

Chapter - 7 "Reporting"

Topics to be Covered: (i) SA 700-799 (SA 700, 701, 705, 706, 710, 720)

✓(ii) Reporting under Companies Act, 2013

✓(iii) CARO, 2020

(1) Meaning and Types of Audit Reports: Report in which auditor expresses his opinion on the financial statements.

It shall be in writing (i.e. Hard copy format using Electronic Medium).

Audit Reports

(A) Unmodified Reports

SA-700

↓ (with Unmodified opinion)

Reports issued when auditor concludes that F.S. are prepared in all material respects in accordance with applicable FRF (No EOM/OM Para included in report)

↓
Unmodified opinion

↓
[with EOM/OM Para]

SA 706

(B) Modified Reports

↓
Modified opinion

Auditor not able to conclude that F.S. are prepared in all material respects as per requirements of applicable FRF, due to
(a) Inability to collect SAAE
(b) Material Misstatements - remains

Uncorrected.

Modified opinion —

— Qualified

— Adverse

— Disclaimer

SA 705

(2) Forming an opinion and Reporting on F.S.:

- Auditor is required to form an opinion that F.S. are prepared in all material respects as per applicable FRF.
- To form this opinion, auditor needs to conclude that whether he has obtained reasonable assurance that F.S. as a whole are free from material misstatements, whether caused due to fraud or error. SA-200

- Conclusion shall take into account:

(A) Conclusion in accordance with SA 330, whether sufficient appropriate evidences has been obtained.

(Responses to assessed Risk)

[ToC + ToD + SAP]

If SAAE - not obtained

Modified opinion (Q/D)

(B) Conclusion in accordance with SA 450, whether uncorrected misstatements are material (individually or in aggregate)

(Evaluation of Misstatements → Remains uncorrected identified during the audit) (Modified opinion)

(C) Evaluation, whether:

- F.S. adequately disclose Significant Accounting Policies;
- Accounting Policies are consistent with FRF and appropriate;
- Accounting Estimates made by the management are reasonable;
- Information presented in F.S. is relevant, reliable, understandable and comparable.
- F.S. provide adequate disclosure to enable the users to understand the effects of material transactions and Events.

Auditor Reports: SA 700 provides details w.r.t. Elements of audit reports in following situations:

- Auditor's Report for audit conducted in accordance with SA.
- " " " " prescribed by laws and regulations.
- " " " " Conducted as per SA and ISA.

Elements of Auditor's Report for audit conducted in accordance with SA:

i) Title

ii) Addressee

Report on Audit of F.S.

(iii) Opinion Section

(iv) Basis for Opinion Section

MURG

✓ (v) Going Concern, if required by SA 570

[G.C. Appropriate → Material uncertainty Exist]
App. disclosures given in F.S.

(vi) Key Audit Matters, if required by SA 701.

[Matters selected out of matters communicated to T&WG; reporting required in case of audit of F.S. of Listed Entities]

(vii) Other Information, if required by SA 720]

(viii) Management responsibilities for the financial statements.

(ix) Auditor's Responsibilities

(x) Reporting on other legal and regulatory requirements.

(For Ex: Reporting u/s 143(3); Int. financial controls, Matters covered under CARO)

(xi) Signature

(xii) Place

(xiii) Date

Financial Reporting Framework

(A) Fair Presentation Framework

Mngt. permitted to take deviations - FRF

for better presentation / fair presentation of F.S.

(B) Compliance Framework

No deviation permitted.

↓ Reporting

- F.S. - True and fair view

or

F.S. prepared - Material respects as per FRF and present fairly as per FRF.

F.S. presented in all material respects in accordance with applicable FRF

Imp:

Audit Reports for Audits Conducted as per SA and ISA:

- In certain situations, Auditor may be required to conduct an audit in accordance with ISA, in addition to SA issued by ICAT.
- In such cases, Auditor's report may refer to ISA in addition to SA, but Auditor shall do so only if:
 - (A) There is no conflict between the requirements of ISA and SA, that would lead the auditor:
 - (a) to form a different opinion; or
 - (b) not to include an EOM or OM Para that in the particular circumstance is required by SA.
 - (B) Auditor's report shall include a minimum of each of the elements set out in the Auditor's report prescribed by law and regulation, when the auditor uses the layout specified by SA.

For Elements of A.R. prescribed by law and regulation → Refer Pg. No. 7.19 of S.M.

Note: A.R. shall also clearly identify the ISA including the jurisdiction of origin of those ISA. [For Ex. ISA issued by IAASB of IFAC]

Supplementary Information presented with the financial statements:

↓
Supplementary Information (Not required by FRF) is presented with the f.s.

↓
Auditor shall evaluate whether such info. is integral part of the financial statement (Based on nature of info.)

↓
YES

↓
Supplementary information shall be audited and covered by Auditor's opinion

↓
No

↓
Evaluate whether such supplementary info. is presented in a way that sufficiently and clearly differentiate it from the audited f.s.

↓
No

↓
Ask Mngt. to change the presentation of supplementary info. (i.e. location and labeling)

↓
Mngt. refuses to do so

↓
Auditor shall:

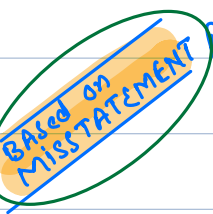
- (a) Identify the unaudited supplementary information; and
- (b) Explain in auditor's report that supplementary information has not been audited.

(3) Modifications to the opinion in the Independent Auditor's Report (SA 705):

(A) Modified opinion:

↓
Qualified opinion

↓ issued when

 F.s. are materially mistaken, but such mis-statements do not have

Pervasive effect

(Overall)

For Ex: B/s Total = 10 Cr.

Investment = 90 lakhs

↓

Wrong classification / valuation

↓

Except for the []; B/s reflect true and fair view

↓
Adverse opinion

↓ issued when

F.s. are materially mistaken, and such mistakes are having pervasive effect

B/s Total = 10 Cr.

Investment = 9 Cr.

↓

Wrong classification / valuation

↓

B/s do not reflect true and fair view.

↓
Disclaimer of opinion

— NA —

 Qualified opinion is issued when auditor not able to collect SAAE for transactions that are material, but do not have pervasive effect

For Ex: B/s = 10 Cr ; Inv. 1 Cr.
(- Investment documents not available)

— NA —

Auditor shall issue Disclaimer of opinion when he is not able to collect SAAE for transactions that are material and having pervasive effect.

For Ex: B/s = 10 Cr ; Inv. - 9 Cr.
(Investments documents not available for inspection)

(B) Circumstances when a Modification is required: — From Notes —

(Self-study)

+ Noting

(C) Limitations Imposed by Mngt. (after accepting the Engagement):

