



CMADD

CHAPTER 12 - FORMATION OF
OPINION & REPORTING

Handwritten Notes

CS MUSKAN GUPTA

Chapter 12 - Formation of Opinion & Reporting



CSAS-3 → deals with formation of opinion & Reporting
→ Standard deals with the manner in
which the opinion formed by the auditor
will be expressed in writing.

* Forms of opinion

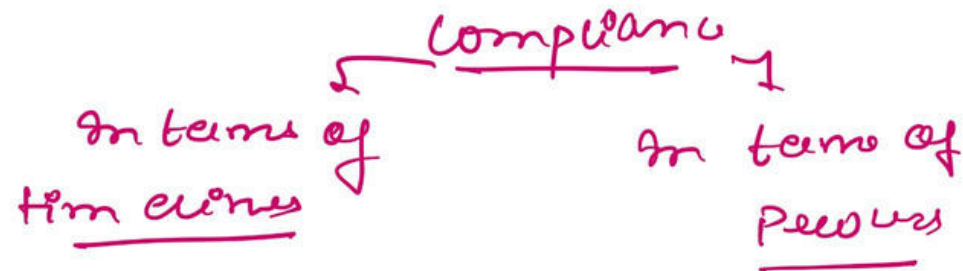
1) Unqualified / modified opinion

↳ compliance with Law + free from
misstatement

↳ also called as clean opinion



compliance



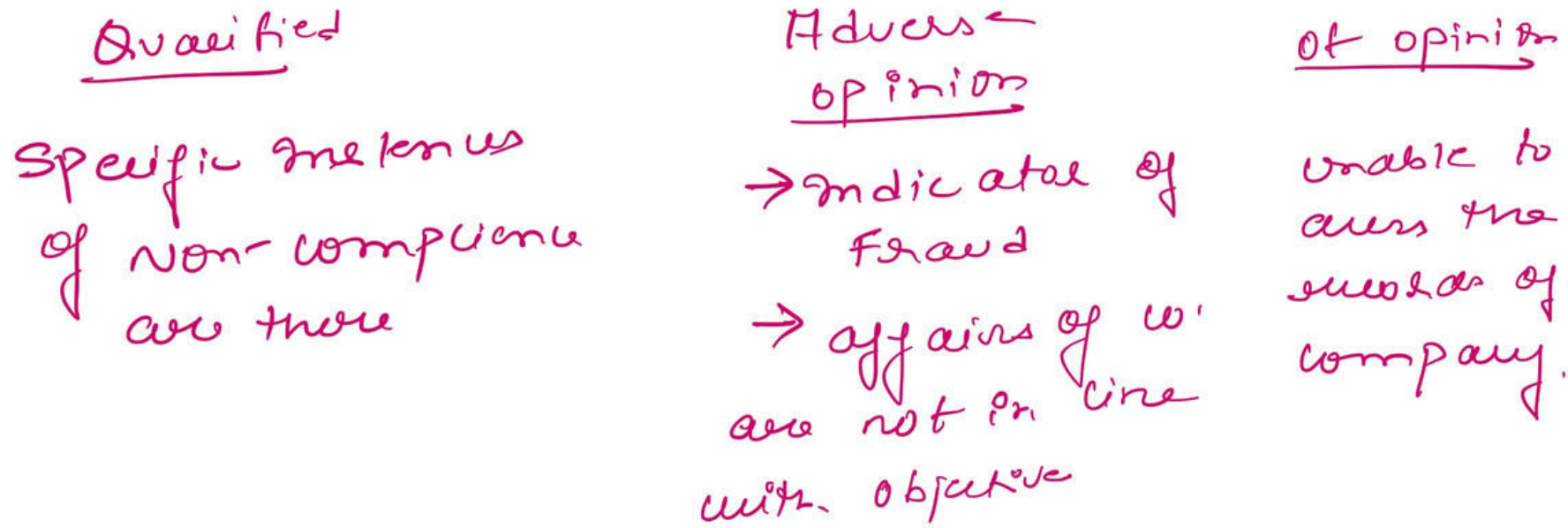
②

Compliance with applicable
Laws/Rules/Regulations Made
within specified time limit

Transaction has
been Made in
compliance with
applicable Laws +
as per the procedure

* Modified opinion [Staic/Bold]

- ↳ Non compliance
- ↳ Records are not
free from Misstatement
- ↳ unable to obtain sufficient Audit
Evidence



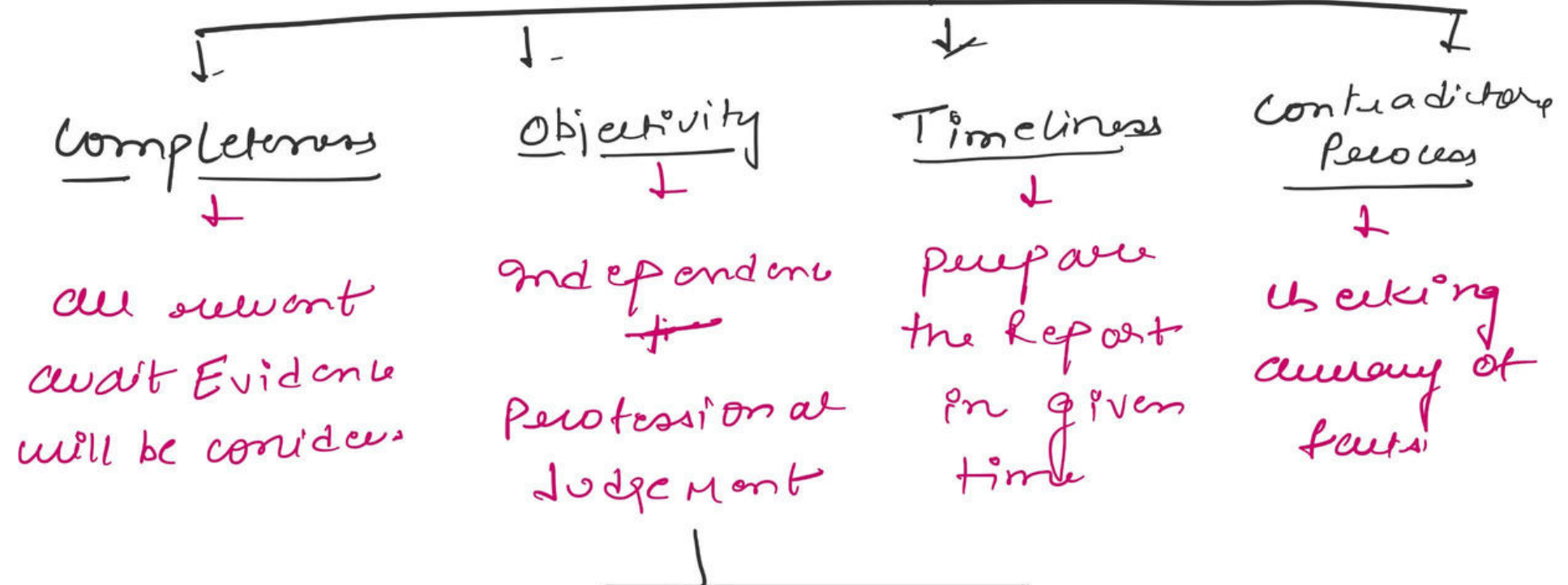
* Materiality

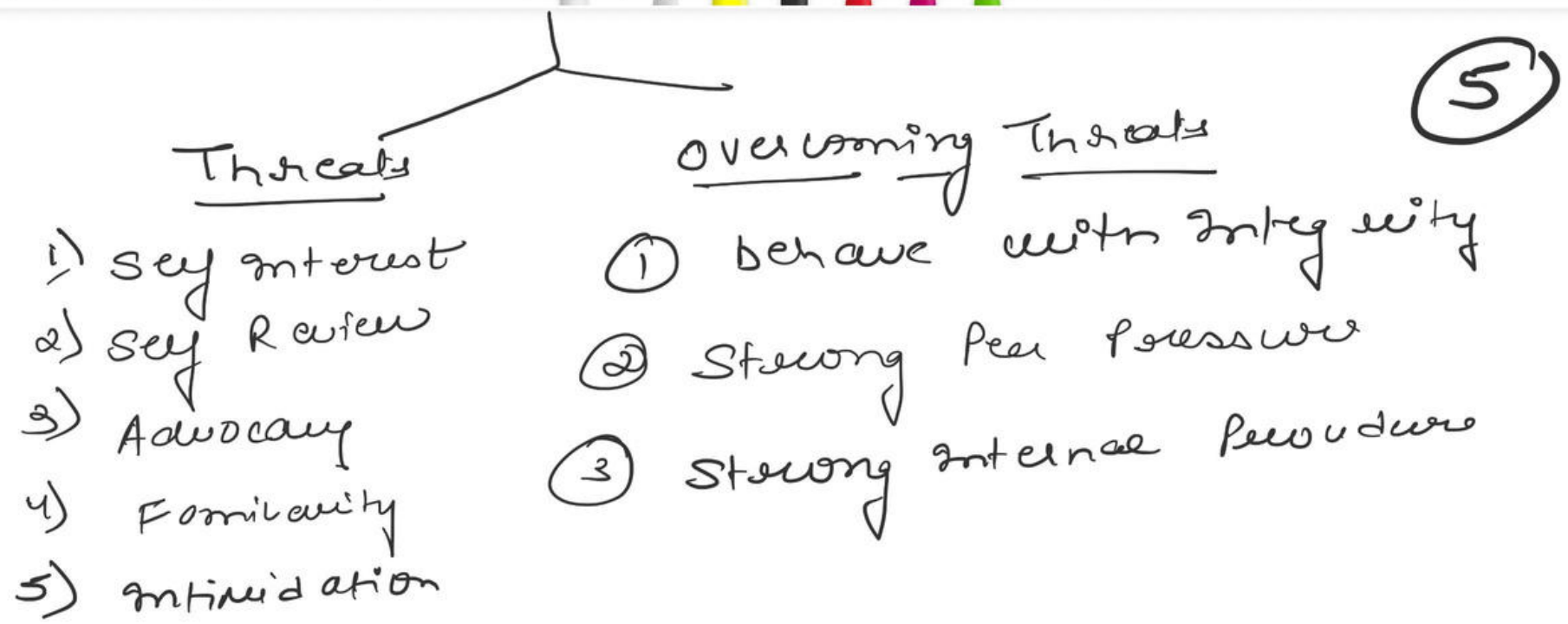
- Matter of professional judgement
- inverse relationship b/w Materiality + degree of audit Risk

→ used both in Planning + Execution stage (4)

→ important while conducting Audit + Forming opinion

* Process of forming opinion





* Third Party Report / Opinion

↳ auditor should adhere to following while forming Third Party opinion:

- 1) indicate Third Party opinion was taken + circumstances necessitating it

- ② If provided by the Auditor
- ③ Consider any findings/ observations of Third Party.
- ④ Check Reliability of Third Party,

6

while using the work Auditor should:

- ① Consider Independence + objectivity
- ② Consider competency
- ③ Scope of Third Party's work
- ④ Cost Effectiveness of using such work
- ⑤ Reliability of work to addressee of Audit

(4) Cost Effectiveness of

(5) Duty of care only to addressee of Audit Report

(7)

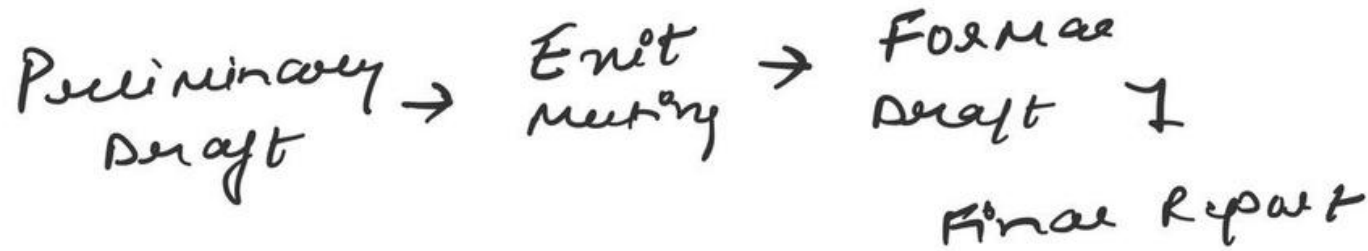
* Evaluation of Audit Evidence & Forming Opinion

- (1) Reliability of Documentary Evidence
- (2) Evidence on Direct Personal Knowledge
- (3) Reliability of Visual Evidence
- (4) Evidence from External Source
- (5) Oral Evidence Least Reliable
- (6) Photocopy less Reliable
- (7) Accepted Evidence

- ⑥ Photocopy less
- ⑦ Accepted Evidence
- ⑧ Gain increased Assurance.

⑧

* Different stages of communication



* Auditor's Responsibility

Separate section in Audit Report -
Auditor's Responsibility → will Express
opinion about following:

⑨

Opinion about following

9

- 1) Audit conducted as per → AS
- 2) Auditor obtained reasonable assurance, statements are free from misstatements
- 3) Auditor expressed his opinion on Evidence collected
- 4) Auditor followed appl Law / Rule / Reg.

* Pre-Requisite → Accurate
→ objective
→ clear

- clear
- concise
- constructive
- complete
- Timely.

10

* Signing of Audit Report

Sentential
Audit to

PLS firm

Partner's

- 1) Au/PA
- 2) WP
- 3) Date
- 4) Place

- 1) Au/PA
- 2) WP
- 3) Date
- 4) Place

* Reporting with Qualification

11

- Qualification/ Adverse Remarks → Bold/ Italic
- If unable to Express opinion → Mention that
- Scope of work - restricted → Mention the limitation in report.
- Limitations are Material
 - ↳ Auditor unable to express the opinion → unable to report on compliance