Chapter - 7 "Reporting"

(1) Meaning and Types of Audit Reports

(2) SA - 700

(3) SA - 705

(4) SA - 706

(5) Communicating Key Audit Matters in the Independent Auditor's Report (SA-701):

(A) Introductory topics: - Reading Purpose -

Imp- (B) Considerations for determining KAMs:

KAM are to be determined from matters communicated to TCWG after considering the following:

(i) Areas of higher assessed RoMM or significant risks identified in accordance with SA 315 (Transaction with RPs, Sig. Acctg, Economic dev. Sig. changes in IT Systems)

(ii) Significant Judgement of auditor relating to statements that involved management judgement. For Ex. Determination of Provisions
" " Fair Values
Selection of Acctg Policies
Determination of Estimates.

(iii) Effects of significant Events and Transactions that occurred during the year.

Note: In addition, matters that may not be required to be disclosed in f.s., but are relevant to audit, may also be considered to be KAM.

For Ex: Implementation of a New IT System or Significant Changes to an Existing IT System (If it has a significant effect on auditor's overall strategy or it is related to significant risk like changes that affect

Revenue Recognition.

(C) Manner of Reporting:

[Heading and Sub-heading]

- Auditor shall describe each KAM, using an appropriate sub-heading in a separate section of auditor's report under the heading "Key Audit Matters"

[Introduction]

- Before giving detail for KAM, introduction is to be given as follow:

"KAM are those matters that in the auditor's Judgement were of most significance in audit of F.S. of Current Period and these matters were addressed in the context of audit of F.S. as a whole and auditor does not provide a separate Opinion on these matters.

[Description Reason Response]

- Description of each KAM shall include a reference of related disclosures, if any, in the F.S. and shall address:

(a) why the matter was considered to be one of the most significant in the audit, and therefore determined to be a KAM; and

(b) How the matter was addressed in the audit.

(D) Circumstances in which a matter determined to be KAM is not reported:

KAM need not be reported if:

(i) Law or regulation precludes public disclosure about the matter; or

(ii) Auditor determines that matter should not be reported in audit report, because the adverse effects of doing so would reasonably be expected to be outweigh the public interest benefit of such Communication.

Note: Auditor may report such matter if entity has publicly disclosed the matter.

(E) No KAM: In case, there are no KAM to communicate, auditor's report shall specifically mention that by Carrying a KAM Paragraph stating therein that there are no KAMs to communicate.

(6) SA 710 : Comparative Information – Corresponding figures and comparative f.s. :

(A) Introductory topics : From Notes

SA 510 – Initial Audit Engagements – opening Balances

	f.s. Include comparative Info.	f.s. do not include comparative Info.
Prior period f.s. unaudited / audited by predecessor auditor → $\boxed{510}$	$\boxed{710}$ Both SA 510 and 710 Applicable.	~~710~~ Only 510 Applicable
Prior period f.s. audited by same auditor (Recurring Audit) → ~~510~~	Only SA 710 Applicable	~~710~~ ~~510~~ Neither 510 Nor 710 Applicable.

B/s as at 31·03·25

Corresponding

31·03·25	31·03·24
	Agree Prior Period f.s.

B/s as at 31·03·24

B/s as at 31·03·24 and 31·03·25

Comparative f.s.

31·03·24	31·03·25

FY 23-24
- 22-23 (Comparative Info.)
- $\boxed{23-24}$ (Current Period) – Prior period f.s.

FY $\boxed{24-25}$
- 23-24 Comparative Info
- 24-25 (Current Period)

Agree

disagree
- Misstatement – Comparative
- Misstatement – Prior period

Prior period audited by same auditor → SA 560 apply – Prior period f.s.

Prior period audited by Predecessor auditor → Ask Mngt. to inform predecessor auditor about the situation

Whether Comparative Info. and Prior period F.S

Amount and disclosures – Agree and not misstated

- **YES** → Issue unmodified opinion
- **NO**
  - Whether comparative Info. $\boxed{\text{Misstated}}$ → YES → Ask Mngt. for correction → If not corrected → Modify opinion w.r.t. Comparative Info.
  - Whether prior period F.S. contains Misstatement → YES
    - Prior period F.S. audited by same auditor → Apply procedures as stated in SA-560.
    - Prior period F.S. audited by predecessor auditor → Ask Mngt. to inform predecessor Auditor.

(B) Audit Procedures w.r.t. Comparative Information:

(i) Determine whether F.S. $\boxed{\text{include}}$ Comparative Info.
If yes, determine whether comparative info. has been appropriately $\boxed{\text{classified}}$ as per the requirements of applicable FRF.

(ii) Evaluate whether the Comparative info. $\boxed{\text{agrees}}$ with amount and disclosures of Prior period F.S.
(For this purpose, Analytical Procedures may be applied).

(iii) Evaluate whether the $\boxed{\text{accounting policies}}$ adopted in the preparation of Comparative information are Consistently applied in Current Period F.S.
If there is any change in accounting policy, evaluate whether the effect of such change is appropriately accounted for and disclosed as per relevant AS.

(iv) If any doubt arises as to any possible misstatement in Comparative Info, Auditor shall perform additional procedures.

- If prior period f.s. were audited by same auditor, procedures as prescribed in SA 560 shall apply.
- If prior period f.s. were audited by predecessor auditor, report it to appropriate level of mngt. and request that predecessor auditor be informed.

(v) Obtain a WR from mngt. that all previously provided WRs still remain valid.

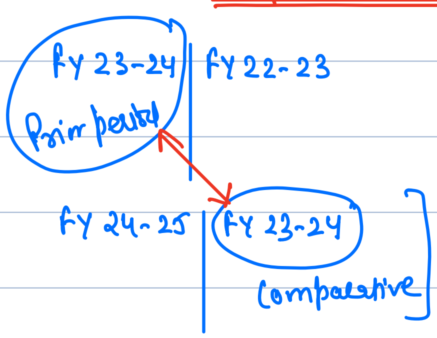
(C) Reporting:

(I) Corresponding figures: Auditor's report shall not refer to corresponding figures, except in following cases:

(a) If AR of prior period contains modified opinion and that modification not yet resolved.
(For Ex: AR of prior period was qualified due to non-provision of bad debts and modification not yet resolved).

(b) If auditor is of the opinion that he has SAAE w.r.t. Existence of Material Misstatement in f.s. of prior period, which were not addressed earlier.

II. Comparative f.s.: Auditor's opinion shall refer to each period for which f.s. are prepared.



If auditor opinion on prior period f.s. (FY 2023-24) differs from opinion on comparative info. (FY 23-24), auditor shall disclose the substantive reason for the different opinion in the Other Matter Para.

III Common Reporting Requirements:

(A) If prior period f.s. unaudited: Include an OM Para mentioning therein that comparative info. were unaudited.

[In this case, requirements of SA 510 shall also apply].

(B) If Prior period f.s. audited by predecessor auditor: Auditor's report to contain an OM Para stating the following:

(i) f.s. of prior period audited by predecessor auditor.

(ii) Type of opinion expressed.

(iii) Date of that report.