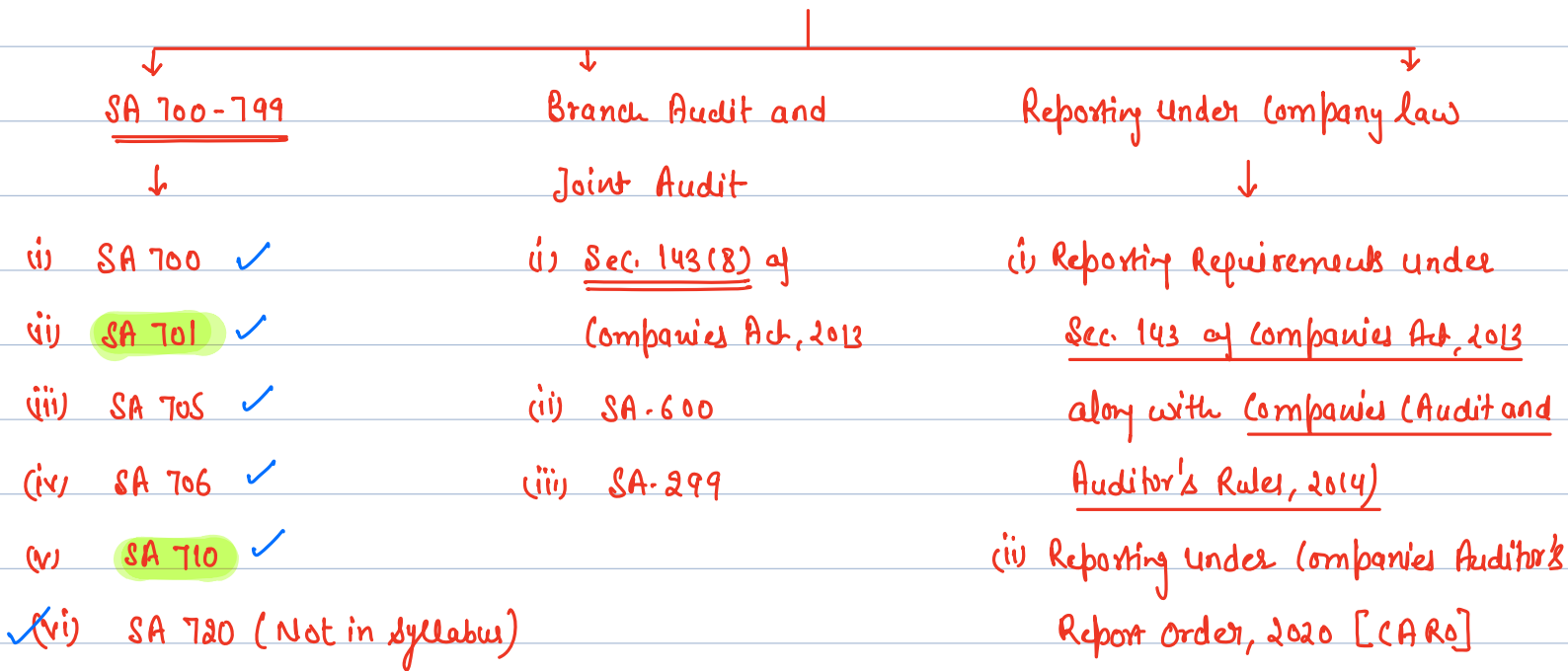
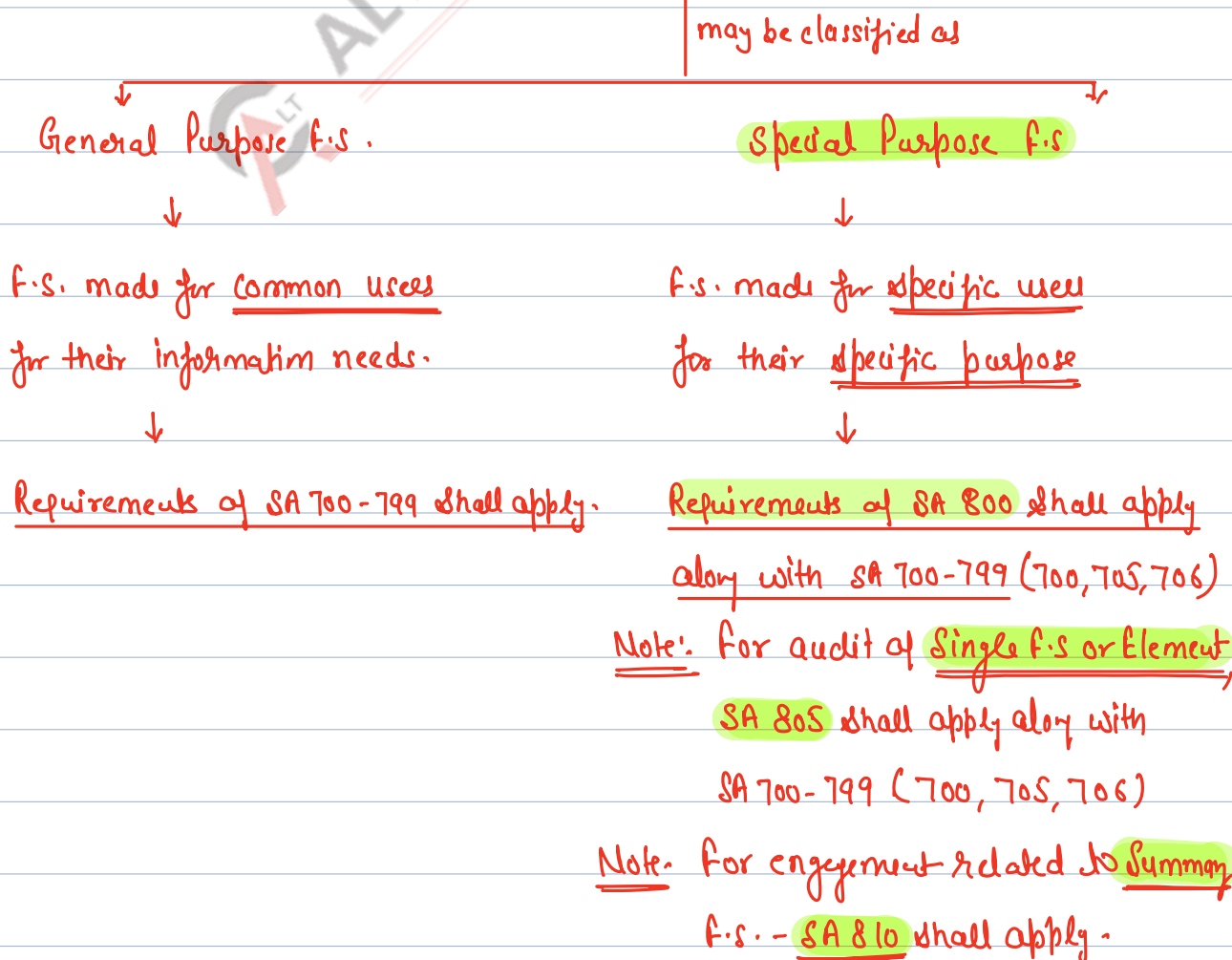


Chapter - 8 "Audit Reports"



① Basics of Audit Report: A report through which auditor expresses opinion on the true and fair view of financial statements is known as Audit Report.



(2) Types of Audit Reports:

2 types

(A) Unmodified Reports

(B) Modified reports

- Reports issued when auditor concludes that F.S. as a whole are prepared in all material respects in accordance with applicable FRF.
- Opinion expressed is unmodified opinion (SA-700)

(a) with Unmodified opinion

Opinion issued is Unmodified, but report includes either or both of following para:

- Emphasis of Matter (EOM) Para; and/or
- Other Matter (OM) Para.

(Details are covered in SA 706)

(b) with modified opinion

3 types.

- Qualified opinion
- Adverse "
- Disclaimer of opinion

(Details are covered in SA 705)

(3) Forming an opinion on the Financial Statements:

Audit Engagement → Planning Activities → Perform Audit Procedures → Collect Audit Evidence (Sufficient | Appropriate)

Draw Conclusion

Evaluate the audit Evidence

Express opinion through

Audit Report

- SA 700 requires that auditor shall form his opinion whether the F.S. are prepared in all material respects in accordance with applicable FRF.
- To form his opinion, auditor needs to conclude as to whether he has obtained reasonable assurance that F.S. as a whole are free from material misstatements, whether caused due to error or fraud.
- Conclusions shall take into account consideration of:

(a) whether SAAE has been obtained;

(b) whether uncorrected misstatements are material; and

~~Imp~~ (c) Evaluation of following:

(i) Evaluation shall include consideration of qualitative aspects of entity's accounting practices including indicators of possible biasness in management judgements.

(ii) To Evaluate, whether in view of requirements of applicable FRF:

(a) F.S. adequately disclose significant accounting policies selected and applied.

(b) Accounting estimates made by the management are reasonable.

(c) Information presented in F.S. is relevant, reliable, comparable and understandable.

(d) F.S. provide adequate disclosures to enable the users to understand the effect of financial transactions and events on the information conveyed in the F.S.

(4) (A) Qualitative Aspects of Entity's Accounting Practices

(B) Indicators of possible Management Biasness (Lack of Neutrality)

Learning + Noting
(H.W.)

(5) Elements of audit report when audit is conducted as per SAs:

(i) Title: Audit report may be titled as "Independent Auditor's Report" so as to distinguish this report from the reports issued by others.

(ii) Addressee: Auditor's report shall be addressed as appropriate. As per SA-700, auditor's report is to be addressed to persons for whom it is prepared.

For Ex: Members (in case of a company);
Partners (" " " " Partnership firm)

(iii) Opinion Section: This section covers the following:

- (a) Statement that f.s. have been audited.
- (b) Identify the Entity.
- (c) " " Title of each financial statement.
- (d) Specify the period/date to which f.s. belongs to
- (e) Opinion on the f.s. whether f.s. provides the information in the manner as required by law and regulation and whether f.s. reflects true and fair view in conformity with applicable FRF.

(iv) Basis for opinion section: This section of audit report will provide the following:

- (a) Statement that audit was conducted in accordance with SA.
- (b) Refer to the section of the audit report that describes the Auditor's responsibilities.
- (c) Statement that auditor complies with code of Ethics issued by ICAI and Ethical requirements including independence.

(d) Covers auditor's believing that they had sufficient and appropriate audit evidences to provide a basis for opinion.

✓ (v) <u>Going Concern</u> : <u>If applicable</u>	G.C. Appropriate, <u>Mat. Uncertainty Exist</u> , disclosed (SA-570)
✓ (vi) <u>Key Audit Matters</u> : " "	Required in case of listed entities (SA-701)
✓ (vii) <u>Other Information</u> : " "	Required as per <u>SA-720</u> .

Imp:
(viii) Management Responsibilities for the f.s:

- (1) To prepare the financial statements as per applicable FRF.
- (2) To maintain adequate records for safeguarding of assets and prevention and detection of fraud.
- (3) To make reasonable judgements and estimates.
- (4) To design, implement and maintain necessary internal controls.
- (5) To assess appropriateness of Going Concern Basis of accountancy.
- (6) To oversee the financial reporting process.

(ix) Auditor's Responsibilities for the audit of f.s:

- This section states the Overall Objectives of the auditor w.r.t. Obtaining reasonable assurance that f.s. as a whole are free from material misstatements and issue the auditor's report that includes auditor's opinion.
- Explanation w.r.t. reasonable assurance and application of concept of materiality.
- Statement that auditor exercises professional judgement and maintain professional skepticism throughout the audit.
- State the auditor's responsibilities w.r.t.
 - (a) Identification and assessment of ROMM;

- (b) Design and performing procedures responsive to assessed ROMM.
- (c) Obtain sufficient and appropriate audit evidences;
- (d) Understanding of Internal Controls;
- (e) Expressing an opinion on adequacy and Operating effectiveness of Internal financial controls (As per Sec. 143(3) of Companies Act, 2013)
- (f) Evaluation of appropriateness of use of Going Concern Basis of accounting.
- (g) Evaluation of overall presentation, structure and content of F.S.

- In addition, this section shall also cover the following:

- (a) Responsibilities as to the matters to be communicated to TCWG.
- (b) Statement to TCWG on Compliance with Ethical Requirements including independence.
- (c) Determining KAM out of the matters communicated to TCWG.

Note: Description of Auditor's responsibilities may be included:

- (a) within the main body of auditor's report;
- (b) as appendix to the main auditor's report;
- (c) by a reference of a website of appropriate authority if law and regulations expressly provide for it.

(x) Other Reporting Responsibilities: Other reporting responsibilities will be reported under a separate section titled as "Reporting on Other legal and Regulatory Requirements".

(xi) Signature: Signature should be in personal name and firm's name along with Membership number and Firm Registration No. (FRN)

(xii) Place: City where audit report is signed.

(xiii) Date: Date should not be earlier than the date on which audit evidences are collected.

(xiv) UDIN: (Unique Document Identification No.): Mention the UDIN w.r.t. each audit report signed by auditor.

