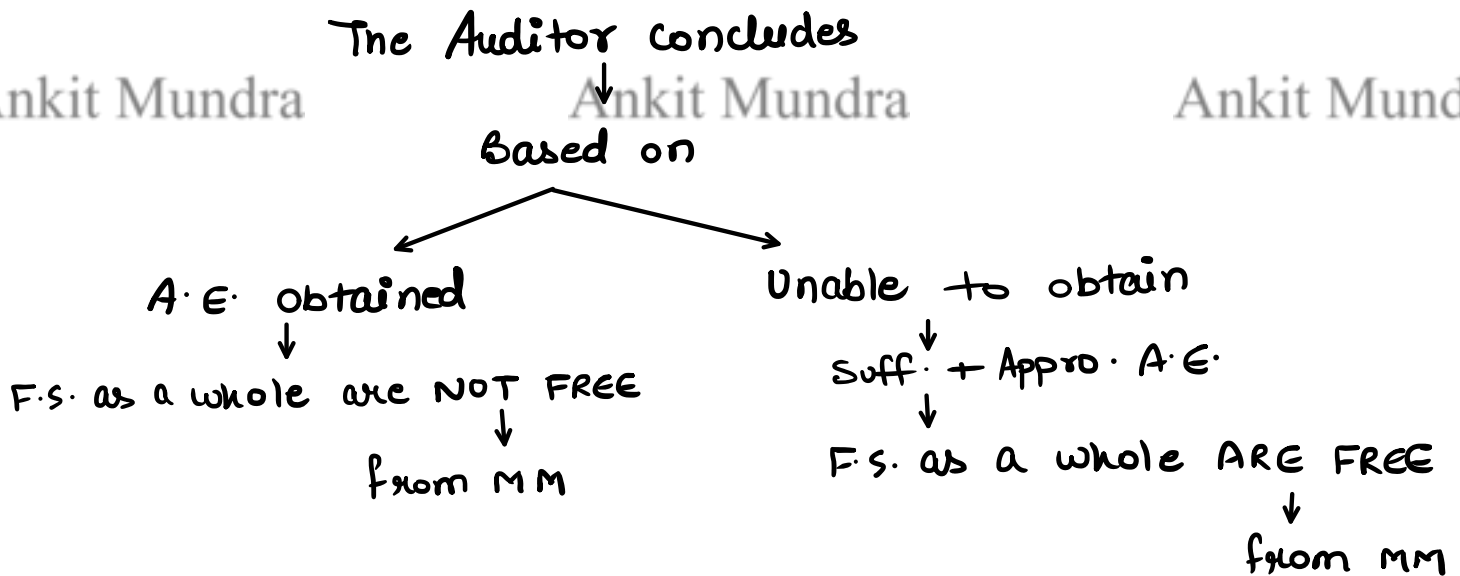
4. - AUDITOR'S REPORT PRESCRIBED BY LAW OR REGULATION

5. - MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

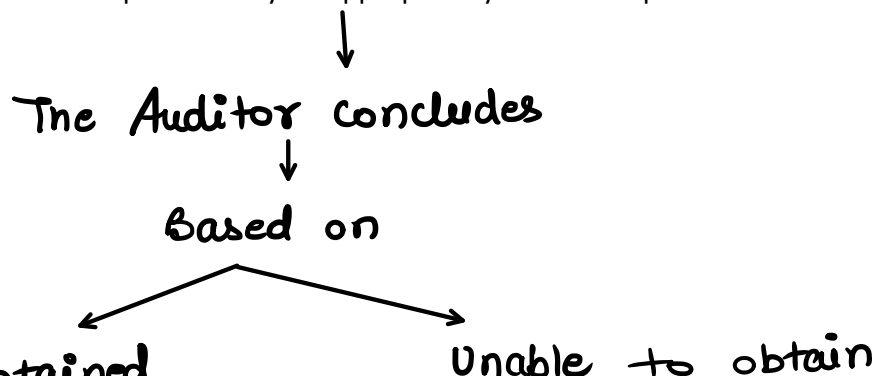
↓
 Deals with Auditor's Responsibility
 ↓
 To issue an appro. Audit Report
 ↓
 In circumstances when → Modification is necessary



5.1 - Circumstances When a Modification to the Auditor's Opinion Is Required



5.2 - Objective of the Auditor- To Express Clearly an Appropriately Modified Opinion

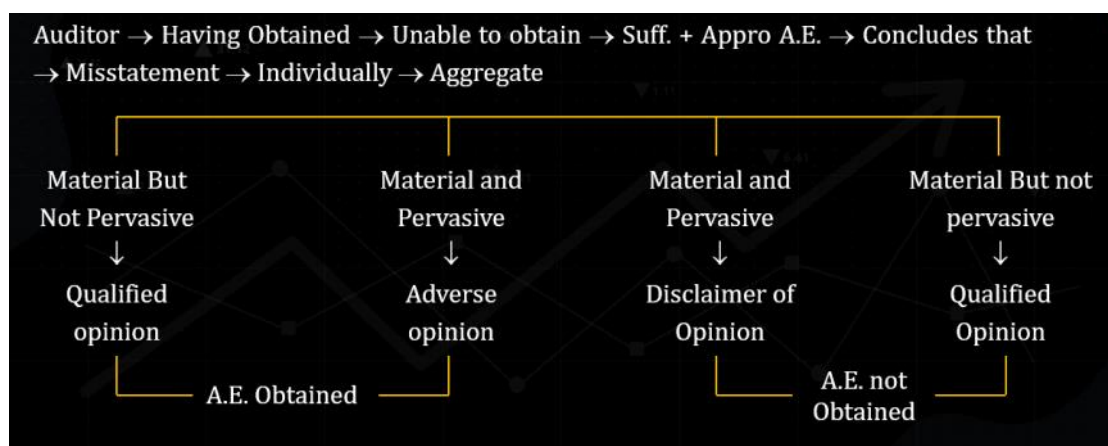
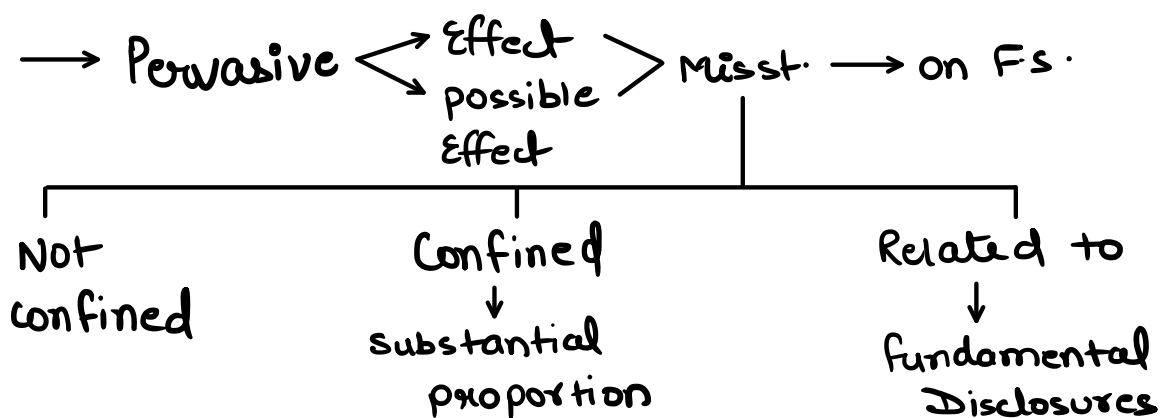


A.E. obtained
 ↓
 F.S. as a whole are NOT FREE
 ↓
 from MM

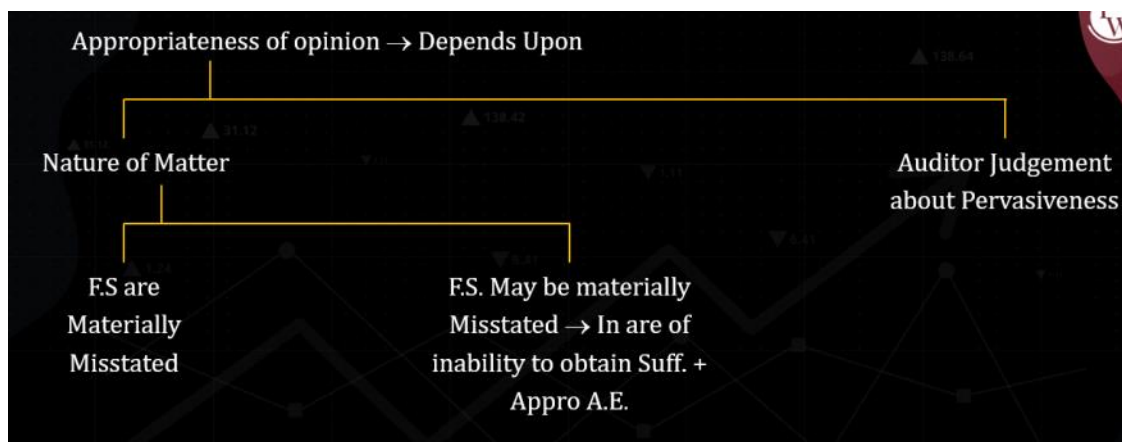
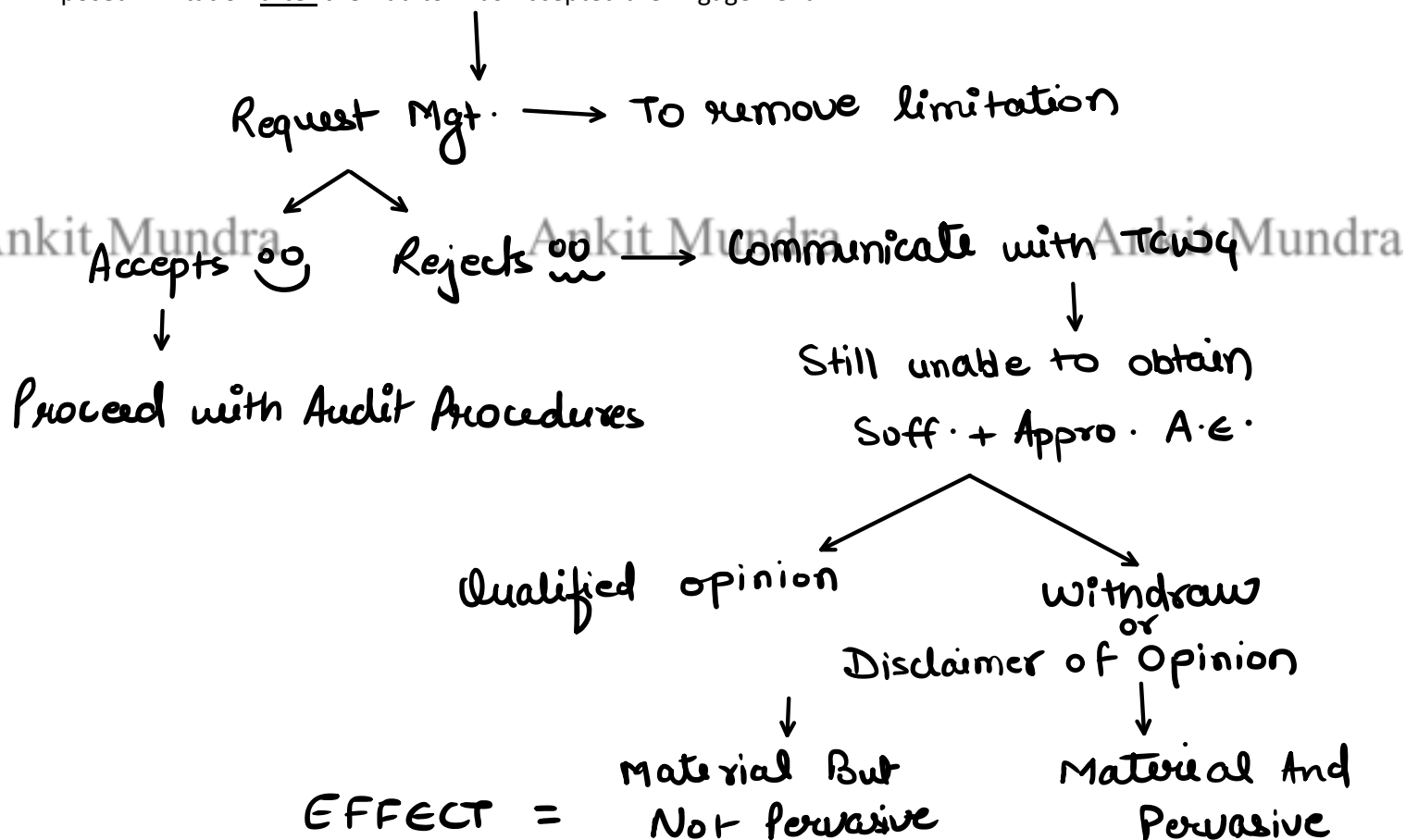
Unable to obtain
 ↓
 Suff. + Appro. A.E.
 ↓
 F.S. as a whole ARE FREE
 ↓
 from MM

5.3 - Types of Modified Opinions:

Misstatement → Material	Suff. & Appro. A.E.	
	Obtained	Unable to Obtain
But not pervasive	Qualified opinion	Qualified opinion
And pervasive	Adverse opinion	Disclaimer of Opinion



5.4 - Which type of opinion is appropriate?

5.5 Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement5.6 - Form and Content of the Auditor's Report When the Opinion is Unmodified/Modified

OPINION

PHRASES

USE

NOT

TO USE

Opinion	USE	NOT TO USE
Unmodified	Present fairly in all material aspects	with the foregoing explanation
	give true & fair view	subject to
Qualified	Except for the effects of matters described in Basis for Qualified opinion ↓ F.S. ↙ ↘ present in acc. fairly with	
Adverse	Because of the significance of the matters described in Basis for Adverse opinion ↓ F.S. ↙ ↘ Do not not in	

	Do not present fairly not in acc. with	
Disclaimer	Do not express an opinion	
	Not able to obtain suff. + Appso. A.E.	
	~~Fs. have been Audited~~	

5.7 - Basis for Opinion

→ Amend the heading

Basis for Opinion

Basis for
Qualified
OpinionBasis for
Adverse
OpinionBasis for
Disclaimer of
Opinion+
Include description of matter

Misst.

Specific Amount

Not practical to
QuantifyNarrative
Disclosure

Description

Quantification

state this

Explanation

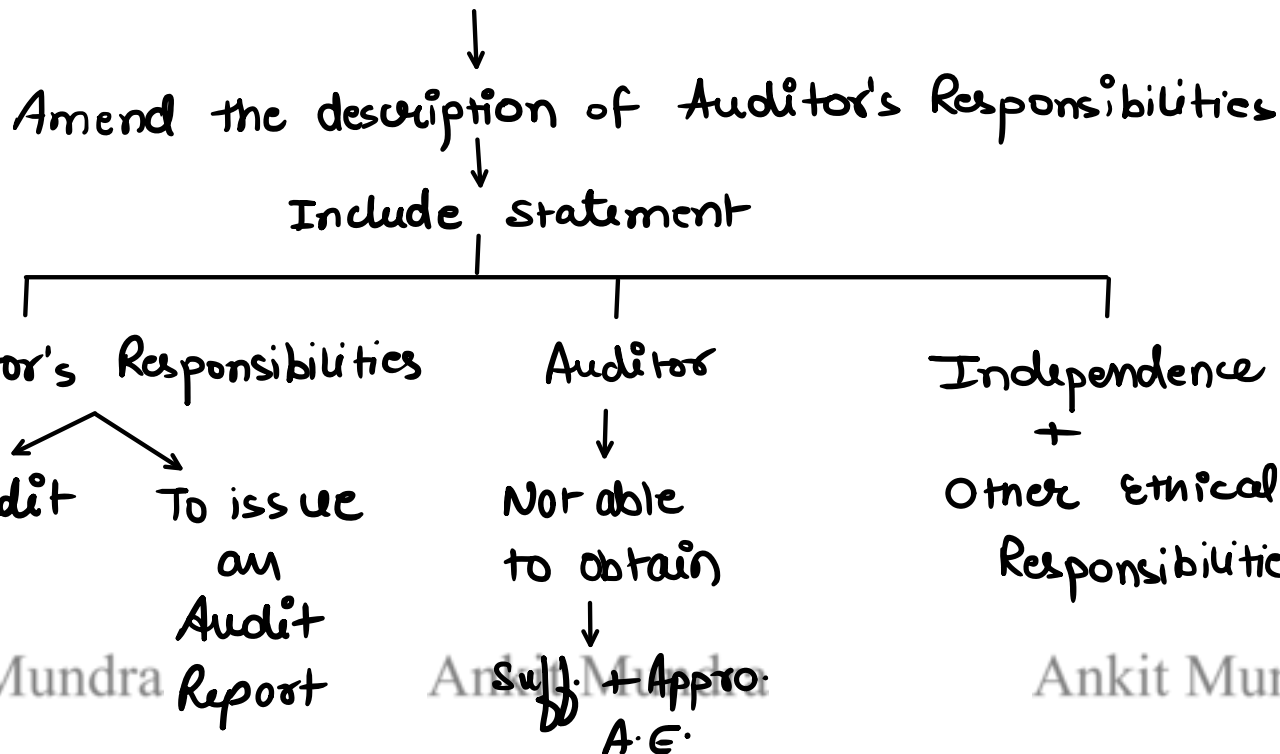
Description

Quantification

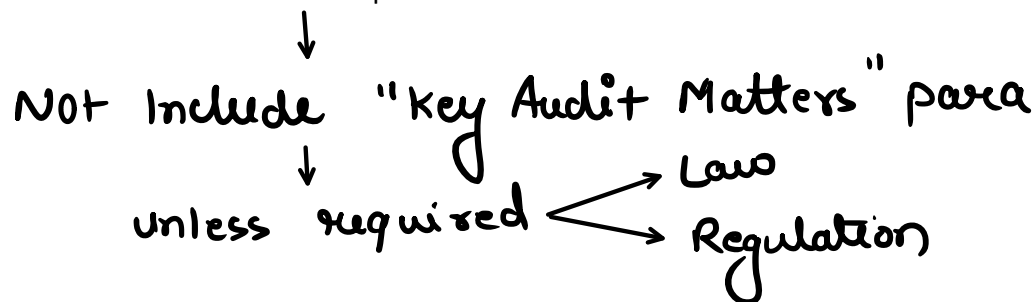
state this

Explanation

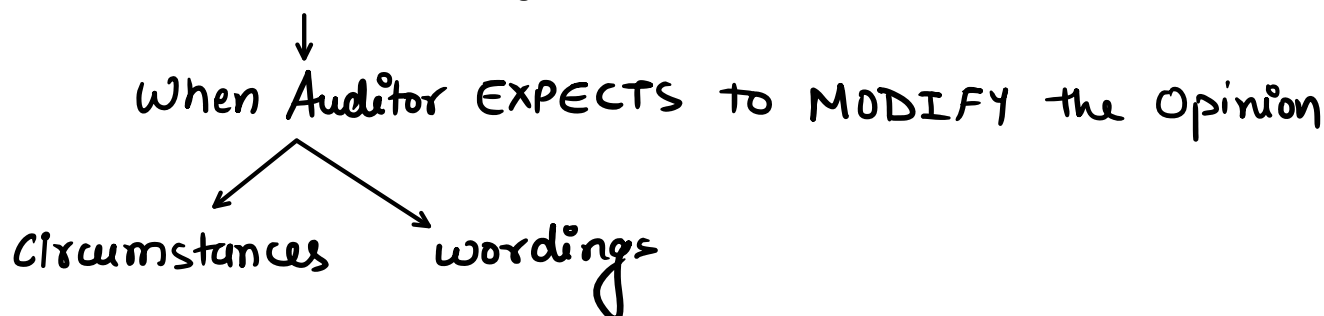
5.8 - Description of Auditor's Responsibilities for the Audit of the Financial Statements When the Auditor Disclaims an Opinion on the Financial Statements



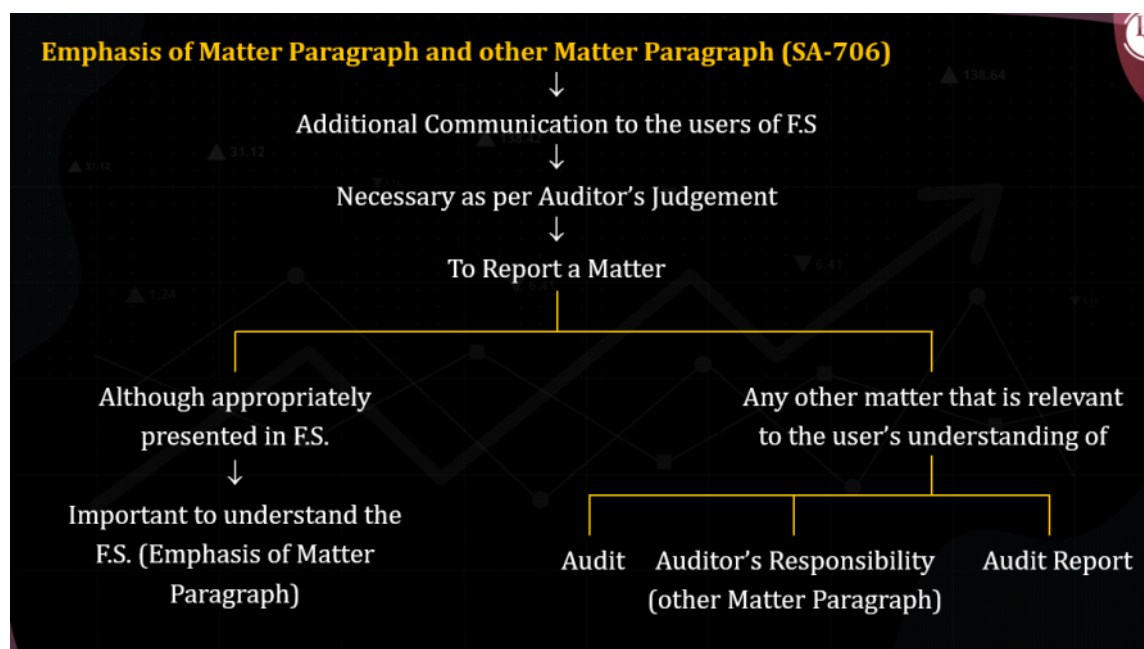
5.9 - Considerations When the Auditor Disclaims an Opinion on the Financial Statements



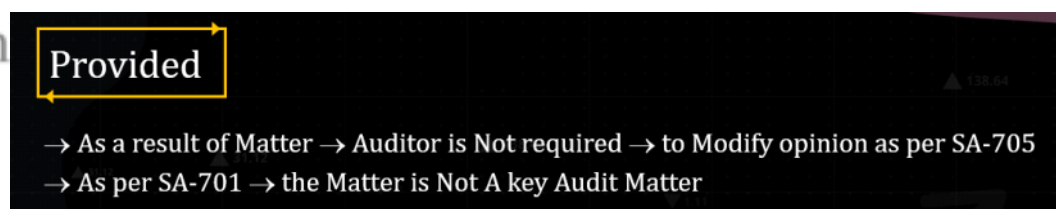
5.10 - Communication with Those Charged with Governance



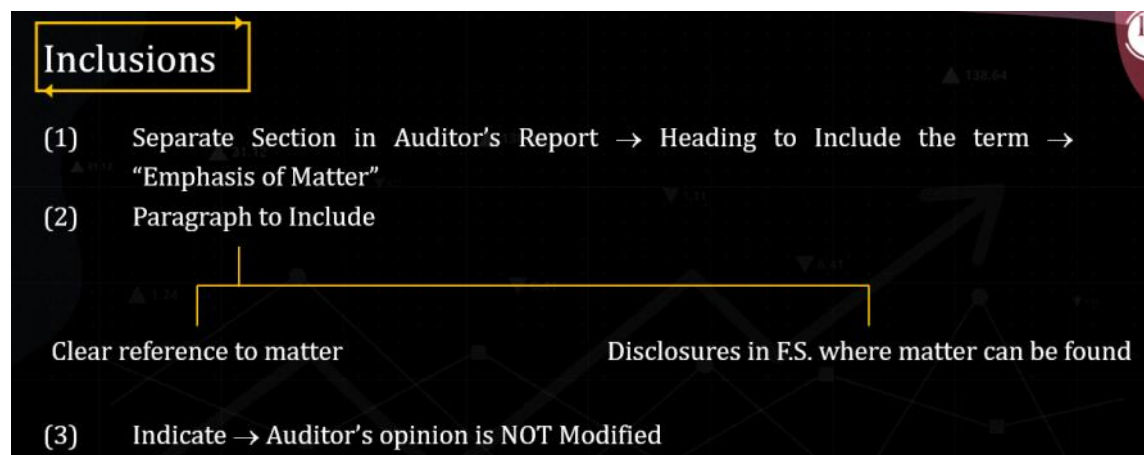
6. - EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT



6.2 - Emphasis of Matter Paragraphs in the Auditor's Report



6.2.1 - Separate section for Emphasis of Matter paragraph



6.3 - The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion

Em para → Not a substitute for

EoM para → Not a substitute for

Modified
Opinion

Disclosure in F.S.

app. F.R.F.

Req. Mgt. to achieve

Fair presentation

Reporting in acc.

SA 570

when material
uncertainty exists

6.4 - Other Matter Paragraphs in the Auditor's Report

"Other Matter Paragraph" → Not included in F.S. → Provided

Show in a separate section

(1) Not Prohibited by → Law → Regulation

(2) As per SA-701 → The matter is not a key audit Matter

6.5 - Communication with Those Charged with Governance

when $\begin{cases} \text{EoM} \\ \text{OM} \end{cases} > \text{para} \rightarrow \text{expected in Audit Report}$

Expectation

wordings

7. - COMMUNICATING KEY AUDIT MATTERS IN THE INDEPENDENT AUDITOR'S REPORT (SA 701)

Definition → Matters → were of Most. Significance
 ↓
 In Auditor's Prof. Judgement
 ↓
 In an audit of F.S.
 ↓
 C.Y.

7.1 - Purpose of Communicating Key Audit Matters

Enhance → Communicative Value of Auditor's Report
 ↓
 By providing → Greater transparency

7.2 - Objectives of the Auditor regarding Key Audit Matters

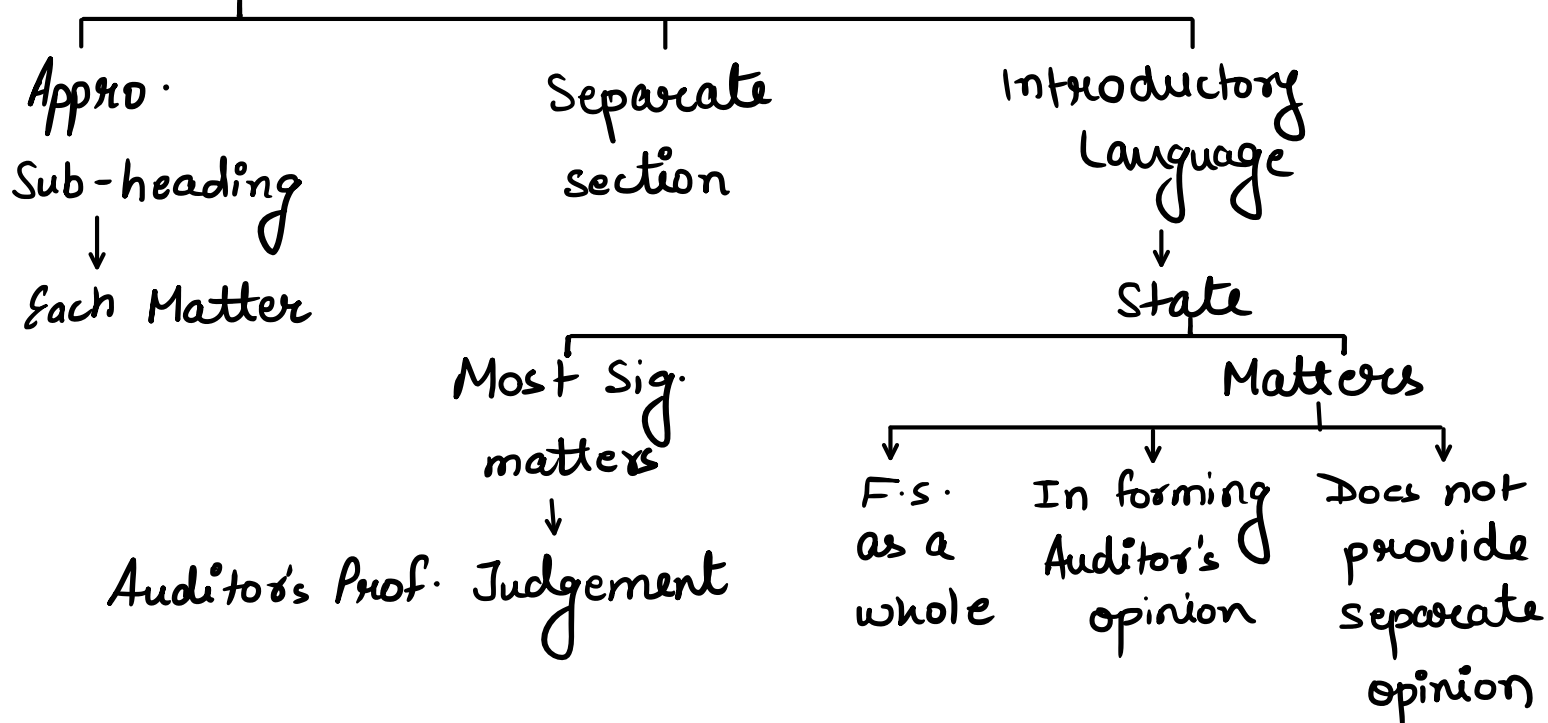
To determine Key Audit Matters
 Communicate → Auditor's Report

7.3 - Determining Key Audit Matters

- ① Area of $\begin{cases} \text{Higher assessed RoMM} \\ \text{Sig. Risk Identified} \end{cases} \rightarrow \text{SA 315}$
- ② Sig. Auditor's Judgement → Relating to areas in Fs.
 ↓
 that involves
 ↓
 Sig. Mgt. Judgement
- ③ Effect on Audit of → Sig. $\begin{cases} \text{Events} \\ \text{Transactions} \end{cases} \rightarrow \text{occurred during the pd.}$

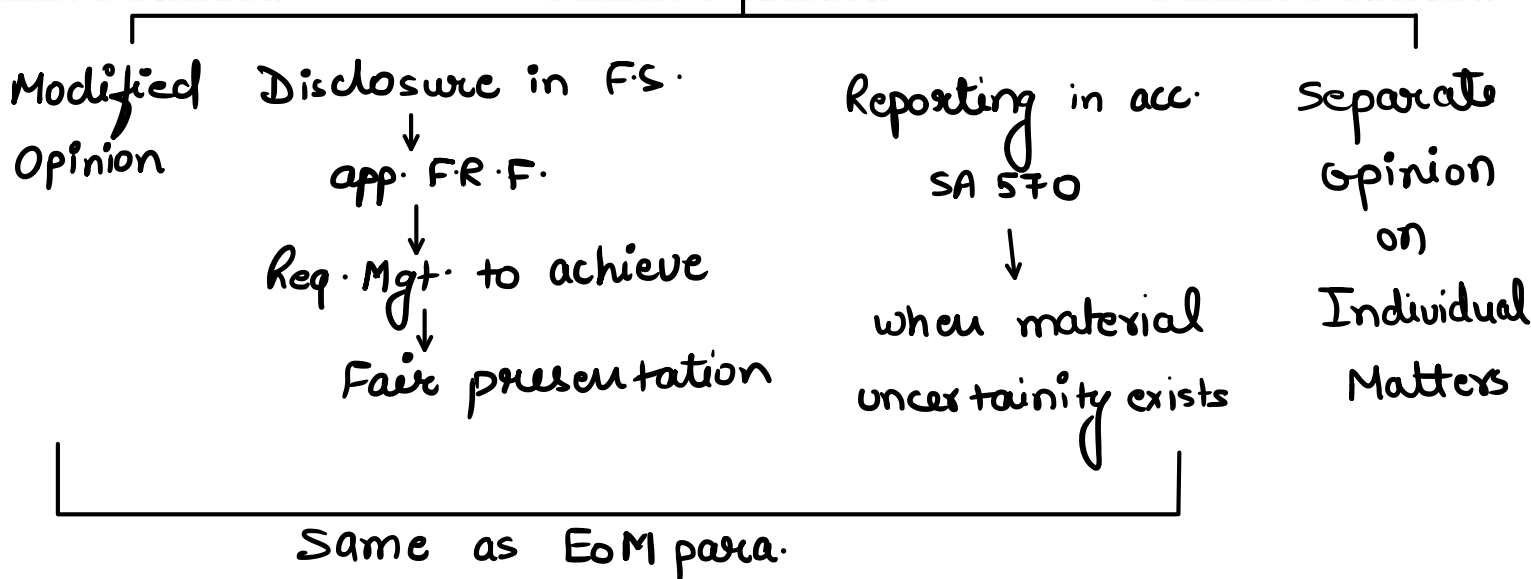
7.4 - Communicating Key Audit Matters

7.4 - Communicating Key Audit Matters



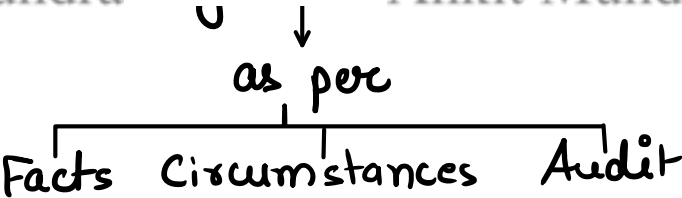
7.5 - Communicating Key Audit Matters- not a substitute for disclosure in the Financial Statements etc.

Not a Substitute for



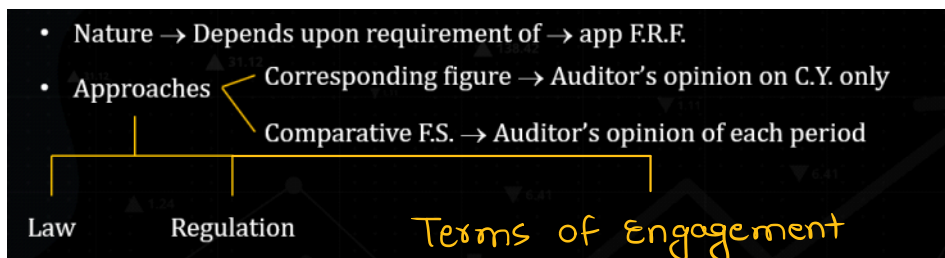
7.6 - Communication with Those Charged with Governance



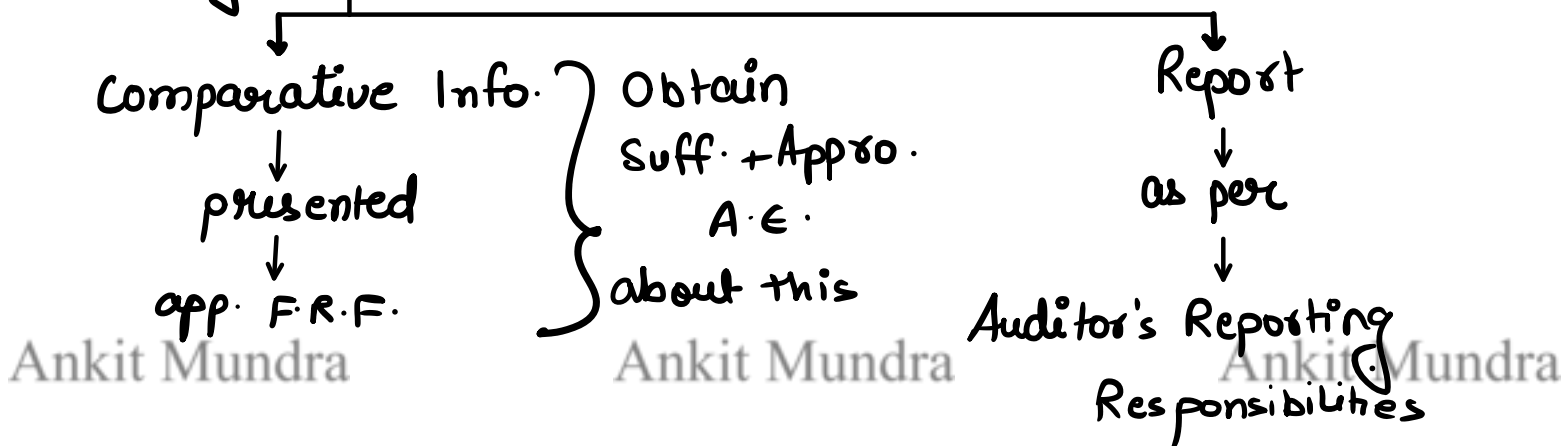


8. - STANDARD ON AUDITING - 710, "COMPARATIVE INFORMATION - CORRESPONDING FIGURES AND COMPARATIVE FINANCIAL STATEMENTS"

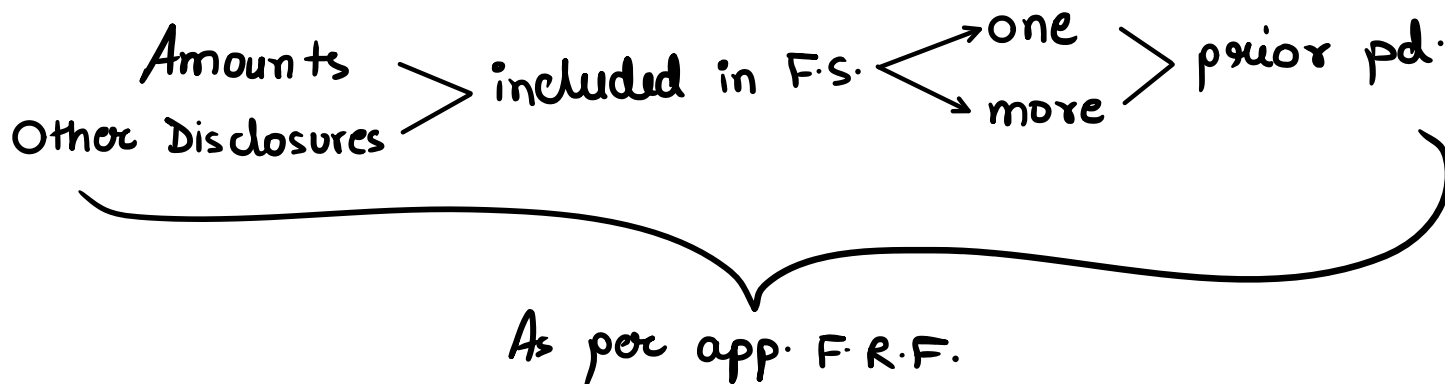
8.1 - The Nature of the Comparative Information



* Objectives

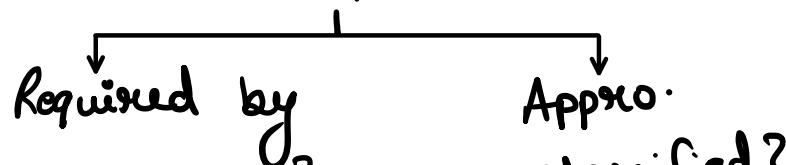


* Definition → Comparative Info.



8.2 - Audit Procedures regarding comparative information

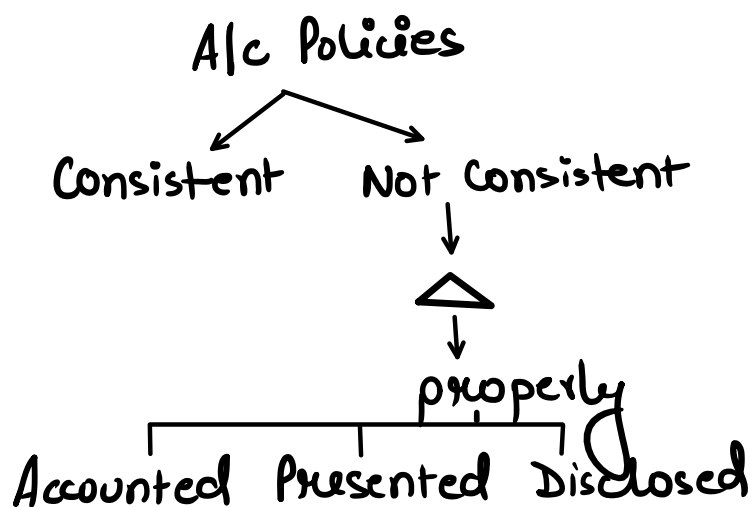
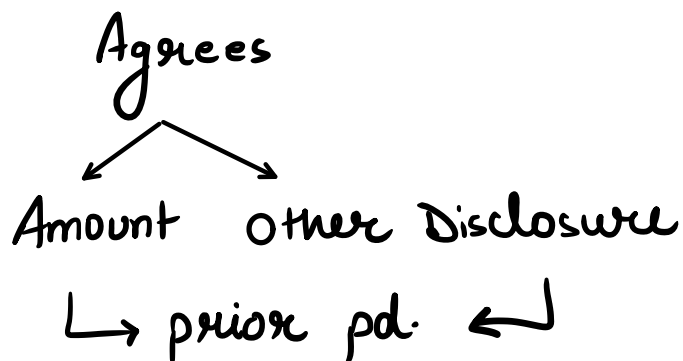
① Determine → F.S. include → Comparative Info.?



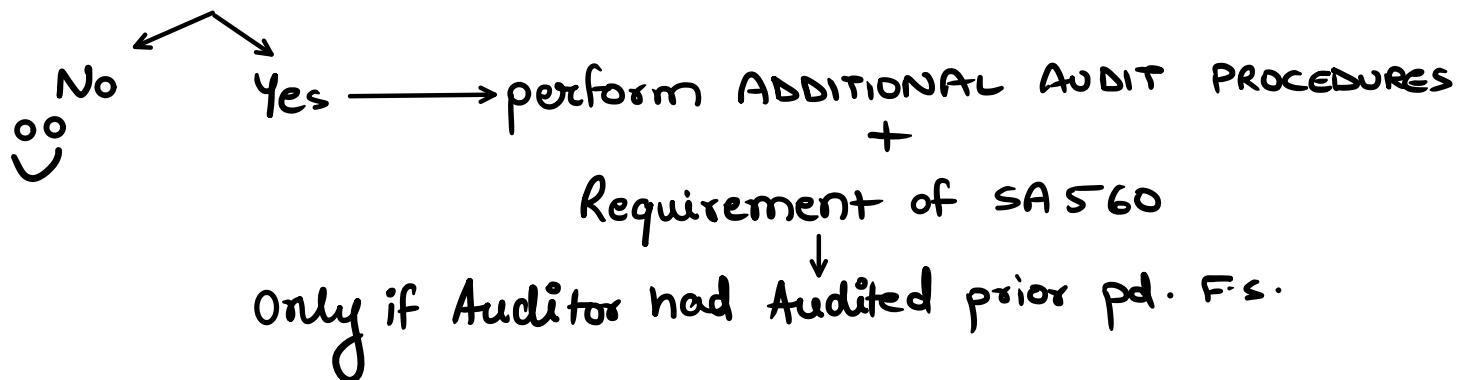
Required by
app. F.R.F.?

Appxo.
classified?

② Evaluate → Comparative Info.



③ Possible Mist.?



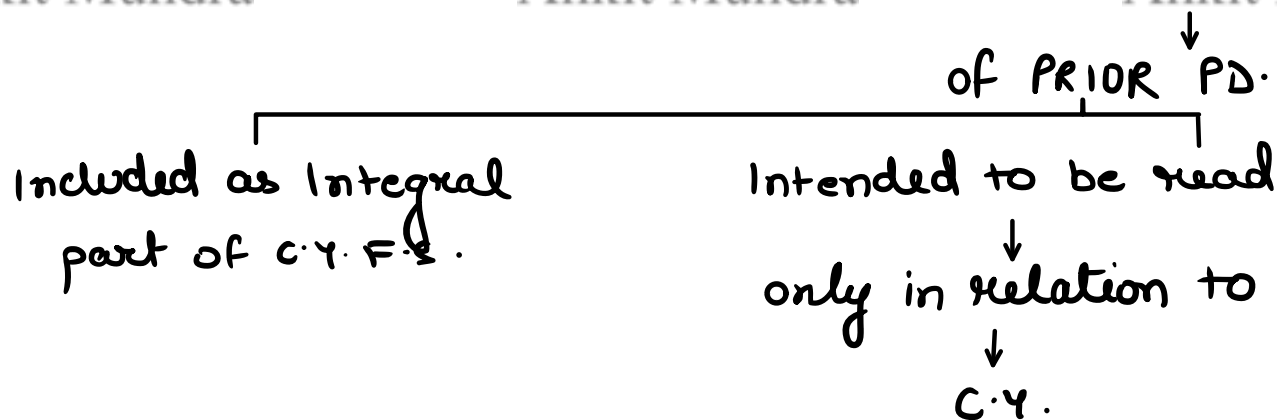
④ Obtain w.r.

8.3 - Audit Reporting regarding Corresponding Figures

Definition → Comparative Info. → where

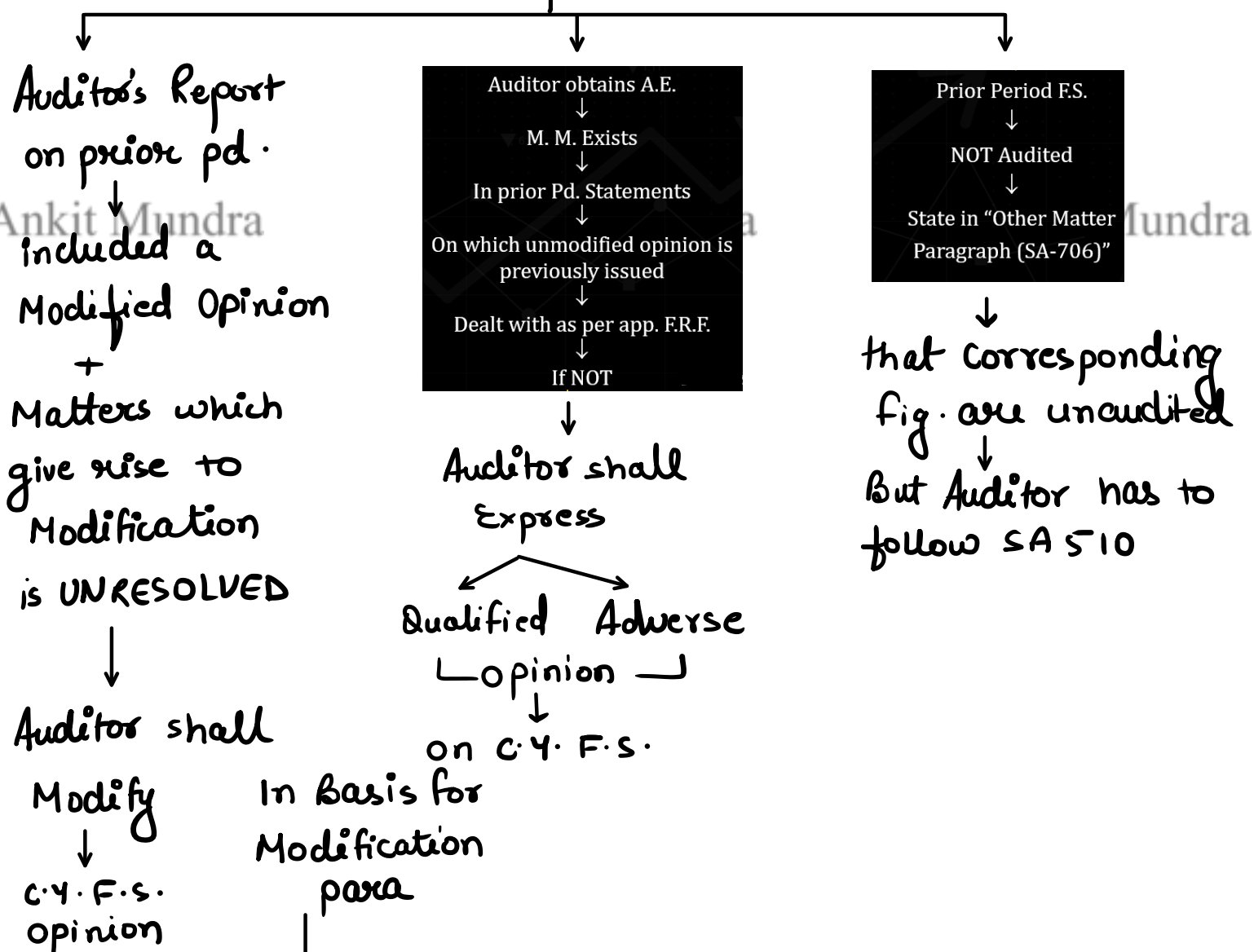
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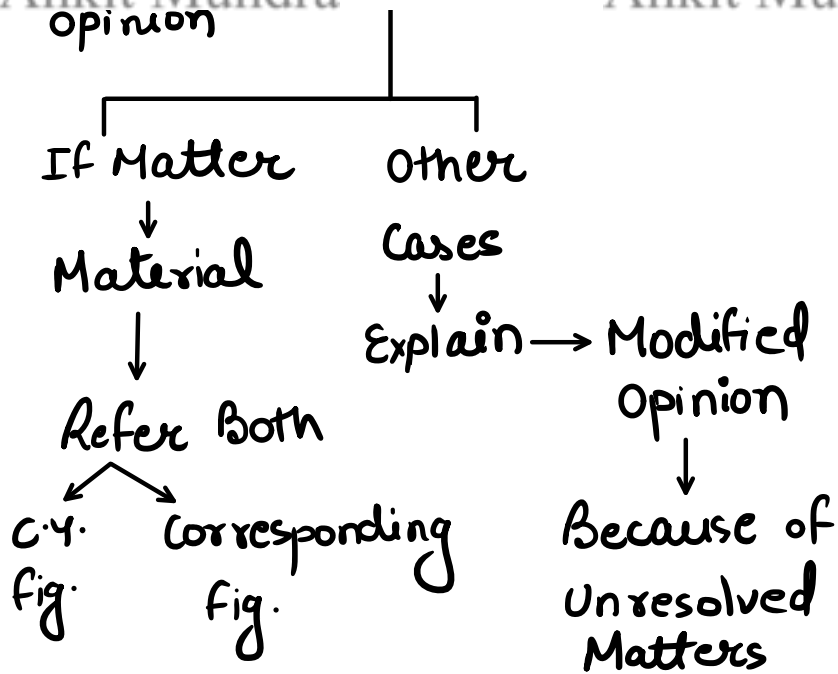
graph LR
    A[Definition] --> B[Comparative Info.]
    B --> C[where]
    C --> D[Amounts]
    C --> E[Other Disclosure]
  
```



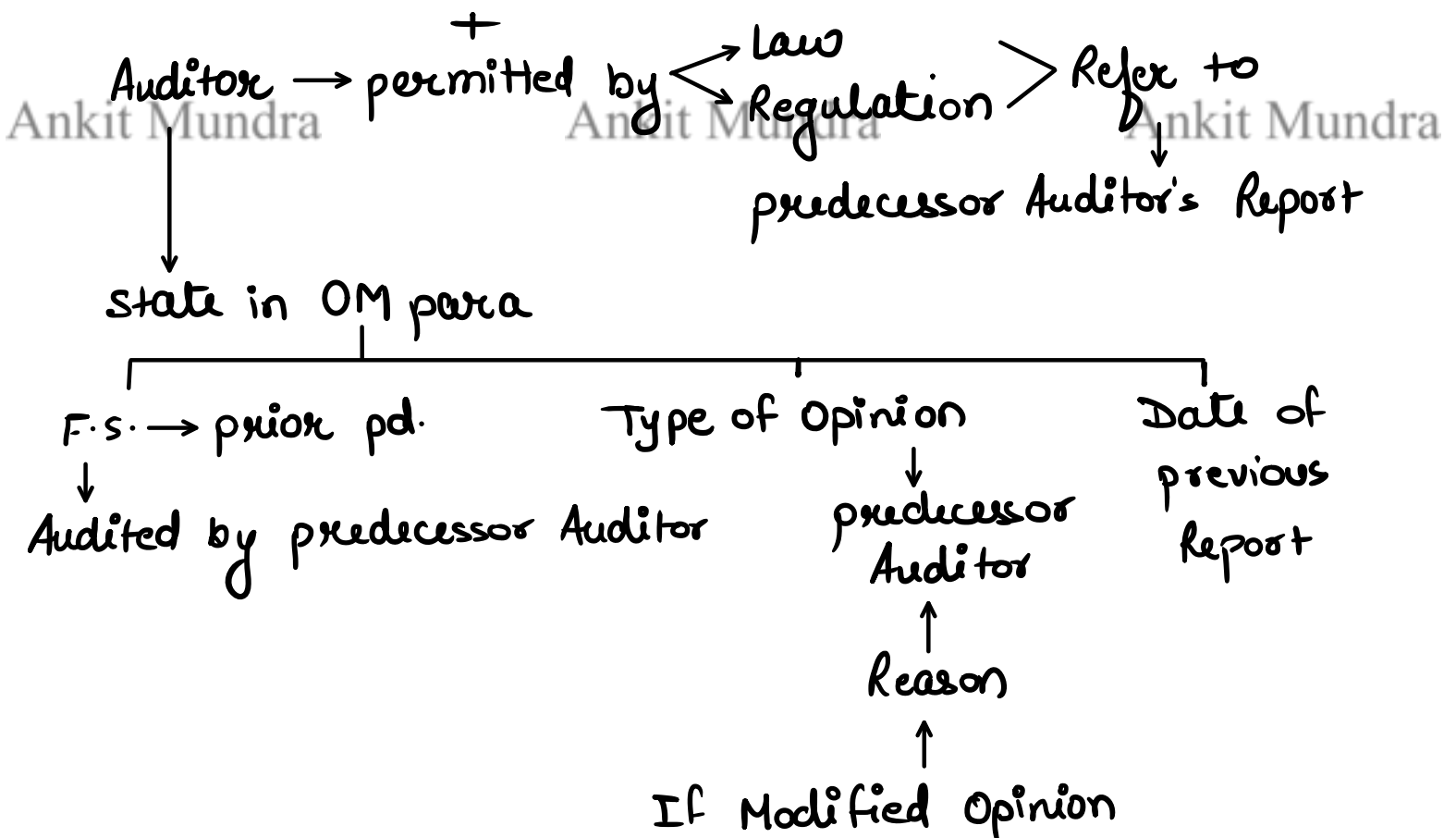
→ Auditor's Opinion shall NOT REFER → To Corresponding fig.

EXCEPT





* Prior Period Financial Statements Audited by a Predecessor Auditor

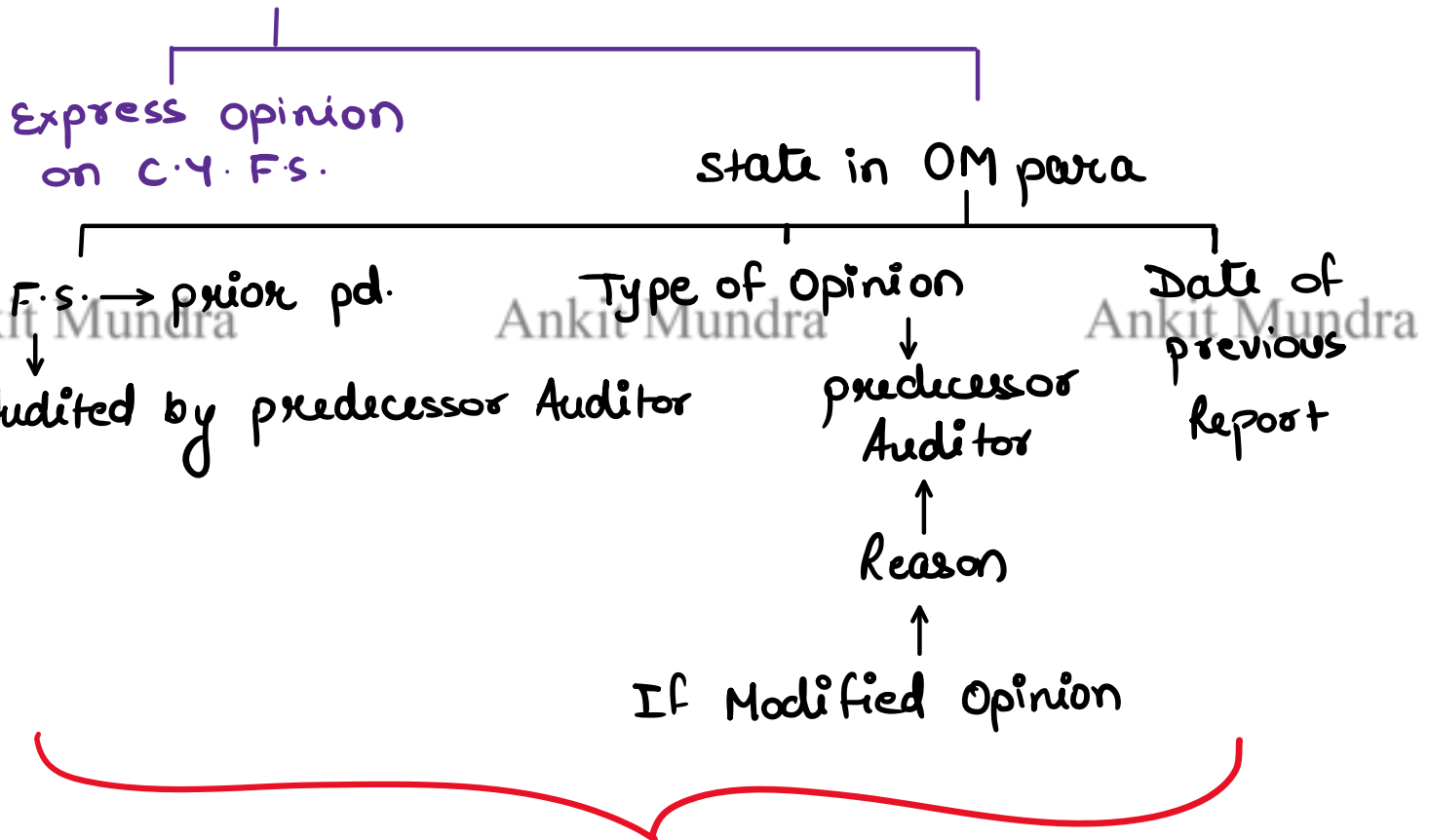


8.4 - Comparative Financial Statements

- Auditor's opinion refer to Each Period
- Reporting on prior period F.S. → in connection with → with → current period audit
- ↓
- Auditor's opinion → Differs → from opinion expressed previously
- ↓
- Disclose
- ↓
- Substantive reason → for different opinion
- ↓
- In other Matter paragraph (SA-706)

* Prior Period Financial Statements Audited by a Predecessor Auditor

Auditor shall



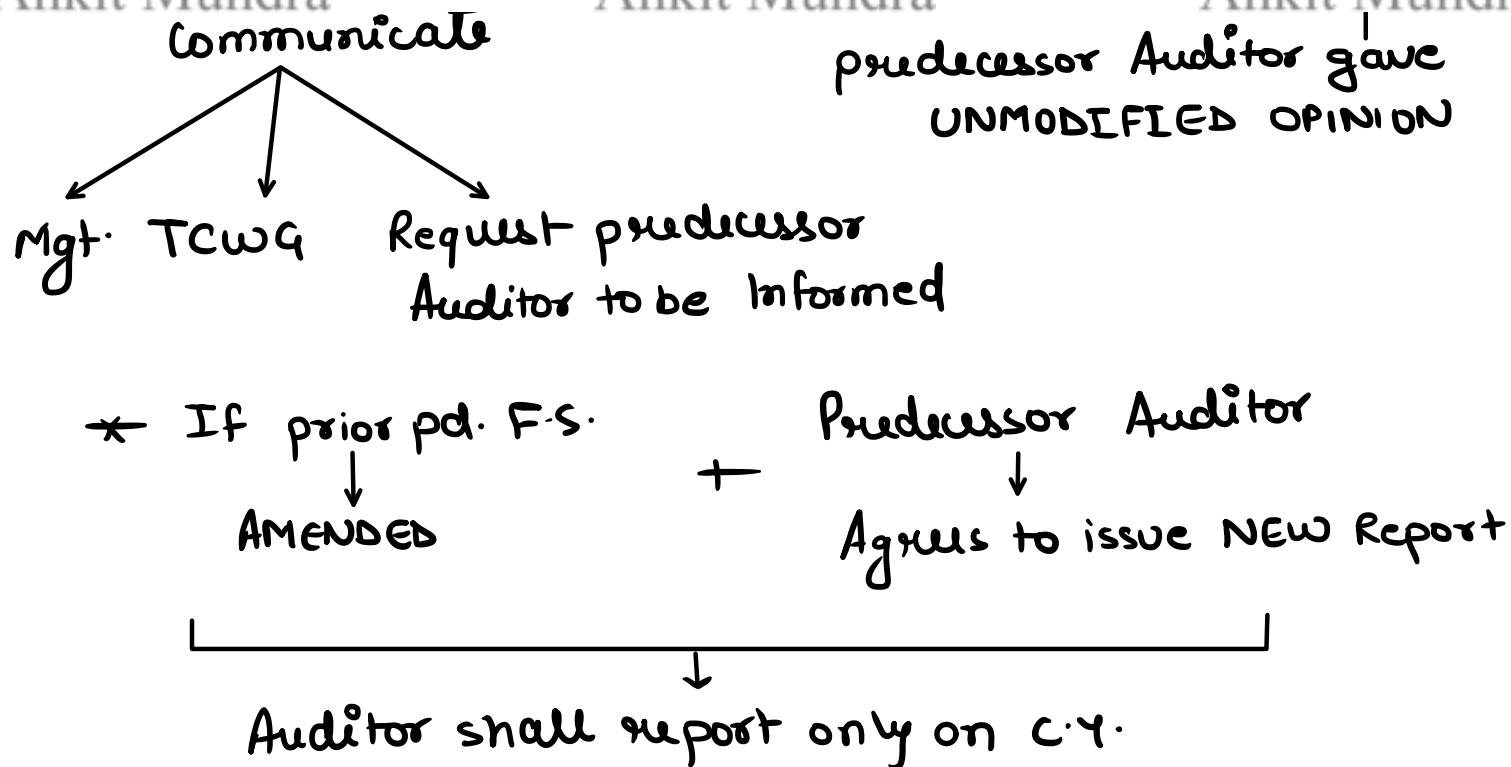
unless predecessor Auditor's Report → REVISED

* If Auditor concludes → MM exists → that affects prior pd. F.S.

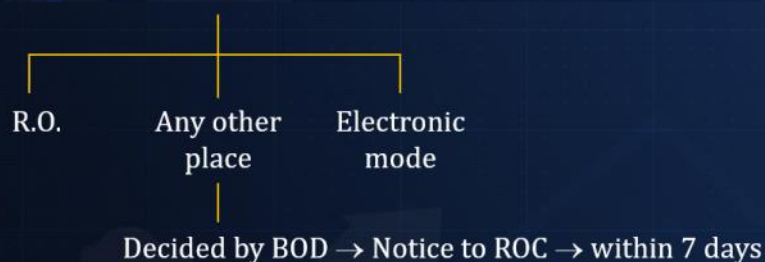
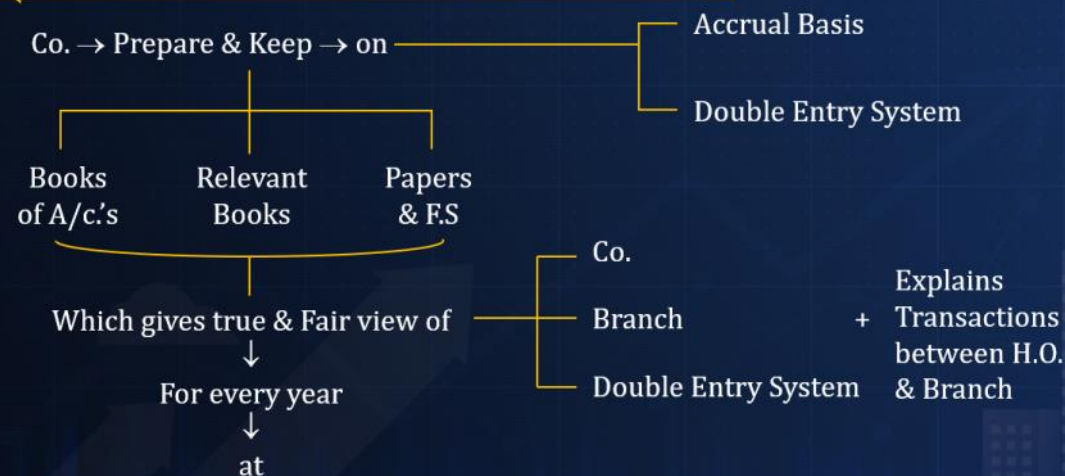
↓

communicate

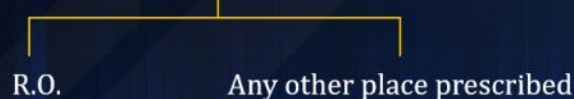
predecessor Auditor gave



9. - AUDIT OF BRANCH OFFICE ACCOUNTS

Audit of Branch Office Accounts [Sec.128(1)]

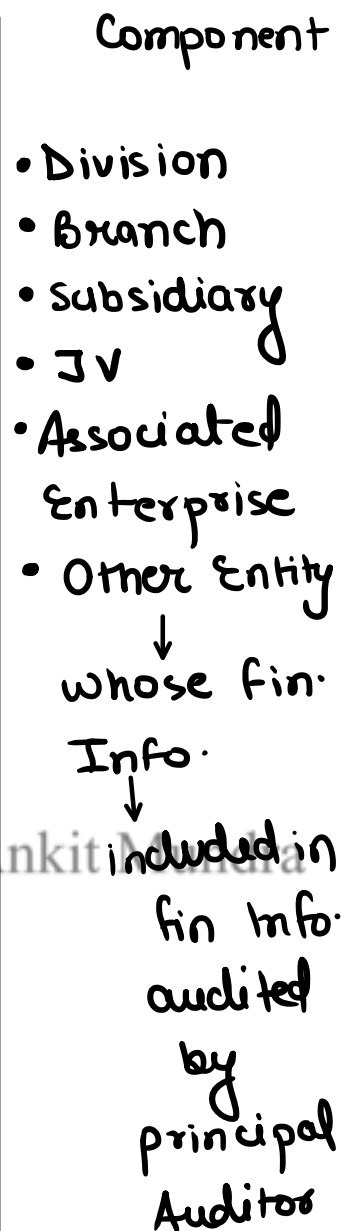
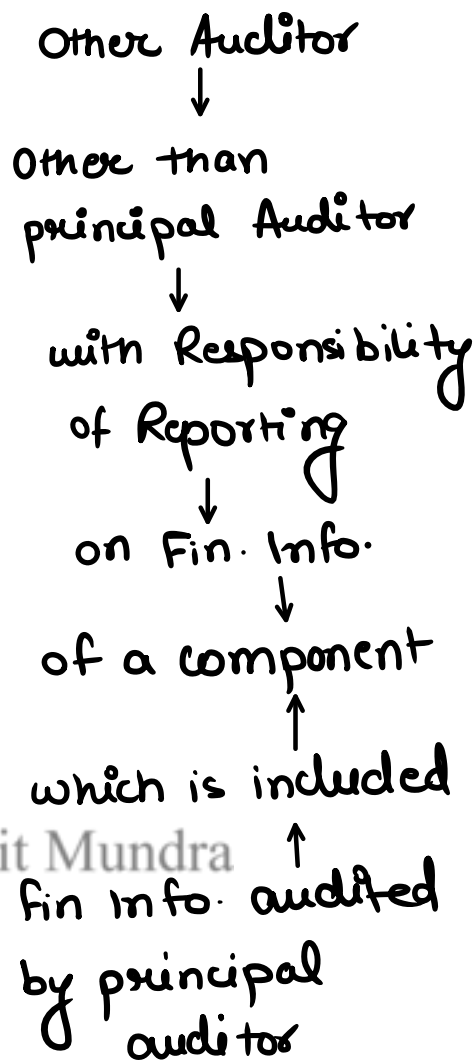
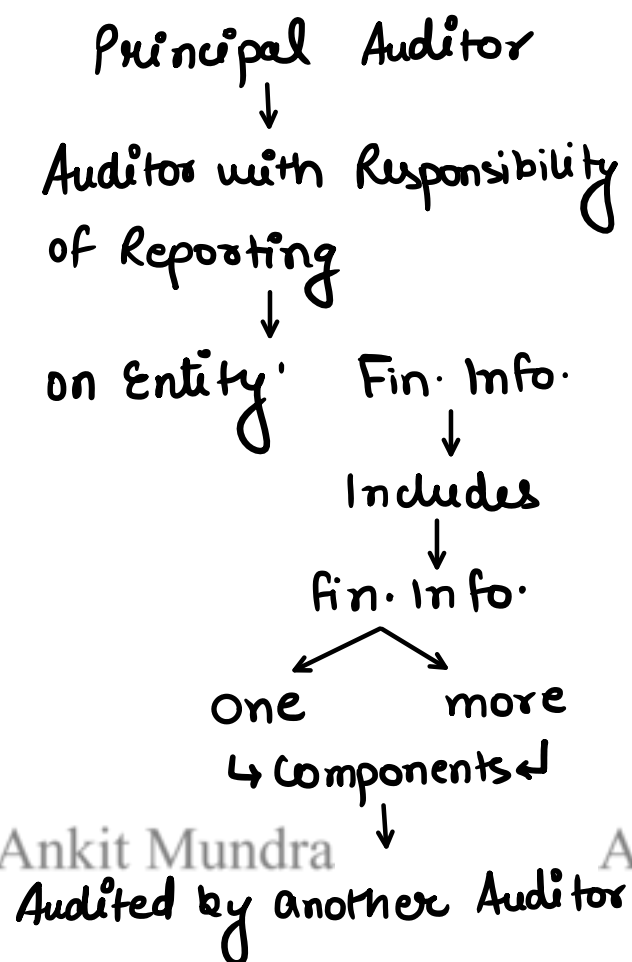
- If Branch → outside India & In India → Sec.128(1) will be satisfied → if → Proper periodic Return

**Sec.143(8)**Continue from Duties of Auditor (7th Point)**Audit of Branch**

Accountant → According to laws of that country

- If Branch is outside India
- Branch Auditor → Sends Report → H.O. Auditor
- Reporting of Fraud as → Applies to Branch Auditor → Limited to Branch only per Rule 12, CAAR, 2014

→ Definitions



Using the work of Another Auditor (SA-600)

Generally the Principal Auditor → relies over → work of → Component Auditor

Unless

For special circumstances → that necessitates → Principal Auditor → to

Perform Procedures to obtain

Sufficient & Appropriate Audit Evidence (AE)

+

Advise the Branch Auditor about

Use of his
work

Arrangement of
coordination of
their effort

Areas for
special
consideration

Time
Table

Significant

Accounting

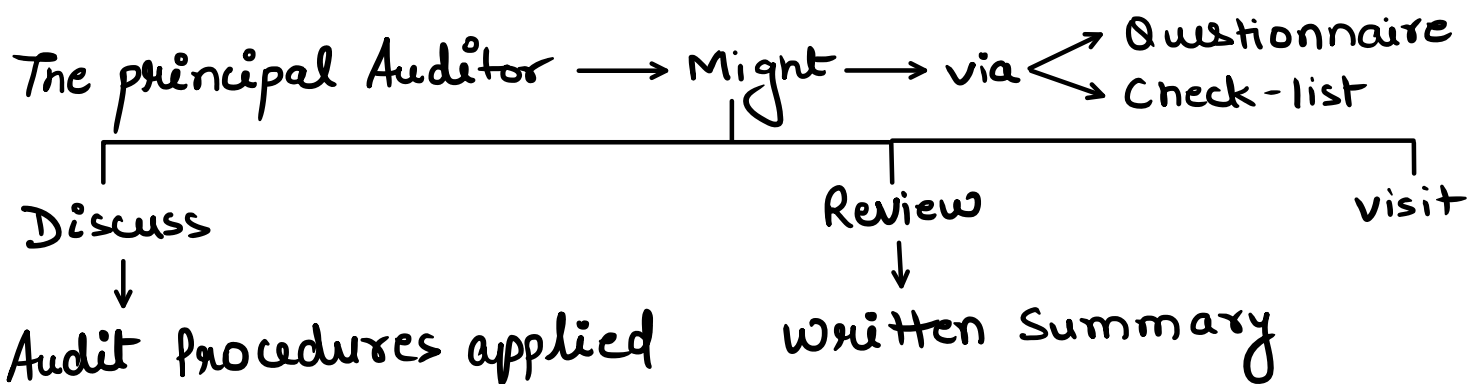
Auditing

Reporting

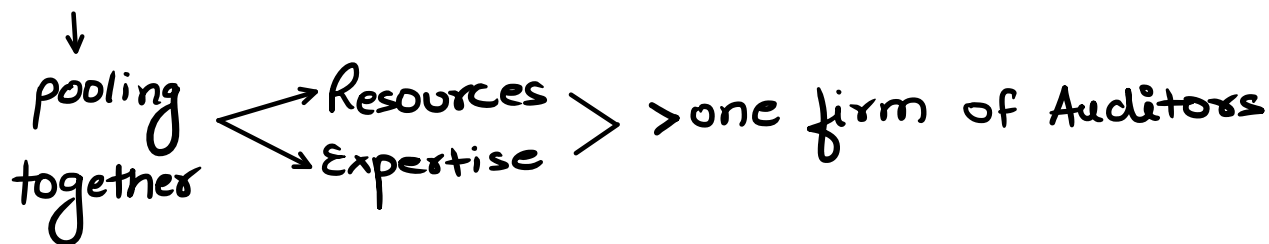
Requirement

+

Obtain W.R. as to compliance



10. - JOINT AUDIT



* Involves → sharing → Total Work

* Advantages

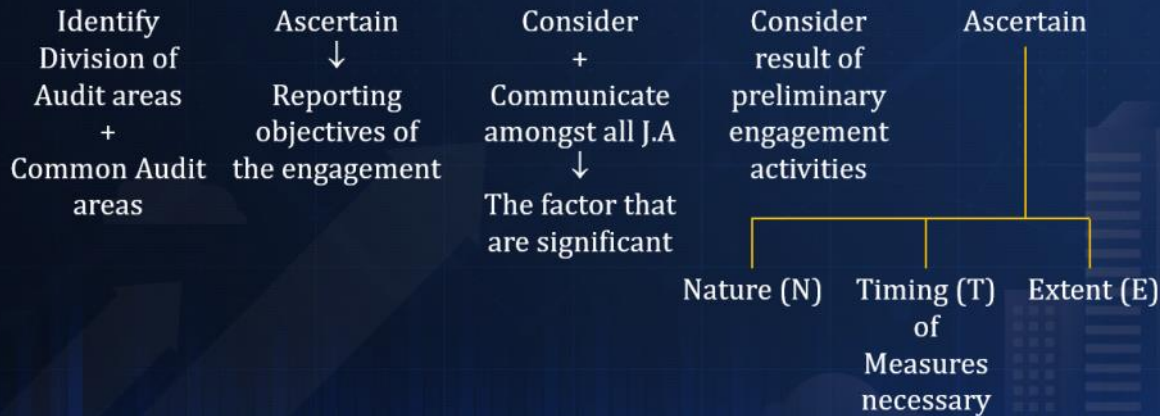
- ① Sharing → Expertise
- ② Mutual Consultation
- ③ Lower workload
- ④ Better Quality
- ⑤ Lower Cost

Disadvantages

- ① fees → shared
- ② Psychological Problems
- ③ Superiority Complex
- ④ co-ordination problem
- ⑤ Uncertainty → Liability



(iii) Before commencement of Audit
→ J.A. Should → Discuss → Develop → J.A. Plan → Regarding



(iv) Each J.A. → Consider → Assess → RoMM (Risk of Material Misstatement)
+

Communicate to other J.A

(v) J.A. Should → Discuss → Document → N.T.E. of Audit Producers → for → Common → Specific → Areas allotted

(vi) J.A. should obtain → Common Engagement letter → Common Mgt. Representation Letter.

(vii) The work allocation letter should be → Signed by All J.A. → Communicate to TCWG (Those charged with Governance).

➤ Each Auditor is responsible → Only for work allotted → to him

➤ Jointly & severally liable :-

- (1) Work not divided + carried on by all
- (2) Decisions taken by all
- (3) Matters on which arrangement is there
- (4) Disclosers relating to
 - (i) Statues, (ii) F.S., (iii) Audit Report)

- The JA should Communicate to other JA



In writing + Prior to completion of Audit

Matters relevant
to areas of
responsibility of
other JA

Deserves their
attention

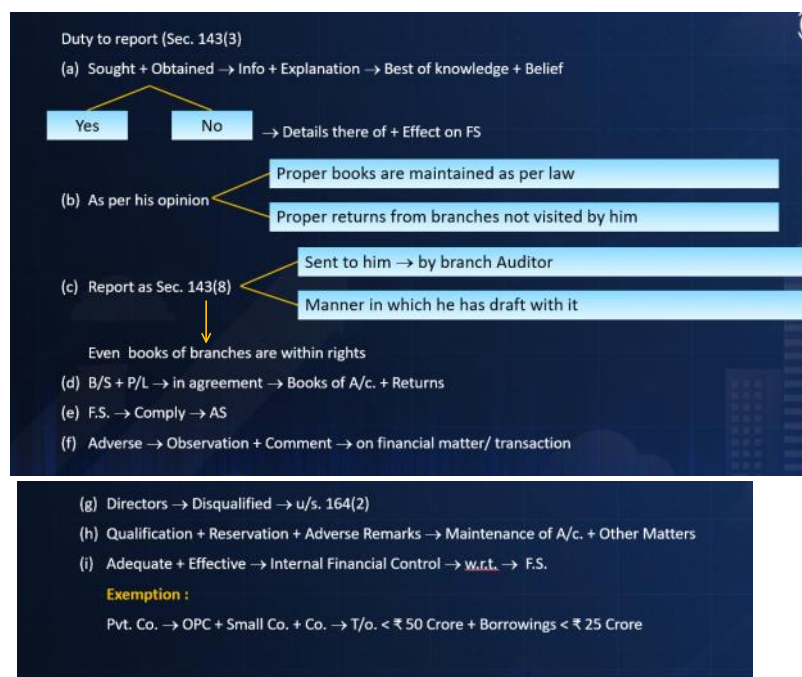
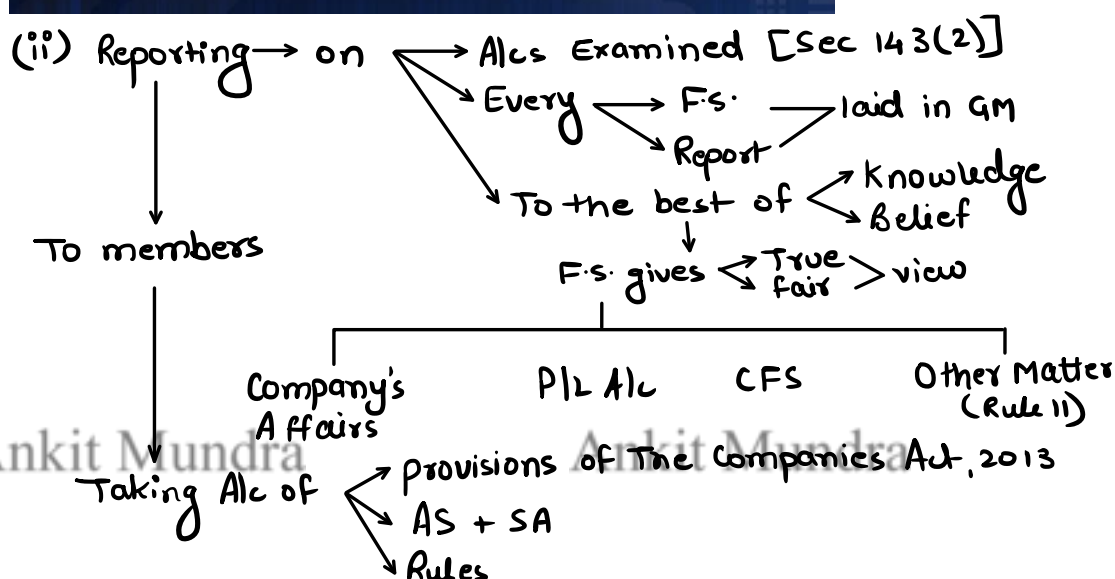
Require
Disclosure

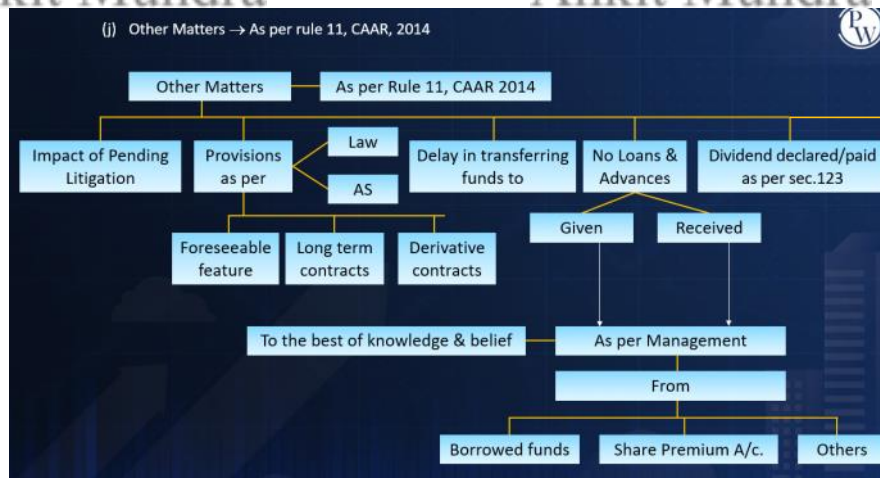
Require
Discussion

Application
of Judgement

→ J.A are required to issue → common Audit Report

→ If in Disagreement → Separate Audit Report + But shall make reference in each others Audit Report

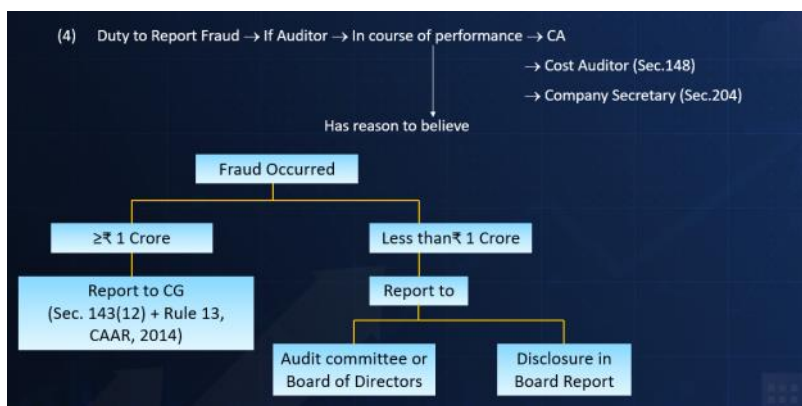
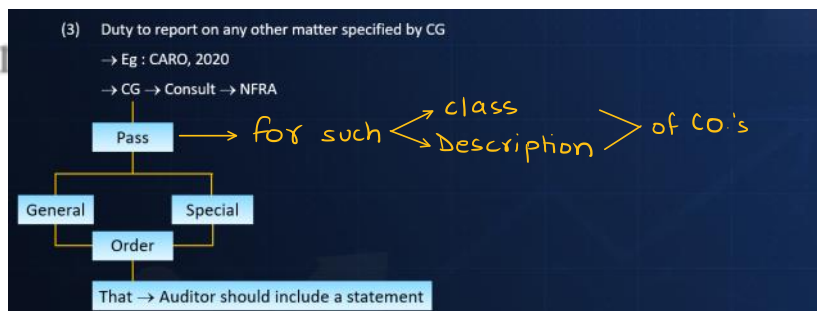




Co.'s A/c software

Audit Trail (edit log) feature

Operated full year
Recorded all transactions
Not Tampered
preserved for Record Retention



+
Clause(xi) of Para 3 of CARO, 2020

Companies (Auditors Report) order 2020

- Additional Reporting Requirement → Shall not apply to CFS → Except Clause (xxi)
- Applicable to every co. [including Foreign Co. → Sec. 2(42)]

Except :

- (i) Banking Co. → Registered u/s 5(c) of The Banking Regulation Act 1949
- (ii) Insurance Co. → Registered under The Insurance Act, 1938
- (iii) Sec. 8 Co. ——— Not a Holding / Subsidiary Co. of a Public Co.
- (iv) OPC ——— Paid up share Capital + Reserve & Surplus ≤ ₹ 1 Crore
- (v) Small Co. ——— Borrowings → Banks → F.I. ≤ ₹ 1 Crore → at any time
- (vi) Private Co. ——— Revenue ≤ ₹ 10 Crore

Matter to be Included (Paragraph 3 & 4

Paragraph 3

- (i) Property, Plant & Equipment (PPE)

- (a) Co. → Maintaining → Proper Records → of PPE → Physical Verification



- (c) Immovable properties → Title Deeds → In the Name of Co.

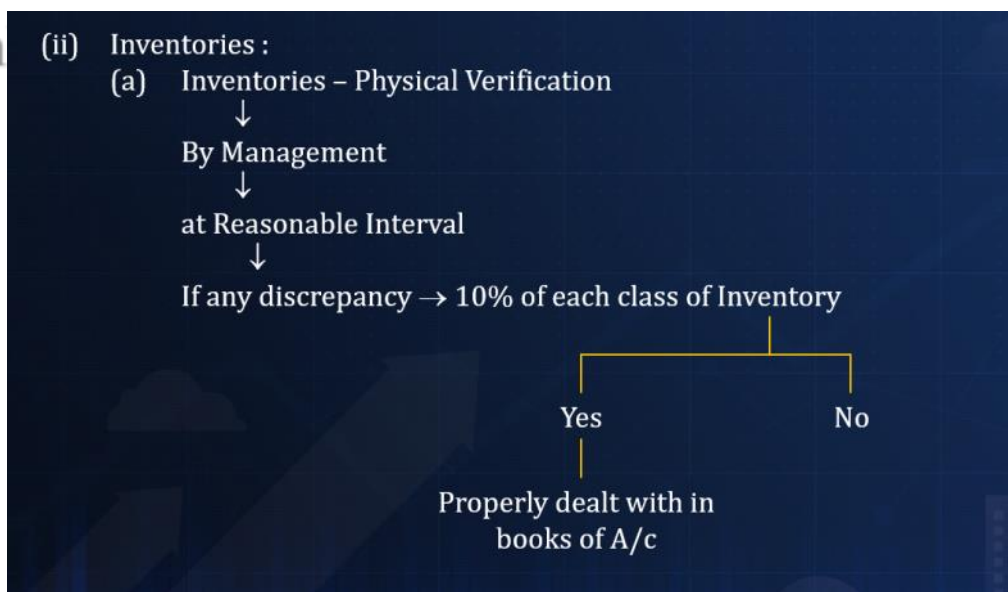
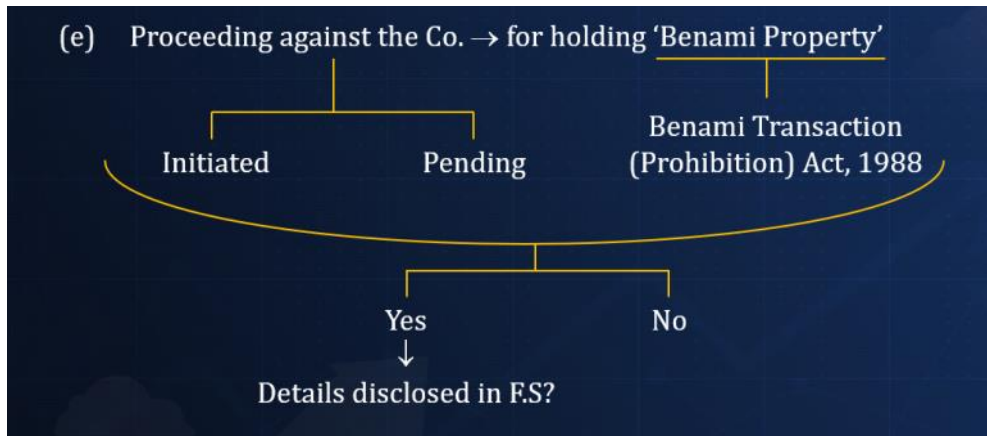
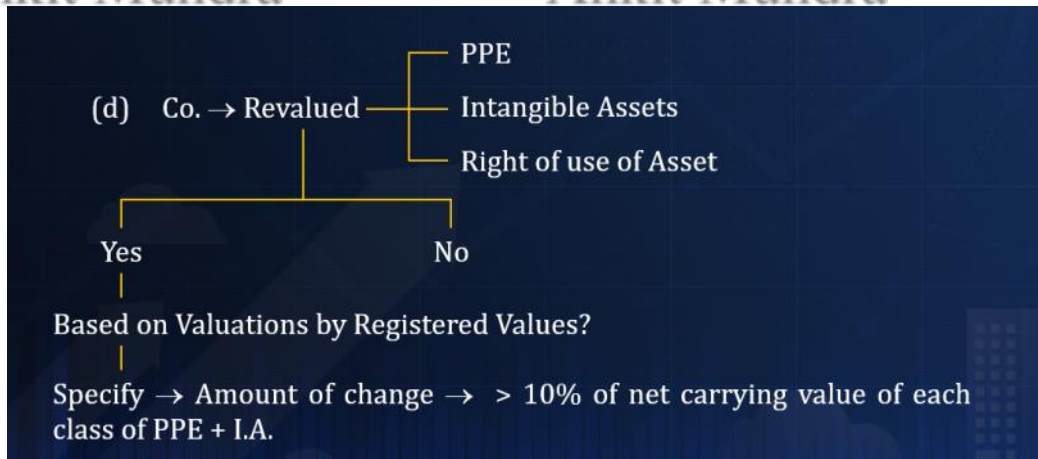
Other Than → Properties Co. is Lessee + Lease Agreement → In favor of Lessee

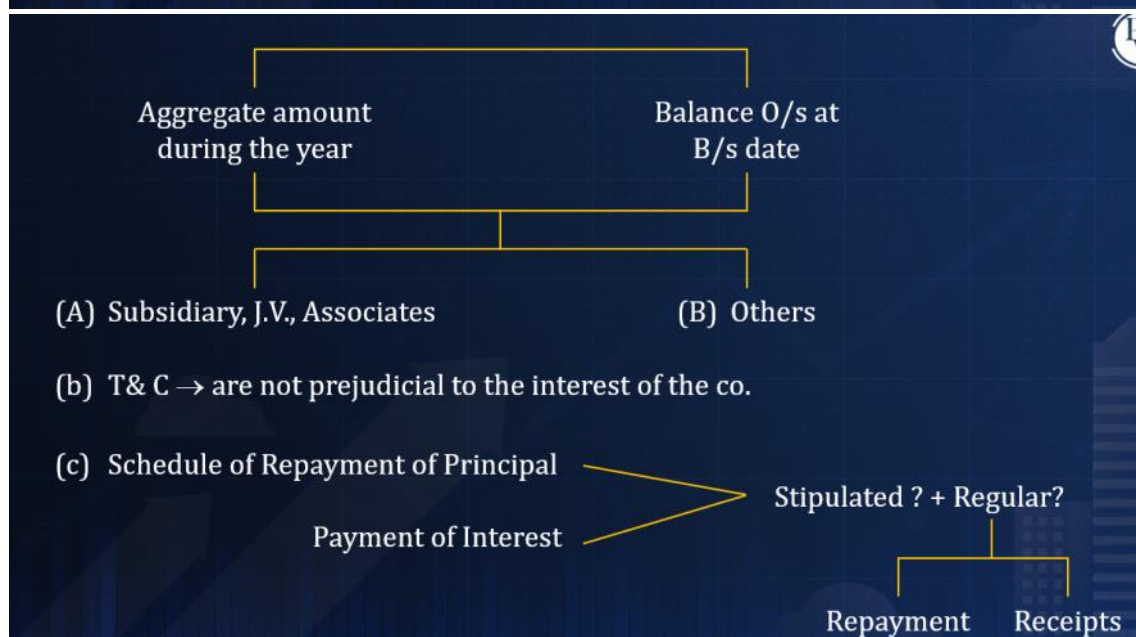
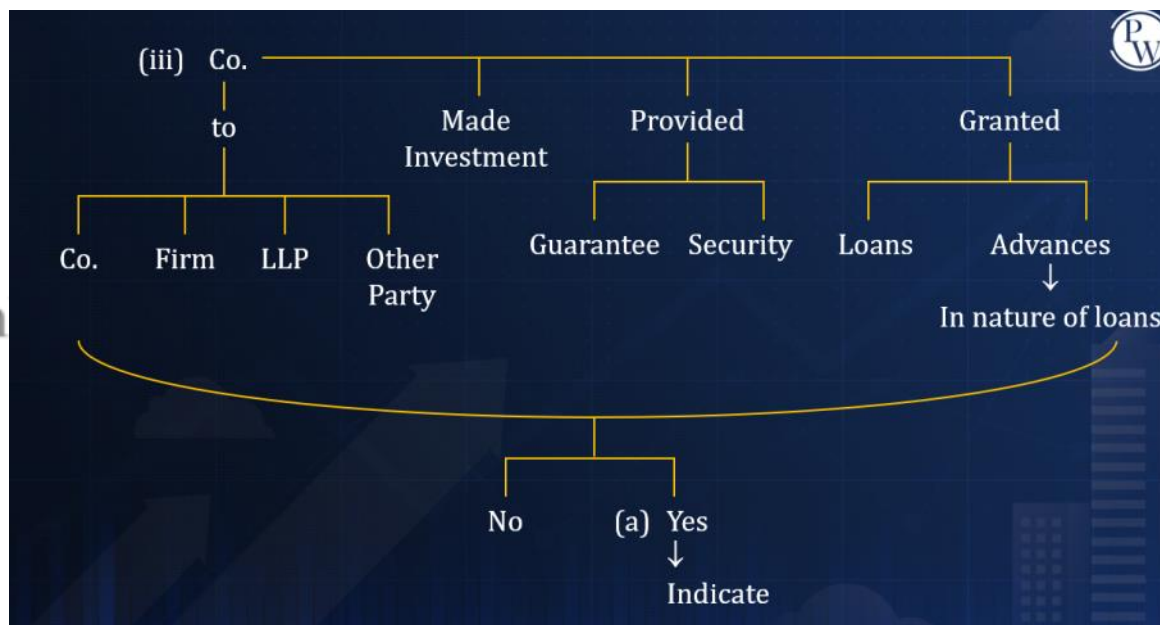
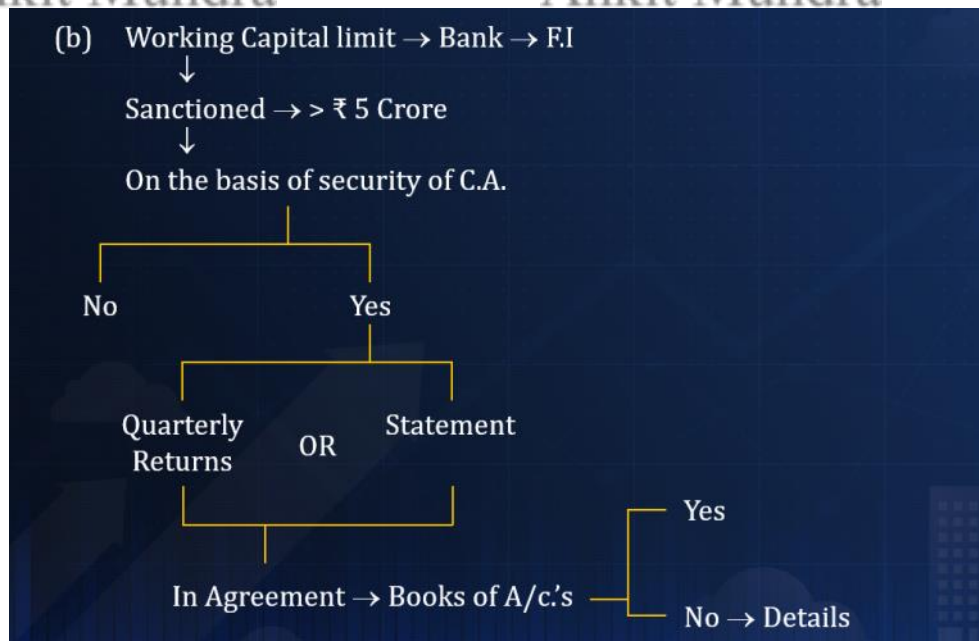
Yes

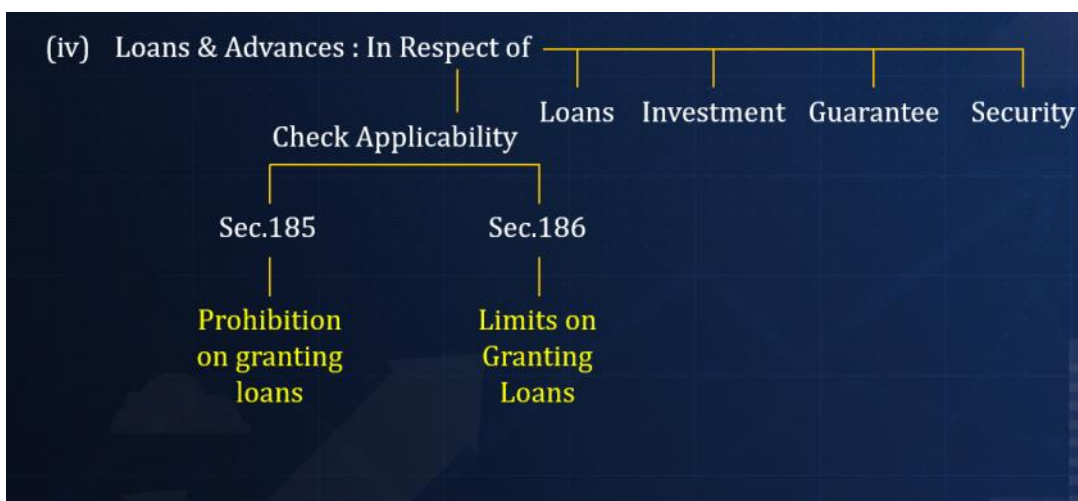
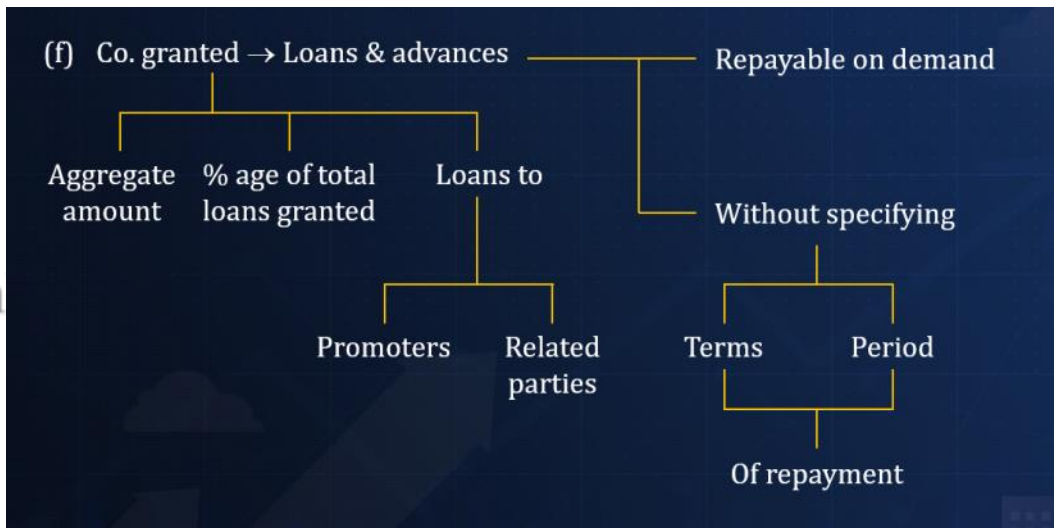
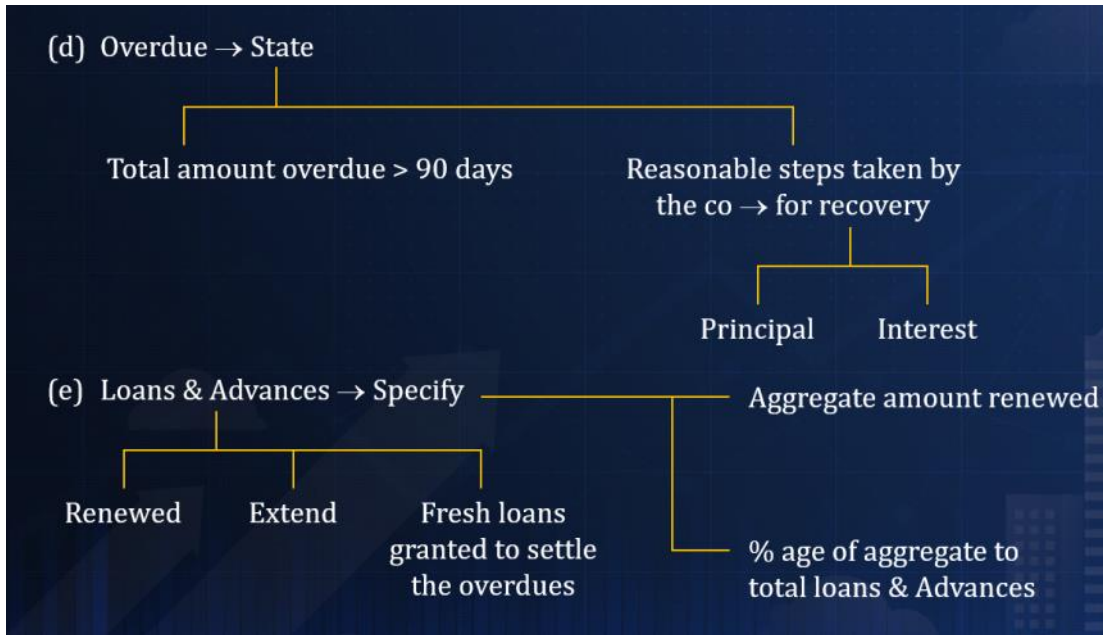
Other → Details there of

Description

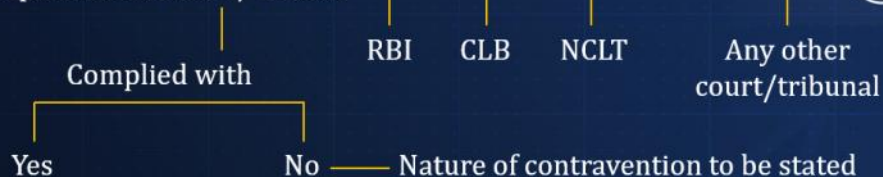
- Gross carrying value
- Held in name of promoter
- Relative Director
- Employee
- period Held
- Reason







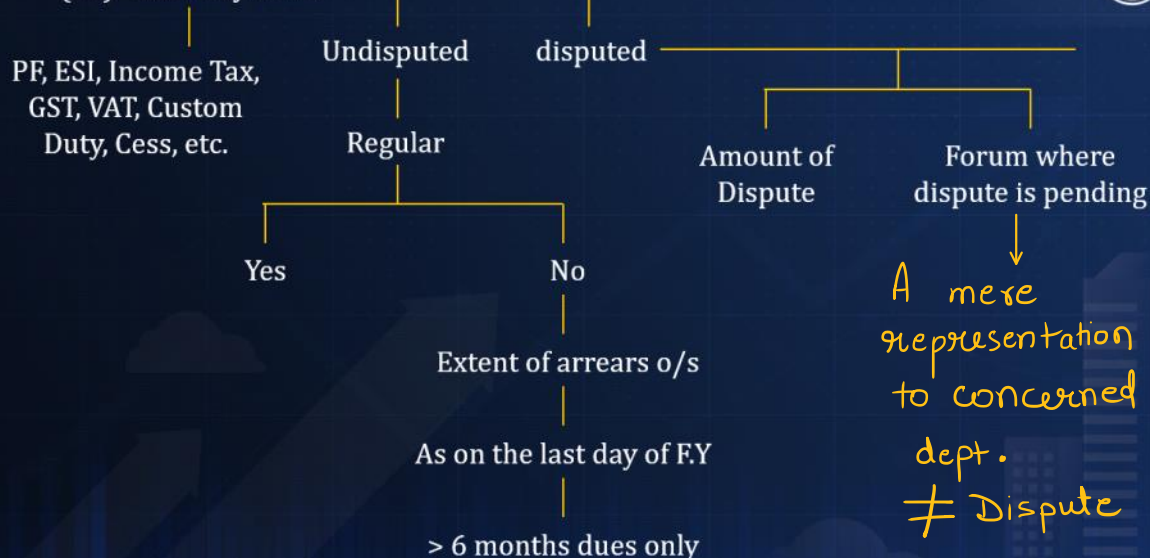
(v) Accepts Deposits : Directive / Orders



(vi) Cost audit : Sec 148(1) → Complied with



(vii) Statutory Dues

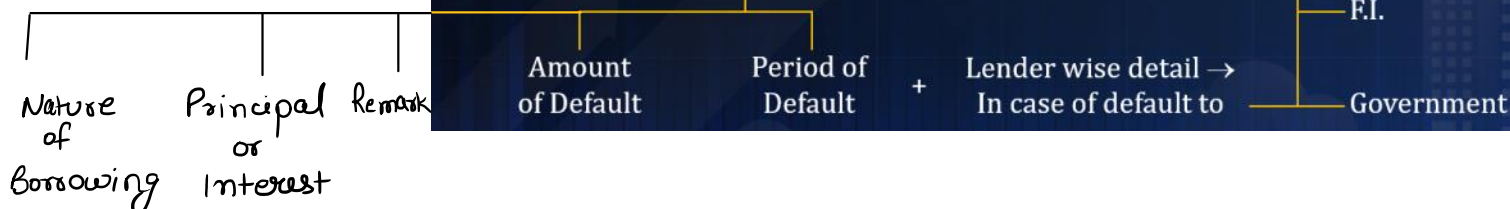
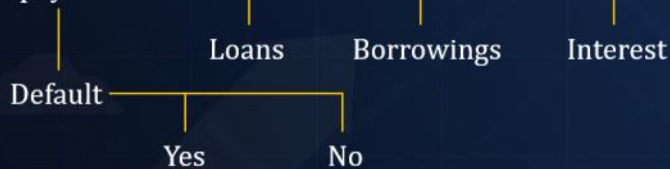


(viii) Any transaction → not recorded → Books of A/c.

Surrendered / Disclosed → As Income → In Income Tax Assessment

Previously unrecorded Income → Properly Recorded → in Books of A/c.

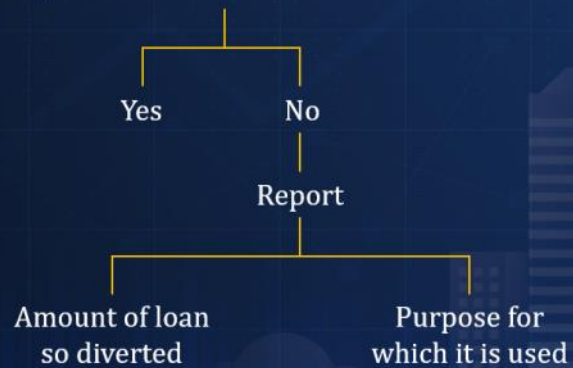
(ix) Repayment of



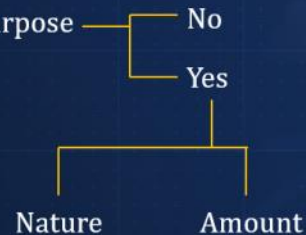
(b) Co. → Declared → Willful defaulter → by

- Bank
- FI.
- Other Lender

(c) Term Loan → Applied → For the purpose for which loans were obtained

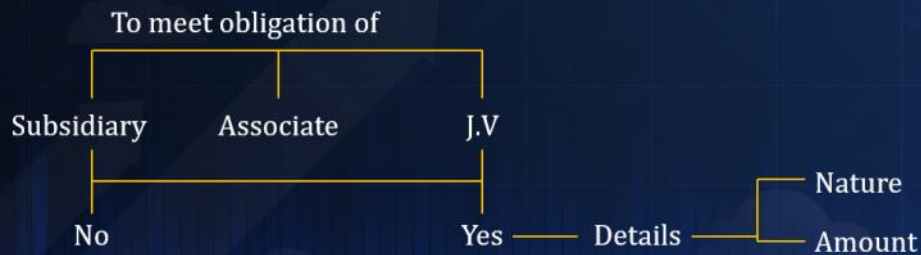


(d) Short term funds → used for → Long Term Purpose

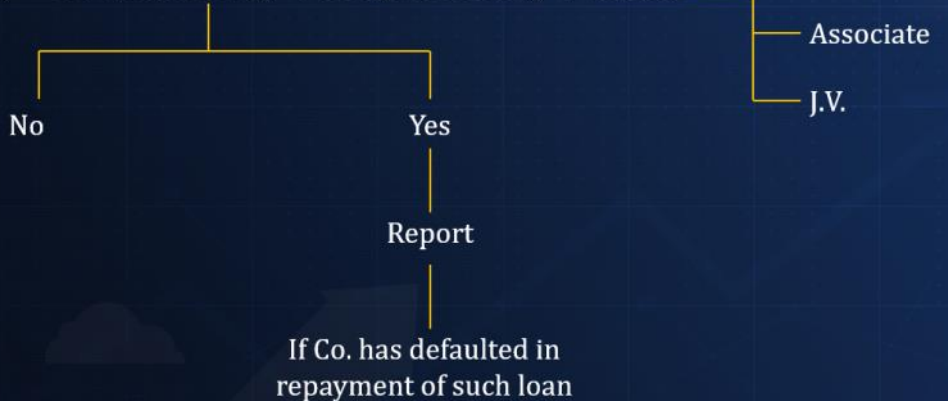


(e) Co. → Taken funds → from any

- Entity
- Person



(f) Co. → Raised loan → Pledge of Security → held in



(x) IPO / FPO / : → Applied for specified purpose

(a)

No

Yes

Details

(b) Pref. Allotment
Pvt. Placement
Convertible
Debentures

Defaults Delays Subsequent Rectifications

Sec 42 & 62 → Complied?
funds applied for same purpose

Yes No — Nature Amount

(xi) Fraud : (a) on the Co.

By the Co.

Officer / Employee

No

+

Yes → Nature + Amount

(b) ADT - 4 → filed ?

(c) Whistle - bower → Complaints → Considered ?

(xii) Nidhi Co. → Complied with → Nidhi Rules, 2014

NBFC

$\frac{\text{Net Owned Funds}}{\text{Deposit}} = \frac{1}{20}$

10% Unencumbered Term Deposit

Interest

Any default in payment of — Repayment

(xiii) Related Party Transactions :

As per Sec. 177

As per Sec. 188

Audit Committee

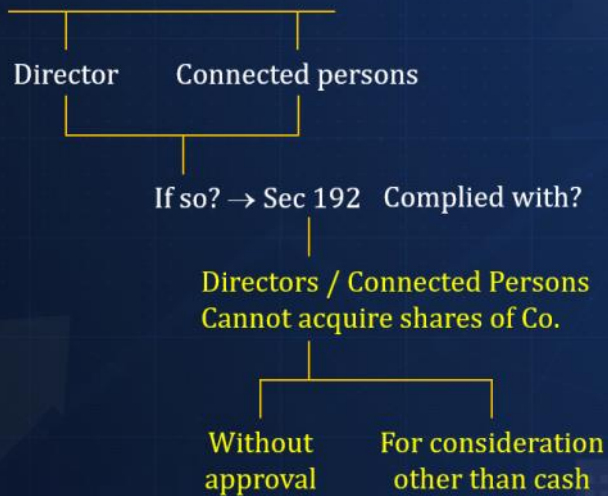
Restriction on Related Party Transaction

→ Disclosed in FS → as per AS - 18

(xiv) (a) Internal Audit System → Commensurate → with — Nature Size — of business

(b) Report of International Auditor
Statutory Auditor
Considered by

(xv) Non-Cash Transactions



(xvi) NBFC → Co. required to be

(a) Registered → u/s 45 IA of the RBI Act, 1934



To be regarded as NBFC

(b) Valid Registration obtained?

(c) → Co. → Core Investment Co. (CIC) + Criteria still fulfilled?

+

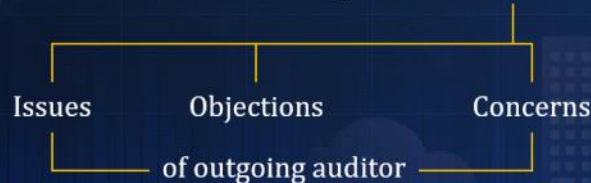
(d) Indicate No. of CIC in group

(xvii) Co. → incurred Cash Loss → Current F.Y. → Previous F.Y.



State the amount

(xviii) Resignation of statutory Auditor? → Yes → Incoming Auditor → considered



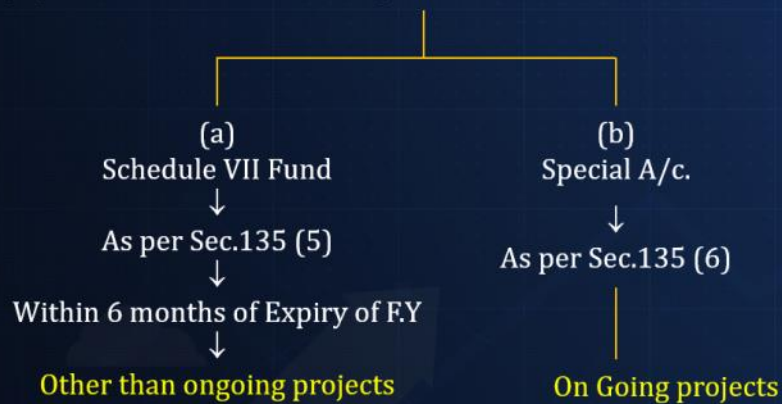
(xix) On the basis of → Auditor is of opinion → Material uncertainty exists

Co. is capable of meeting its liabilities existing on B/s date

When they fall due within a period of 1 year from B/s date



(xx) Co. → transferred → unspent amount to



(xxi) Auditor Made → Qualifications/Adverse Remark → in CARO Report → in CFS



Paragraph 4 of CARO 2020

Reason + Basis → to be stated for

