

Audit Reporting Standards (SAs)

Seminar on Practical Aspects relating to Standards on Auditing (SAs) at WIRC of Institute of Chartered Accountants of India

Seminar on 7th January, 2017

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Today's agenda includes discussion on:

I. Reporting standards or Audit Reporting Standards :

700-799	Audit Conclusions and Reporting
700	Forming an Opinion and Reporting on Financial Statements
705	Modifications to the opinion in the Independent Auditor's Report
706	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report
710	Comparative Information—Corresponding Figures and Comparative Financial Statements
720	Auditor's Responsibility in relation to Other Information in documents Containing Audited Financial Statements

II. Suggested Drafts Audit report

III. Major changes proposed in Revision of reporting SAs.

General:

- Standards on Auditing are issued by *Auditing and Assurance Standards Board (AASB)* under the authority of the *Council of ICAI*.
- Standards on Auditing
 1. Aim to improve the auditing practices.
 2. Provide a framework for the auditing steps and procedures.
- Mandatory under the direction issued by ICAI for the members while performing the attest function including Audit.
- Non compliance with SA: CA will be held guilty of Professional Misconduct under Schedule II of CA Act, 1949.
- As per the Section 143(9) of Companies Act-2013, every auditor shall comply with the auditing standards.

SA's are grouped under various heading

It's not possible to give details of all SAs in given time. We shall discuss SA on Reporting, grouped under 700-799.

All other SAs are on Audit procedures i.e. audit planning, risk assessment, obtaining evidence, etc. But SA in this group particularly SA700, 705 and 706 are on reporting. Auditor communicating or reporting his opinion needs to have proper understanding of SA on reporting.

SA 700: FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

SCOPE

- Form and content of independent auditor's report
- Unmodified opinion
(Modified opinion is now covered in SA 705 whereas EOM & OM paragraphs are covered in SA 706).

OBJECTIVES:

- Forming an opinion on the financial statements based on conclusions drawn from evidences obtained.
 - Expressing clearly that opinion (including basis thereof) through written report.
3. It is framed in the context of general purpose financial statements prepared in accordance with General Purpose Framework

DEFINITION/ IMPORTANT TERMS:

GENERAL PURPOSE FINANCIAL STATEMENTS:

Financial statements prepared in accordance with a general purpose framework.

GENERAL PURPOSE FRAMEWORK:

A financial reporting framework designed to meet the common financial information needs of a wide range of users. The Financial Reporting framework (FRF) is used by many users. It may be of two types:

FAIR PRESENTATION FRAMEWORK: FRF that requires compliance with the requirements of FRF acknowledges that

- Management may provide disclosures beyond those specifically required by the framework
- Management may depart from a requirements of framework to achieve fair presentation of financial statements (in a very rare case)

COMPLIANCE FRAMEWORK: FRF requiring compliance with requirements of the framework but does not contain acknowledgement as above.

REQUIREMENT:

FORMING AN OPINION:

1. Auditor shall form an opinion as to whether the financial statements are prepared in accordance with applicable FRF.
2. To form such an opinion, he shall obtain reasonable assurance as to whether financial statements as a whole are free from material misstatements.
3. In forming such opinion auditor shall consider various things including the following:
 - Sufficiency and appropriateness of audit evidences
 - Materiality of uncorrected misstatements
 - Adequacy of disclosures in financial statements
 - Selection and Consistency of Accounting policies with applicable FRF
 - Reasonableness of Accounting Estimate
 - Reliability & relevance of financial information
 - Adequacy of disclosure of material transactions & events
 - Appropriateness of terminology used in financial statements.
4. In case of fair presentation framework, he shall also consider :
 - Overall presentation, structure and content of financial statements.
 - Whether financial statements (including notes), represent the underlying transactions & events so as to achieve fair presentation.

EXPRESSION OF OPINION:

Expression of opinion is crucial part of the Auditor's responsibility. The opinion can be

- (a) **UNMODIFIED OPINION:** When he concludes that financial statements are prepared, in all material respects, in accordance with applicable FRF and are free from any material mis-statement.

(b) MODIFIED OPINION : When the auditor

- (i) Concludes that financial statements as a whole are not free from material misstatements, or
- (ii) Is unable to obtain sufficient & appropriate evidence to conclude that the financial statements as a whole are free from material misstatement.

(Modified Opinion explained in detail in SA 705)

(c) In case of Fair presentation framework, if the financial statement do not achieve fair presentation, the auditor shall discuss the matter with management and according to resolution of the matter, auditor shall determine whether modification of opinion is required.

(d) In case of compliance framework is applicable then auditor shall ensure that the applicable legal framework is complied with.

AUDITOR'S REPORT:

➤ The auditor's report shall be in writing

The audit report is divided into various parts or paragraphs:

➤ **The important PARAGRAPHS:**

- Title
- Addressee
- Introductory Paragraph
- Management's Responsibility For The Financial Statements
- Auditor's Responsibility
- Auditor's Opinion
- Report on other legal and Regulatory Requirements
- Signature of the Auditor
- Date of the Auditor's report
- Place of Signature

1. TITLE :

- Clearly indicating that it is an "Independent Auditor's report".
- So that it can be distinguished from the reports issued by others.

2. ADDRESSEE:

- As per the circumstances applicable
- For e.g. In case of a company, it is addressed to the shareholders or the members

3. INTRODUCTORY PARAGRAPH:

- It includes the following:
 - (i) Entity(client)
 - (ii) Title of each component of financial statement(B/S, P& L Cash flow, etc)
 - (iii) Summary of Accounting Policies & explanatory information
 - (iv) Date & period covered by each financial statement
 - (v) Fact that financial statements have been audited.

4. MANAGER'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS:

- It describes the responsibility of management or persons who are responsible for preparation of financial statements.
- It states that management is responsible for:
 - (i) Preparation of financial statement as per applicable FRF
 - (ii) Design, implementation & maintenance of internal controls &
 - (iii) Fair presentation of financial statement (in case, financial statements are prepared as per fair presentation framework)

4. AUDITOR'S RESPONSIBILITY:

This paragraph states that:

- (i) Responsibility of auditor is to express an opinion on the financial statements;
- (ii) Audit was conducted in accordance with SA issued by ICAI;
- (iii) Auditor complied with ethical requirements;
- (iv) Auditor obtained reasonable assurance as to whether financials statements are free from material misstatements;
- (v) Audit involves procedures to obtain evidences about amounts & disclosures in financial statements;
- (vi) Procedures depend on the auditor's judgement including Risk Assessment Procedure ;
- (vii) Auditor considers internal controls but do not express opinion thereon.(If he is supposed to express opinion thereon, he shall omit this phrase)
- (viii) Audit includes evaluation of accounting policies, accounting estimates & overall presentation of financials statements; and
- (ix) Auditor believes that audit evidences are sufficient & appropriate to provide the basis for auditor

6. AUDITOR'S OPINION

While expressing unmodified opinion he shall use following:

- (i) In case of fair presentation framework
 - Financial statements present fairly in all material respects in accordance with [Applicable FRF]
 - Financial statements give true & fair view in accordance with [Applicable FRF]

(ii) In case of compliance framework

- Financial statements are prepared in all material respects in accordance with [Applicable FRF]

7. OTHER REPORTING RESPONSIBILITIES:

- If there is any requirement, there shall be a separate heading "Report on other legal and Regulatory Requirements".
- For e.g. CARO in case of audit of a company.

8. SIGNATURE OF THE AUDITOR:

- In case of individual practitioner, it is signed in the personal name of auditor.
- Mention membership number of member in ICAI as well
- In case of firm, it is signed in personal name of Proprietor/Partner as well as in the name of the firm.
- Firm's registration number is also mentioned in this case.

9. DATE OF AUDITOR'S REPORT:

Its date on which auditors signed the auditor's report and It can't be earlier than the date on which:

- (i) All components of financial statements have been prepared, &
- (ii) Management have asserted that they have taken the responsibility for those financial statements.

10. PLACE OF SIGNATURE:

Specific location (The city where the audit report is signed)

➤ Auditor's Report Prescribed by Law or Regulation

If auditor's report is prescribed by law or regulation, then he shall refer to SA only if he is allowed to include minimum element as below:

- A Title
- An addressee, as required by the circumstances of the engagement
- An introductory paragraph that identifies the financial statements audited
- A description of the responsibility of management
- A description of the auditor's responsibility to express an opinion on the financial statements and the scope of the audit, that includes:
 - A reference to Standards on Auditing and the law or regulation
 - A description of an audit in accordance with those Standards

- An opinion paragraph containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework)
- The auditor's signature
- The date of the auditor's report
- The place of signature.

➤ **AUDITOR'S REPORT UNDER SA/ISA:**

- In case of audit conducted in accordance with both SA's and ISA's, then auditor's report may comply additionally with ISA in the conduct of audit.
- When Auditor's report refers to both ISA and national SA, the auditor shall identify national SAs, being those issued by ICAI.

➤ **SUPPLEMENTARY INFORMATION PRESENTED WITH FINANCIAL STATEMENTS:**

- When supplementary information is not required applicable FRF to be presented, then the auditor shall evaluate whether it is clearly differentiated from the audited financial statements.
- If not then he shall ask the management to change the way it is presented.
- If management refuses to do so, the auditor shall mention in the audit report that such supplementary information has not been audited.

SA 705:

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

SCOPE

SA 705 deals with the auditor's responsibility to issue appropriate report when auditor concludes that modification in Auditor's opinion on financial statements are necessary.

For simplicity, in this SA, Modification is Qualification, Modified Report means Qualified Report.

OBJECTIVES:

To express clearly an appropriately modified opinion on the financial statements when the auditor:

- (a) Concludes, based on the evidences obtained that the financial statements as a whole are not free from material misstatements, or
- (b) Is unable to obtain sufficient and appropriate evidences to conclude that financial statements as a whole are free from material misstatements.

TYPES OF MODIFIED OPINION

- (i) A Qualified opinion
- (ii) An Adverse opinion
- (iii) A Disclaimer of opinion

MEANING OF PERVASIVE

Pervasive is a term used in context of misstatements, to describe the effects or possible effects on the Financial statements of misstatements, if any that are undetected due to an inability to obtain sufficient & appropriate audit evidence.

Pervasive effects on the financial statements are those that in the Auditor's judgments:

- Are not confined to specific elements, accounts or items of the financial statements,
- If so confined, represents or could represent a substantial proportion of the financial statements or,
- In relation to disclosures, are fundamental to users understanding of the financial statements

DETERMINING THE TYPE OF MODIFICATION:

Auditor's Judgment about the Pervasiveness of the effects or Possible effects on the Financial Statements will determine the type of modification i.e. qualified opinion, adverse opinion or disclaimer of opinion.

The above has been represented in the table below:

Nature of Matter giving Rise to the Modification	Material but Not Pervasive	Material & Pervasive
Financial Statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

FORM & CONTENT OF AUDITOR'S REPORT IN CASE OF MODIFIED OPINION:

In addition to Paragraphs under SA 700, there will be 2 additional paragraphs after Auditor's responsibility i.e.

1. Basis of Opinion &
2. Opinion Para (Qualified Opinion, Adverse Opinion or Disclaimer of opinion.)

➤ **Basis for Modification Para:**

- Place this para immediately before 'Opinion Para'.
- heading is " Basis for _____ Opinion"
- describe matter giving rise to modification

➤ **Opinion Para:**

- Qualified Opinion
- Adverse Opinion
- Disclaimer of opinion

FORMAT OF A QUALIFIED OPINION

SITUATION: If the Company values its inventory at Cost i.e. Rs.12,00,000 instead of Lower of Cost or NRV as by AS-2, where NRV is Rs.10,00,000, then the relevant paras in Audit report (Qualified opinion) needs to be stated as follows:

INDEPENDENT AUDITOR'S REPORT

TO,
THE MEMBERS OF XYZ LIMITED

Report on the Financial Statements

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..

Management's Responsibility for the Financial Statements

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..

Auditor's Responsibility

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..

Basis for Qualified Opinion

The Company's inventories are carried in the Balance Sheet at Rs. 12, 00,000 (Previous year Rs. _ _ _). The Management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from the Accounting Standard – 2 "Valuation of Inventories". The Company's records indicate that had the Management stated the inventories at the lower of cost and net realisable value, an amount of Rs. 2,00,000 (P.Y Rs. _ _) would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by Rs. 2,00,000 (Previous year Rs. _ _), and income tax, profit for the year and shareholders' funds would have been reduced by Rs. 60,000, Rs. 1,40,000 and Rs. 1,40,000 respectively (Previous year ended 31st March, 2014: Rs. _ , Rs. _ _ and Rs. _ _ _ , respectively).

This matter was also qualified in our report on the financial statements for the year ended 31st March 2016.

Qualified Opinion

In our opinion and to the best of our information and according to the explanations given to us, **except for the effects of the matter described in the Basis for Qualified Opinion paragraph above**, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31st March, 2017, and its profit/loss and its cash flows for the year ended on that date.

Wordings of adverse opinion

(After normal beginning paragraphs and after basis para , in Opinion Para, auditor to state as follows)

Adverse Opinion

In the our opinion because of significance of matters described in the basis for adverse opinion Para,

- (a) The financial statements **do not present fairly** (or give a true & fair view) in accordance with the fair presentation framework; or
- (b) The financial statements **have not been prepared**, in accordance with compliance framework."

Wordings of disclaimer of opinion

(After normal beginning paragraphs and after basis para , in Opinion Para, auditor to state as follows)

Disclaimer of Opinion

"Because of significance of matter described in the basis for disclaimer" Para, we have not been able to obtain sufficient appropriate evidence & thus **we do not express an opinion** on the financial statements."

Communication

- In case he expects to modify his opinion,

He shall communicate the circumstances & proposed wordings to Those Charged With Governance (TCWG).

SA 706:

EMPHASIS OF MATTER PARAGRAPHS & OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

SCOPE/ OBJECTIVE

To draw user's attention by way of additional communication in the auditors report, to

- Matter appropriately incorporated in the financial statements, that is of such importance that it is fundamental to user's understanding of financial statements; or
- Any other matter (other than those in financial statements) relevant to users or auditor's responsibility or his report

Requirement

Emphasis of Matter (EOM) Para:

Meaning

- Para which refers to a matter appropriately incorporated in the financial statements,
- That is of such importance that it is fundamental to user's understanding of financial statements

In audit report

Place it immediately after the opinion paragraph in auditor's report

Heading

"Emphasis of matter"

It includes

- Clear reference to the matter being emphasized; and
- Where exactly it can be found in the financial statements.
- **Clarification by auditor** that the auditor's opinion is not modified in respect of the matter emphasised.(The report is not modified or qualified).

Examples where EOM may be necessary

- (i) Substantial doubt about going concern properly disclosed in financial statements.
- (ii) Uncertainty relating to a pending litigation, properly disclosed in the financial statements by the management.

“Other Matter” Para

Meaning

- Para relating to matter
- Other than those in financial statements
- Which is relevant to
- User’s understanding or auditor’s responsibility or his report.

In Audit report

After “opinion Para” & any “Emphasis of matter Para”

Heading

“Other Matter”

Examples where it is necessary

In case of consolidation, Valuation of investment in subsidiary where investment is substantial but auditor has neither audited nor received audit report for the same.

Communication with TCWG

If auditor expects to include an EOM or OM paragraph, he shall communicate the same to those with governance (TCWG)

Illustration : AUDIT REPORT CONTAINING EMPHASIS OF MATTER PARAGRAPH:

Situation/ Circumstance as follows:

There is uncertainty relating to a pending exceptional litigation matter. The Auditor has decided to highlight this in the auditor’s report by an Emphasis of Matter paragraph.

INDEPENDENT AUDITOR’S REPORT

TO,
THE MEMBERS OF XYZ LIMITED

Report on the Financial Statements

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Management's Responsibility for the Financial Statements

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Auditor's Responsibility

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Auditor's Opinion

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Emphasis of Matter

We draw attention to Note X to the financial statements which describe the uncertainty related to the outcome of the lawsuit filed against the Company by XYZ Company. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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Illustration : AUDIT REPORT CONTAINING OTHER MATTER PARAGRAPH:

Situation/ Circumstance as follows:

Audit of a complete set of consolidated general purpose financial statements of a parent company prepared under accounting principles generally accepted in India, as required for compliance with SEBI's regulatory requirement, which is a fair presentation framework.

The report shall include an Other Matter paragraph in respect of the auditor's responsibility in respect of subsidiaries not audited by him but which form part of the consolidated financial statements under the report.

INDEPENDENT AUDITOR'S REPORT

TO,
THE MEMBERS OF XYZ LIMITED

Report on the Financial Statements

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Management's Responsibility for the Financial Statements

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Auditor's Responsibility

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Auditor's Opinion

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Emphasis of Matter

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Other Matter

We did not audit the financial statements of certain subsidiaries, whose financial statements reflect total assets (net) of Rs. XXXX as at March 31, 20XX, total revenues of Rs. XXXX and net cash outflows amounting to Rs. XXXX for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

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SA 710

Comparative Information—Corresponding Figures and Comparative Financial Statements

Scope

- Auditor's responsibilities regarding comparative information in an audit of financial statements
- To report appropriately when the prior period financial statements have been audited by a predecessor auditor or were not audited.
- It is presented in an entity's financial statements depending on the requirements of the applicable financial reporting framework

Definition / Important terms:

Corresponding Figures :

Corresponding figures where amounts and other disclosures for the preceding period are included as part of the current period financial statements, and are intended to be read in relation to the amounts and other disclosures for the current period.

Comparative Financial Statements

Comparative financial statements where amounts and other disclosures for the preceding period are included for comparison with the financial statements of the current period.

In case of approach 1. i.e. corresponding figures approach, corresponding figures are NOT presented as complete financial statements capable of standing alone, but are an integral part of the current period figures WHEREAS in case of comparative financial statement approach FS are fully comparable.

Requirements:

- Check whether it is required by Financial Reporting Framework (FRF)
- To obtain sufficient appropriate audit evidence about whether comparative information included in financial statement has been presented in all material aspect in accordance with the requirements for comparative information in the applicable FRF.
- The accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been any changes in accounting policies, whether those have been properly accounted, adequately presented and disclosed.
- The auditor shall request Written representation from Management for all period referred in auditor's opinion (Ref. SA 580)

Audit Reporting

CORRESPONDING FIGURES

Auditor's opinion shall not refer to the corresponding figures except:

- Auditor's report on the prior period included a qualified/ disclaimer or adverse opinion and the said matter is unresolved. In such case the auditor shall modify the current period's audit report.
- Auditor's obtains audit evidence and becomes aware of material misstatement in prior period financial statements on which an unqualified report was issued and if the said misstatements has not been dealt as required by applicable financial reporting framework, the auditor shall express a qualified/ adverse opinion in the auditor's report on the current period financial statement w.r.t. corresponding figures

PRIOR PERIOD FINANCIAL STATEMENTS AUDITED BY A PREDECESSOR AUDITOR

In such case auditor shall report the fact under Other matters paragraph and the auditor should also state:

- That the financial statements of the prior period were audited by a predecessor auditor;
- The type of opinion expressed by the predecessor auditor and, if the opinion was modified, the reasons therefore; and
- The date of that report, unless the predecessor auditor's report on the prior period's financial statements.

PRIOR PERIOD FINANCIAL STATEMENTS NOT AUDITED

- If the prior period financial statements were not audited, the auditor shall report in an Other Matter paragraph in the auditor's report that the corresponding figures are unaudited

Such a statement does not, however, relieve the auditor of the requirement to obtain sufficient appropriate audit evidence that the opening balances do not contain misstatements that materially affect the current period's financial statement.

Audit Reporting: COMPARATIVE FINANCIAL STATEMENTS

- Auditor's opinion shall **refer to each period** for which financial statements are presented and on which an audit opinion is expressed.
- If the auditor's **opinion on prior period financial statements differs from the relevant previous opinion**, the auditor shall disclose the substantive reasons for the different opinion in an Other Matter paragraph in accordance with SA 706.
- If the auditor concludes that a material misstatement exists that affects the prior period financial statements on which the predecessor auditor had previously reported without modification, the auditor shall communicate the misstatement with the appropriate level of management and those charged with governance and request that the predecessor auditor be informed.
- IF the prior period financial statement are amended and the predecessor auditor agrees to issue a new auditor's report, **the auditor shall report only on the current period**

SA 720

AUDITOR'S RESPONSIBILITY IN RELATIOIN TO OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

SCOPE/ OBJECTIVES

- Deals with the auditor's responsibility in relation to other information (OI) in documents containing audited Financial Statements and the auditor's report thereon.
- Unless any specific requirement in an engagement auditor's opinion doesn't cover OI, auditor has no responsibility to determine whether OI is properly stated;
- Auditor reads the OI because the credibility of the audited financial statements may be undermined by material inconsistencies between the audited financial statements and other information.
- In this SA "documents containing audited financial statements" refers to annual reports or similar documents are issued to owners or similar stakeholder containing audited financial statements & the auditor's report thereon.

OBJECTIVES

The objectives of the auditor are to:

- Respond appropriately to documents containing audited financial statements and auditor's report,
- And also to include other information in a way that it doesn't undermine the credibility of those financial statements and the auditor's report.

DEFINITION/ IMPORTANT TERMS:

OTHER INFORMATION:

Financial and Non financial information (other than the financial statements and the auditor's report thereon) which is included either by law, regulations or customs, in a document containing audited financial and the auditor's report thereon.

INCONSISTENCY:

Other information that contradicts information contained in the audited financial statements.

MISSTATEMENTS OF FACTS:

Other information that is unrelated to matters appearing in audited financial statements that is incorrectly stated or presented. Material misstatement of fact may undermine credibility of the documents containing audited financial statements.

REQUIREMENT

- Read the other information to identify material inconsistencies, if any, with the audited financial statements
- Auditor shall make appropriate arrangement to obtain the other information prior to the date of the auditor's report which, helps in timely resolution of the possible material inconsistency
- If it is not possible to obtain all the information prior to date of the auditor's report, the auditor shall read such other information as soon as practicable

Material Misstatement of Facts

- If the auditor's becomes aware of an apparent material misstatement of fact, the auditor shall **discuss the matter with management**
- If the auditor is not satisfied with such discussion, the auditor shall request management to consult with qualified third party, such as the entity's legal counsel, and the auditor shall consider the advice received.
- If management refuses to correct the material misstatement of fact in the other information, the auditor shall notify those charged with governance of the auditor's concern regarding the other information and take further any appropriate action.

MAJOR CHANGES PROPOSED IN REVISION OF REPORTING SAS.

AASB has issued Revised SAs. **However the revised SAs are effective for audits of financial statements for periods beginning on or after April 1, 2017.**

The major changes are rearrangements of the paragraphs and addition of SA 701 on key audit matters.

The First 2 paras that is Title and addressee are same, but the matter of introductory para are is now clubbed in 'Opinion Para ', which is placed immediately after addressee .

The opinion para has been made exhaustive

The Opinion section of the auditor's report shall also:

- (a) Identify the entity whose financial statements have been audited;
- (b) State that the financial statements have been audited;
- (c) Identify the title of each statement comprising the financial statements;
- (d) Refer to the notes, including the summary of significant accounting policies; and
- (e) Specify the date of, or period covered by, each financial statement comprising the financial statements.

The AR shall also include a section with the heading "Basis for Opinion", **(even for unmodified opinion)**

- (a) States that the audit was conducted in accordance with Standards on Auditing;
- (b) Refers to the section of the auditor's report that describes the auditor's responsibilities under the SAs;
- (c) Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.
- (d) States whether the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinion.

SA 701 on key audit matters has been required to give additional information in Auditor's report.

The purpose of communicating key audit matters is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed

This additional information to be given as per SA 701 is applicable for audits of complete sets of general purpose financial statements of listed entities, and where otherwise required by Law or Regulation.

Auditor has to first determine from the matters communicated with those charged with governance the key matters giving due consideration of certain factors like assessed risk, auditor's judgment on materiality, etc and communicate the same in the Auditor's report.

It is to be noted that the communication of key audit matters is not substitute to expressing modified opinion or other disclosure requirements.

Once again to Note that these **revised SAs are effective for audits of financial statements for periods beginning on or after April 1, 2017.**

NOTES/QUESTIONS:

Audit Reporting Standards (SA) Seminar at
WIRC OF ICAI-SEMINAR ON 01.01.2017

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