Chapter - 7 "Reporting"

(1) Meaning and Types of Audit Reports

(2) SA - 700

(3) SA - 705

(4) SA - 706

(5) SA - 701

(6) SA - 710

(7) SA - 720 : Auditor's Responsibilities relating to Other Information (O.I.)

(i) Scope of SA 720 : SA 720 deals with auditor's responsibilities relating to Other Information, included in the Entity Annual Report.
Such responsibilities do not Constitute an
(a) Assurance Engagement on Other Information;
(b) Obligation on auditor to obtain assurance on O.I.

(ii) Meaning of Other Information : Financial or Non-financial information (other that audited F.S. [Consolidated and Standalone] and auditor's report), included in entity Annual report.

Note: Other Info. may include amounts or other items that are intended to be same, to summarise or to provide greater detail about amounts or other items in F.S. Such amount or other items may be included in annual report as :

(a) Tables, Charts or graphs Containing extracts of F.S.
(b) Disclosures providing greater detail about a balance or amount shown in F.S.
(c) Descriptions of financial results.

Examples of amounts or Items that may be included in Annual Report:

(Learning + Noting → Any four points each)

(iii) Auditor's Responsibilities:

(A) Obtain the Other Info: - Auditor shall discuss with management as to the documents which comprises the annual report and timing of availability of such documents.

- Make suitable arrangements to obtain these documents prior to date of AR.
- In case any document is not available upto the date of AR, request the management to provide WR that such documents will be provided to auditor when available.

(B) Reading the O.I.: Auditor shall read the O.I. and determine whether there exist any material inconsistency in between:

(i) Other Info. and auditor's Knowledge

or

(ii) Other Info. and F.S.

(C) Auditor's Responses in case of Material inconsistencies:

Discuss the matter with management and perform appropriate procedures to conclude: (i) whether there exist any material misstatement in F.S.; or

(ii) whether there is a requirement to update the Understanding of the Entity and its Environment; or

(iii) whether there exist any material misstatement in Other Info.

✓ In situation (i), respond appropriately in accordance with SA 450.

✓ " " (ii), " " " " " 315.

" " (iii), request Management for correction in Other Info.

Mngt. Agree

↓

Determine whether Correction has been made.

↓ If not

Discuss and follow-up.

Mngt. refuses

↓

Communicate with TCWG and request for correction

TCWG Agree → Determine whether Correction has been made.

TCWG refuses

↓

- Consider the Implications for Auditor's Report and
- Communicate with TCWG about how auditor plans to address the material inconsistency in Auditor's Report.
- Consider withdrawal (If permitted)

Note: If auditor concludes existence of material misstatement in O.T., after date of AR: Auditor shall perform necessary procedures to ensure whether Other Info. is corrected.
However, if corrections not made, take appropriate action including considering legal advice and obligations.

Note: If auditor concludes existence of material misstatement in the F.S, after the date of AR: Apply procedures as stated under SA 560.

(D) **Reporting:** include a separate section in AR, immediately after KAM, with a separate heading "Other Information". This section shall include the following:

(i) A statement that management is responsible for Other Information.

(ii) Identification of Other Information obtained prior to date of AR.

(iii) In case of listed entity, identification of O.I. expected to be obtained after the date of AR.

(iv) A statement that auditor's opinion does not cover the Other Info. and hence no opinion expressed thereon.

(v) A description of auditor's responsibilities relating to obtaining, reading and reporting other Info.

(vi) When O.I. has been obtained prior to date of AR, a statement that auditor has nothing to report

or

a statement that describes the uncorrected misstatement of Other Info.

EoM →	No EoM	×
OM →	No OM	×
KAM →	No KAM	✓
MURG →	No MURG	×
O.I →	No. O.I	✓

(8) **Misc. Topics:**

(i) Notes on Accounts vs. Qualifications

(ii) Report vs. Certificate

(iii) Duties of Auditor under Companies Act, 2013

From Book

Chapter - 7 "Reporting"

PART - I : SA 700, 701, 705, 706, 710, 720

PART - II : Misc. Topics

(i) Notes on Accounts vs. Qualifications

(ii) Reports vs. Certificate

(iii) Duties of Auditor under Companies Act, 2013

(A) Inquiry into Propriety Matters [Proviso to Sec. 143(1)]:

Reporting → Adverse Findings

(1) Loans and Advances – Secured / terms

(2) Transactions – Book Entries – prejudicial

~~(3)~~ Non-Banking / Non-Investment Co. – Shares, deb^n, other securities

S. Price < acquisition cost.

(4) Loans and Advances – Deposits

(5) Personal Expenses —— charged to Revenue A/c.

(6) Shares alloted for Cash → Cash - actually recd.

↓ If not

Books of A/c / B/S - Correct position.

		Books of A/c	Reporting u/s 143(1)
Ex.	Securities are sold at a price lower than acquisition cost S.P : 50,00,000 Cost = 60,00,000	- Correct recording - loss of ₹ 10 lakh recognised ↓ unmodified opinion	Reporting required
	Loans given to Sub. Co. → 10 Cr. Security value : 6 Cr. RoI - 1%	Proper disclosures given in F.S. ↓ unmodified opinion	Loans not properly secured / Terms Prejudicial

Personal Exp. of directors charged to Revenue A/c – Not covered under – Contractual arrangement – Business Practices – AoA / GM approvals	Modified opinion as Profits are understated	Reporting required

(B) Reporting u/s 143(3):

(a) Info. and Explanations

(b) Proper Books of A/c + Returns from Branches.

(c) Branch Audit Reports – recd.

(d) B/s and Stn. of P&L – Agree with Books of A/c

(e) F.S. – Comply with ASs – notified u/s 133.

(f) Observation / Comments – financial transactions – Adverse

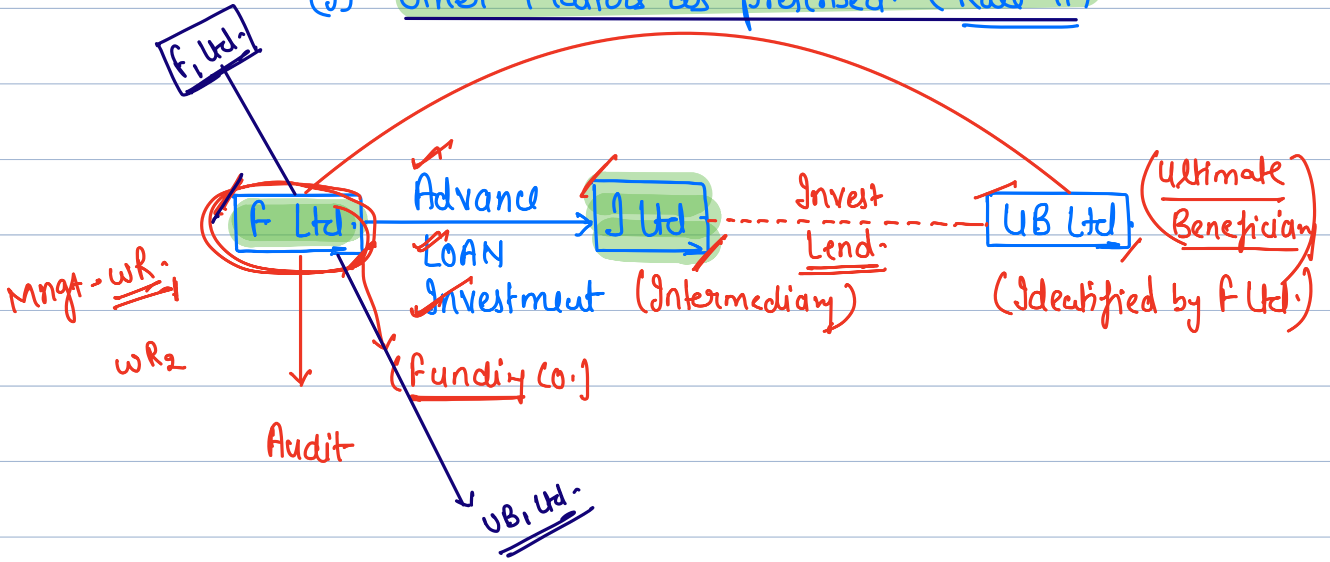
(g) Directors disqualified u/s 164(2) – (Based on WRs)

(h) QIRIA – Maintenance of accounts. [Sec. 128]

(i) $\boxed{\text{IFC}}$ – in place and operating effectiveness.

Exception: Pvt. Co → OPC / Small Co.
→ T/o → < 50 cr and
Agg. Borrowings – Banks, F.I., Body Corporate. < 25 cr

(J) Other Matters as prescribed. (Rule 11)



143(3)(j) + Rule 11 – (a) Impact of Pending litigations
(b) Provision for material forseeable losses
(c) Delay in – IEPF
(d) –
(e) Mngt. Representation.
(f) Dividend
(g) Accounting Software → Recording Audit Trail.
→ Operated throughout
→ No Tampering
→ Preserved.

Reporting u/s 197(16): Rem – to directors → Sec. 197 [1% | 3% | 5% | 10% | 11%]
Excess. → report.

V.V. Imp.
(9) CARO, 2020 → Two classes – Recordings