Chapter - 7 "Reporting"

(1) Meaning and Types of Audit Reports

(2) SA - 700

(3) SA - 705 (i) Modified opinion

(ii) Circumstances in which modified opinions are issued

(iii) Limitations imposed after accepting the Engagements

~~(iv)~~ Circumstances where Auditor's withdrawal is not permitted: (SEBI Circular in case of listed Entities)

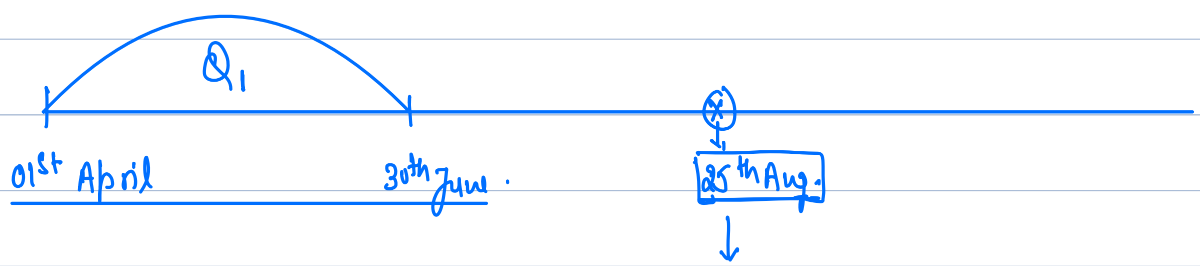
(A) If auditor resigns within 45 days from end of a Quarter:

Issue Audit / Limited Review Report for that Quarter before resignation.

Resignation → Audit / Limited Review Report is required
$\boxed{05.08}$ before resignation.

(B) If Auditor resigns after 45 days from end of a Quarter:

Issue Audit / Limited Review Report for that Quarter and next quarter before resignation.



$\boxed{\text{Proposed Resignation}}$ → Audit / Limited review report of Q_1 and Q_2 is required.

(c) If Limited Review Report issued for first 3 Quarters:

Auditor shall issue Audit Report for the full year before resignation.

Q1	Q2	Q3	
review report ✓	review report ✓	review report ✓	$\boxed{15.03}$ - Proposed resignation $\boxed{\text{FY - Audit Report}}$

Note: In case of unlisted companies, as per ICAI announcement, auditor shall not mention "Professional Pre-occupation" as a reason for resignation; auditor shall clearly mention the reason for resignation in resignation letter.

Listed Entities

- Annual Results - $\boxed{\text{Audit}}$
- Quarterly Result - $\boxed{\text{Audit}}$ / $\boxed{\text{Review}}$

(v) Considerations while drafting modified opinion:

	Opinion Section	Basis for opinion	Auditor's Responsibility
Qualified	✓	✓	✗
Adverse	✓	✓	✗
Disclaimer	✓	✓	✓

I. Opinion Section:

Change the heading — Qualified Opinion
Adverse "
Disclaimer of "

Wordings of Qualified opinion: "Except for the possible effects of Matters Described in Basis for Qualified opinion Section" ....

Wordings of Adverse opinion: "In auditor's opinion, because of significance of matters described in Basis for Adverse opinion Section" f.s. do not give the information required in the manner as prescribed under

Companies Act, 2013 and F.S. have not been prepared in all material respects as per applicable FRF.

Wordings of Disclaimer of opinion: Because of significance of matters described in Basis for Disclaimer of opinion Section, auditor has not been able to obtain SAAE to provide a basis for audit opinion on F.S. and hence no opinion is being expressed.

II. Basis for Opinion Section:

- Change the heading – Basis for Qualified opinion
  – " " Adverse "
  – " " Disclaimer of "
- Matter that give rise to modification is to be mentioned in detail.

Causes of Modification	Explanation
(A) Material Misstatement of any amount.	- Description of Misstatement - Quantification of amount (If determinable) - State the fact (If not determinable)
(B) Misstatement of any Disclosure	- Provide Explanation that disclosures are misstated.
(C) Required Info. is not disclosed in F.S.	- Explain nature of info. omitted - Provide the disclosure.
(d) Auditor not able to obtain SAAE	- State the reasons (For Ex. limitations imposed by Mngt.)

- Amend the statement w.r.t. auditor's believing that audit evidences are sufficient and appropriate to provide a Basis for "Qualified opinion" or "Adverse opinion"
- However in case of Disclaimer of opinion, auditor shall not include reference of section of auditor's report that describes auditor's responsibilities and statement w.r.t. believing that SAAE obtained.

III. Auditor's Responsibility Section (In Case of Disclaimer of opinion):

In Case of Disclaimer of opinion, auditor shall amend the description of auditor's responsibilities so as to include only the following:

(a) Statement that auditor's responsibility is to conduct an audit of F.S. in accordance with SA and to issue Auditor's Report.

(b) Statement that because of significance of matters described in Basis for Disclaimer of opinion section, auditor was not able to obtain SAAE so as to provide a Basis for audit opinion.

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(4) Emphasis of Matter Paragraph and Other Matter Paragraph in the Independent Auditor's Report (SA 706):

Title; Addressee; Opinion; Basis for opinion; MURG; KAM; Other Info;

MURG → SA 570; KAM → SA 701

Mngt. Responsibility; Auditor's Responsibility; Reporting on Other legal & Reg. Requirement;

Signature, Place, date.

(i) MURG - SA 570 → G.C.App. + Material uncertainity Exist + App. Disclosures given in F.S.

(ii) KAM - SA 701 → Matters considered to be of most significance during Current period Engagement and selected out of matter communicated to TCWG

Q. Any Matter giving rise to Modification in AR - of course a KAM; but requires reporting in opinion section and Basis for opinion

(iii) Other Info. - SA 720 - w.r.t. Info other than F.S. included in Annual Report

(iv) Modified opinion - SA 705 - w.r.t. Qualified | Adverse | Disclaimer

- Single Report.

Qualified opinion	- Matter 1	(Provision for Bad debt →
MURG	- " 2	[M.U - financing arrangements]
KAM	- " 3	[Info. system - New design]
EOM	- " 4	[Pending litigation]
OM	- " 5	[PY - Predecessor Auditor - Modification]
Other Info.	- " 6	[Annual report]

(A) Emphasis of Matter Paragraph:

Meaning: A Para included in the Auditor's report that refers to a matter appropriately reflected or disclosed in the F.S.
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that in the auditor's Judgement, is of such significance that it is fundamental to the User's understanding of F.S.

Requirements of EoM Para: (i) EoM Para is not a substitute of Modified opinion, KAM or MURG Para.

(ii) EoM Para should be included in separate section titled as "Emphasis of Matter".

(iii) EoM Para should immediately follow the "Basis for opinion" section.

(iv) EoM Para should refer to matters/information which is appropriately presented in F.S.

(v) It should be mentioned that auditor's opinion is not modified in respect of this matter.

Requirements in Other SAs requiring EoM Para: (Learning and Noting - H.W.)

(SA $\boxed{210}$, $\boxed{560}$, $\boxed{800}$) → $\boxed{\text{Special Purpose}}$

FRF - prescribed by $\boxed{\text{LR}}$ (unacceptable)

FACTS (Reason - F.S. amended)

Circumstances when EoM can be issued: (Learning and Noting - H.W.)

(Pending litigation) | Sub. Events | Early application of any AS | Catastrophe

(B) Other Matter Para:

Meaning: A Para included in the Auditor's Report that refers to a matter other than those presented/disclosed in the F.S.

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that in auditor's judgement is relevant for user's understanding of Audit, Auditor's Report or Auditor's Responsibilities.

Requirements of OM Para:

(i) OM Para is not a substitute for modified opinion, KAM or MURG.

(ii) OM Para should be included in a separate section titled as "Other Matters".

(iii) OM Para should be located in AR after KAM.

(iv) If Other matter is related with other legal and regulatory reporting requirements, OM Para is to be placed in "Reporting on other legal and Regulatory Requirements" Section.

Circumstances in which OM Para is included:

(A) If auditor rely on work of branch auditors / auditors of sub companies. (SA 600)

(B) In case of issue of separate opinion by joint auditors (SA-299)

(C) If prior period f.s. either unaudited or audited by predecessor auditor. (SA 510/710)

(D) When auditor extends his audit procedures to date of new AR in case of Sub. Events (SA 560).