

# Chapter - 13 "Group Audits"

Topics Covered : Part I - Concept of consolidated f.s.

Part II - Auditor's considerations

(i) Responsibilities of auditor of CFS

(ii) Planning the audit of CFS

(iii) General Audit considerations (including SA 600)

(iv) Auditor's procedures in auditing CFS :

Ordinary Procedure

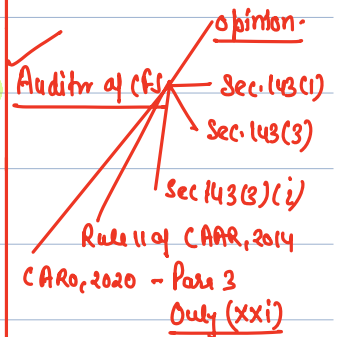
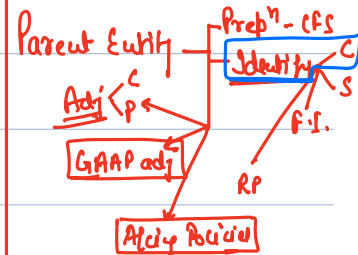
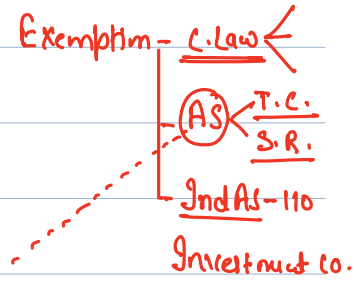
Special Consideration.

(i) Exclusion of any subsidiary - (CAS-21)

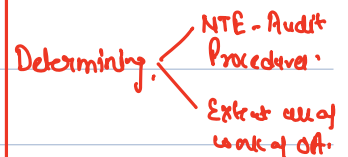
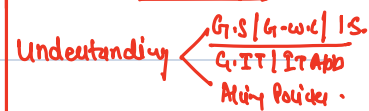
(ii) Holding Co - controlling composition of BoD of another (Law)

(iii) Adjustments - Permanent - GICR, NCI.  
 ↖ Current - Intra group.

(iv) Mngt. Rep<sup>n</sup> - SA 580



↓ Planning.



Coordinating - work.

Auditor's procedures in auditing the CFS:

(i) Obtain a list of components included in CFS.

(ii) Review the information provided by parent identifying the components.

(iii) Verify that all the components included in CFS.

(iv) To ensure completeness of information provided.

For this purpose, auditor may perform following procedures:

- (a) Review the working papers of prior years for known components;
  - (b) " " parent procedures for identifying the components
  - (c) " " Investment.
  - (d) " " Joint Venture and other relevant agreements entered into.
  - (e) " " statutory records maintained by parent. e.g. Register of S&B.
  - (f) Identify the changes in the shareholding since last year.
- (v) Verify the adjustments required by relevant AS, wherever required and ensure that all adjustments have been properly authorised by the management of the parent.

### Special Considerations:

- (a) Entities controlling composition of BoD
- (b) Exclusion of Subsidiaries
- (c) Permanent and current period adjustments
- (d) Difference in Reporting date
- (e) Adjustment of Impairment loss
- (f) Management Representations:

- From Book -  
(To be learned)

As per the requirements of SA-580 "written Representations" auditor is required to obtain from the management, representations w.r.t. following:

- (i) Prep<sup>n</sup> and presentation of CFS as per applicable FRF;
- (ii) Completeness of components included in CFS;
- (iii) Identification of reportable segments for segment reporting;
- (iv) " " related parties and related party transactions for reporting.
- (v) Appropriateness and completeness of consolidation adjustments - permanent and current period adjustments.

## (V) Reporting Consideration:

- (i) Auditor of Parent Entity and Components are same: Reporting - True and fair view of
- Consolidated financial position
  - " Results
  - " Cash flows
  - Statement on changes in equity.

Note: SA 600 shall not apply as auditor of parent Entity and components are same.

Note: If there exist any non-compliance with principles and procedures for preparation and presentation of CFS as per applicable FRF (AS-21 or Ind-As), Auditor is required to make adequate disclosure in his audit report and suitably modify the report as per SA 705.

## (ii) Auditor of Parent and Components are different:

- Auditor is required to perform procedures as per SA 600.
- SA 600 requires Principal auditor to include "Division of Responsibility" Para in the audit report, as per requirements of SA 706 (OM Para).
- OM Para so included in audit report, shall not be considered as a qualification as per SA 705.
- If auditor of CFS concludes that work of other auditors cannot be relied upon, modify the report as per SA 705.

(iii) F.S. of Component are prepared on different FRF:

Auditor of Parent entity should ask the management of parent to arrange a different set of f.s. of Component based on FRF of parent Entity.

F.S. on same FRF are made available

F.S. on same FRF - not made available.

Auditor of Component will be required to issue audit report on such f.s.

Mngt. of Parent will be required to perform adjustments for GAAP Conversion

Auditor of Parent need to apply the procedures as stated in SA 600.

Auditor of Parent will examine appropriateness of adjustments made by parent.

(iv) Audit of f.s. of Component is on different auditing framework:

Request the parent entity to arrange audit report of f.s. of Component based on auditing standards generally accepted in India (Indian GAAS)

(a) Audit report not arranged

(b) Audit report arranged

Apply the requirements of SA 705 so as to modify the report.

Apply the procedures as per requirements of SA 600.

(v) Components not audited:

- Consider effect of financial information of unaudited components on audit report over C.F.S.
  - Evaluate both Quantitative and Qualitative aspects.
  - If considered appropriate, modify the opinion as per SA 705.
-