

Western India Regional Council (WIRC)

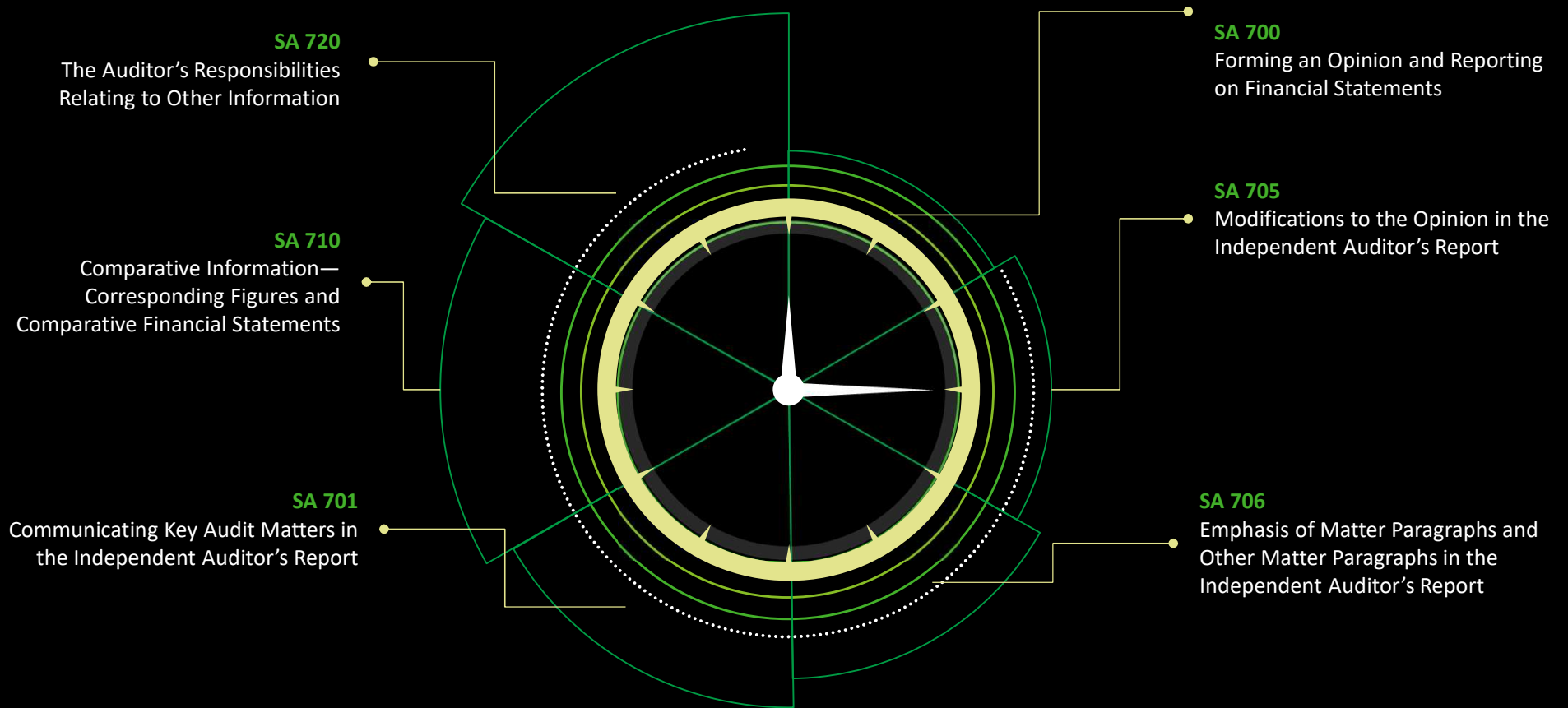
SA 700 – Forming an Opinion and Reporting on Financial Statements

Speaker – CA. Manoj Hirji Dama

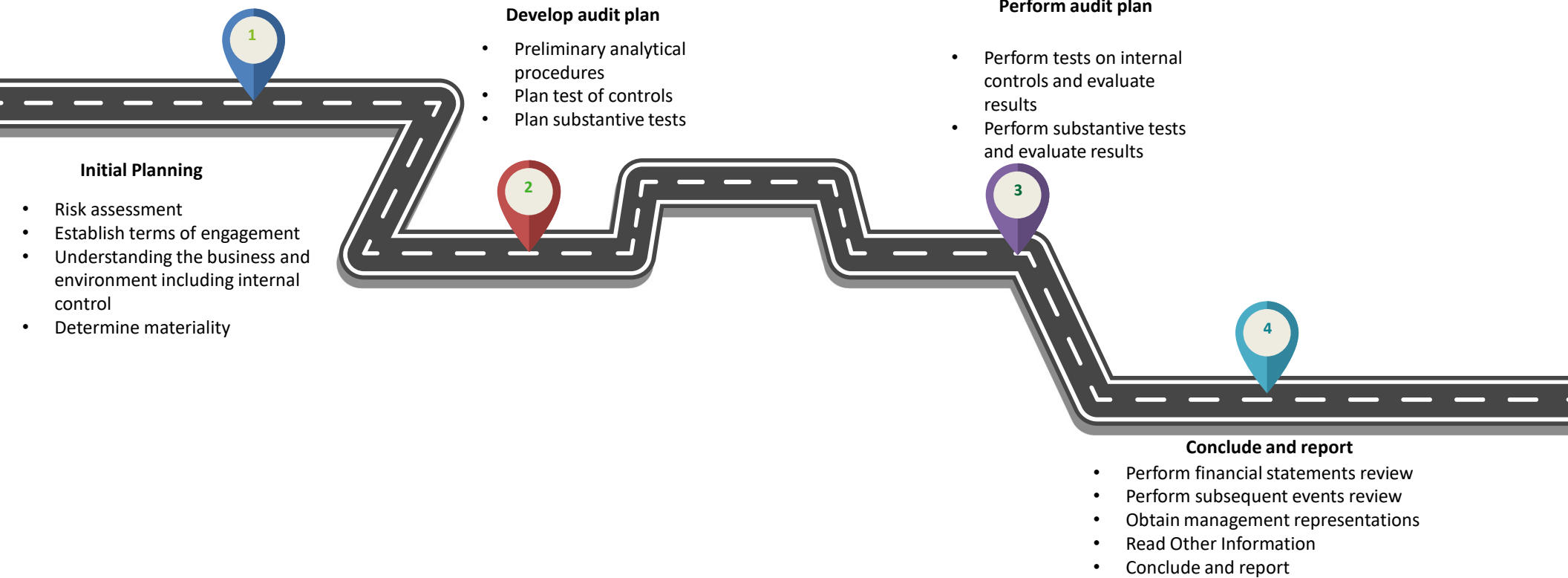
9 December 2022



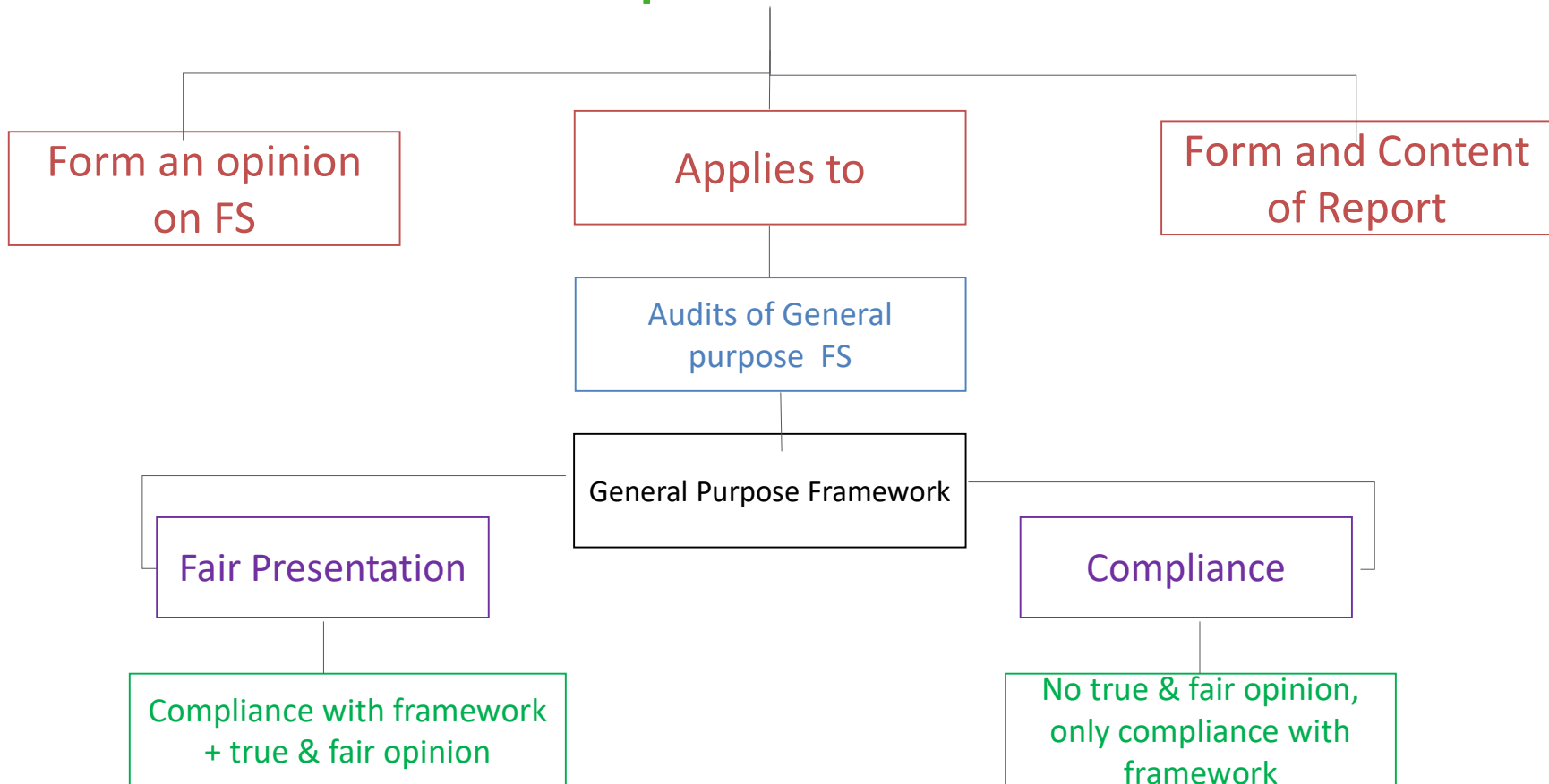
Audit Conclusions and Reporting Standards



Audit Execution and Conclusion



Scope of SA 700



SA 800 deals with when financial statements are prepared in accordance with a special purpose framework.

SA 805 deals with when an audit of a single financial statement or of a specific element, account or item of a financial statement.

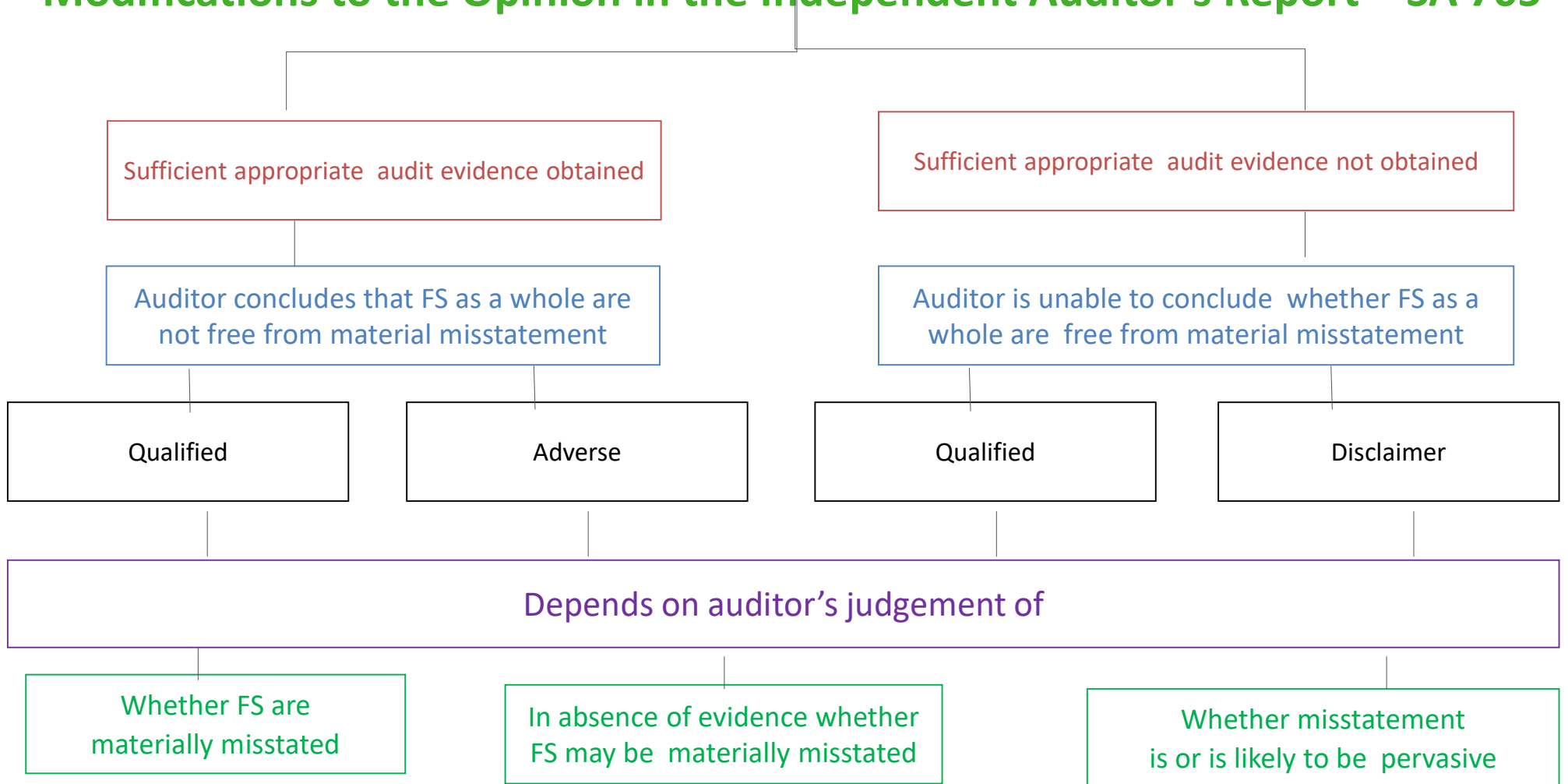
SA 700 – How to form an opinion

Conclude on whether:

- the financial statements as a whole are free from material misstatement whether due to fraud or error
 - sufficient appropriate audit evidence has been obtained
 - uncorrected misstatements, individually or in aggregate, are not material
 - the financial statements are prepared in accordance with the requirements of the applicable financial reporting framework including considering its qualitative aspects and Management's judgements in preparing the financial statements are free from 'bias';
 - FS adequately disclose the significant accounting policies selected and applied and are consistent and appropriate with the applicable financial reporting framework
 - accounting estimates are reasonable
 - information presented is relevant, reliable, comparable, and understandable
 - adequate disclosures is made for understanding the effect of material transactions and events on the information conveyed in the financial statements
 - terminology used including the title, is appropriate
 - for fair presentation framework, presentation, structure and contents including the related notes, represent underlying transactions and events in a manner that achieves fair presentation
 - the financial statements adequately refer to or describe the applicable financial reporting framework
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The auditor shall express an unmodified opinion when the auditor concludes that the financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework

Modifications to the Opinion in the Independent Auditor's Report – SA 705



Structure of Auditor's Report

- Title: Independent Auditor's Report
- Addressee: As per Engagement terms
- Subtitle: Report on the Audit of the Financial Statements
- Opinion / Qualified Opinion / Adverse Opinion / Disclaimer of Opinion – SA 700, SA 705 and SA 706
- Basis for Opinion / Qualified Opinion / Adverse Opinion / Disclaimer of Opinion – SA 700, SA 705 and SA 706
- Material uncertainty related to Going Concern – SA 570
- Emphasis of Matter – SA 706
- Key Audit Matters – SA 701
- Information Other than the Financial Statements and Auditor's Report Thereon – SA 720
- Responsibilities of Management and Those Charged with Governance for the Financial Statements
- Auditor's Responsibilities for the Audit of the Financial Statements
- Other Matters – SA 706
- Reporting on comparatives in case the previous year was audited by the predecessor auditor – SA 710
- Subtitle: Report on Other Legal and Regulatory Requirements
- Signature - signed in personal, name, membership No. and Firm Registration No.,
- Date - not earlier than the date on which sufficient appropriate audit evidence obtained, financial statements, including the related notes, have been prepared and TCWG have asserted that they have taken responsibility
- Place - place of signing

Reference to auditing standards cannot be made unless basic structure of report meets requirements of SA 700

Separate Report in Annexure on the operating effectiveness of the Company's internal financial controls over financial reporting

Separate Report in Annexure on the Companies (Auditor's Report) Order, 2016 (CARO)

SA 700 – Form and Content

Auditor's opinion

- In order that the reader does not have to search for the opinion paragraph in the report, the first reporting paragraph is the opinion paragraph
- Matters require by law / regulation are put in a separate section of report
- The opinion section shall:
 - Identify the entity whose financial statements have been audited
 - State that the financial statements have been audited
 - Identify the title of each statement comprising the financial statements
 - Refer to the notes, including the summary of significant accounting policies
 - Specify the date of, or period covered by, each financial statement comprising the financial statements
 - For fair presentation framework, use phrases like “In our opinion, the accompanying financial statements present fairly, in all material respects, OR give a true and fair view in accordance with
 - For compliance framework, state “In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with
- It is not appropriate to use phrases such as “with the foregoing explanation” or “subject to” in relation to the opinion, as these suggest a conditional opinion or a weakening or modification of opinion.

SA 700 - Form and Content

Basis for Opinion

- This section shall:
 - States that the audit was conducted in accordance with Standards on Auditing
 - Refers to the section of the auditor's report that describes the auditor's responsibilities under the SAs
 - Include 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. The statement shall refer to the Code of Ethics issued by ICAI
 - 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

Reporting simultaneously under Indian SAs and ISAs or the auditing standards of a specific jurisdictions permitted in single report

SA 700 - Form and Content

Responsibilities of Management for the Financial Statements

- This section shall describe management's responsibility for:
 - Preparing the financial statements in accordance with the applicable financial reporting framework, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error
 - Assessing the entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate as well as disclosing, if applicable, matters relating to going concern
 - the preparation and fair presentation of these financial statements or the preparation of financial statements that give a true and fair view

SA 700 - Form and Content

Auditor's Responsibilities for the Audit of the Financial Statements

- This section shall state :
 - the objectives to obtain reasonable assurance whether FS are free from material misstatements and issue the report; reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists
 - misstatements can arise from fraud or error, exercises professional judgment and maintains professional skepticism
 - to identify and assess the risks of material misstatement; to design and perform audit procedures; to obtain audit evidence that is sufficient and appropriate. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error
 - to obtain an understanding of internal control relevant to the audit
 - to evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures
 - to conclude on appropriateness of use of going concern basis of accounting and whether a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern and if yes, draw attention in the auditor's report to the related disclosures or, if such disclosures are inadequate, to modify the opinion
 - evaluate the overall presentation, structure, content and disclosures of FS including whether FS represent the underlying transactions and events in a manner that achieves fair presentation
 - communication of audit plan, findings and independence to TCWG and determination of KAM



THANK YOU