OVERALL OBJECTIVE OF AN INDEPENDENT AUDITOR & CONDUCT OF AUDIT IN ACCORDANCE WITH SAs

THERE ARE 5 GENERAL RESPONSIBILITIES OF AN AUDITOR

- Ethical Requirements
- Professional Skepticism
- Professional Judgement
- Audit Evidences
- Conduct of Audit in Accordance with SAs
SA 200

**ETHICAL REQUIREMENTS**

**INTEGRITY**

Auditor must maintain high integrity by being honest, sincere & straightforward.

**OBJECTIVITY**

Auditor’s objective is to form an impartial opinion on FS.

**CONFIDENTIALITY**

Can’t be leaked at any cost.
SA 200

ETHICAL REQUIREMENTS

INDEPENDENCE

AS PER THE GUIDANCE NOTES OF ICAI, AN AUDITOR IS SAID TO BE INDEPENDENT IF HIS JUDGEMENT ARE NOT SUBORDINATE TO ANYBODY’S WISHES OR DIRECTION

SKILL & COMPETENCE

CONDUCT AUDIT CAREFULLY BY USING SKILL & COMPETENCE
SA 200

PROFESSIONAL SKEPTICISM – MEANS AN ATTITUDE OF HAVING

QUESTIONING MIND

BEING ALERT TO CONDITIONS THAT MAY INDICATE POSSIBLE MIS-STATEMENTS

AND, CRITICAL ASSESSMENT OF AUDIT EVIDENCES
PROFESSIONAL JUDGEMENT

IT MEANS APPLICATION OF KNOWLEDGE, SKILL & EXPERIENCE TO TAKE APPROPRIATE DECISION DURING THE COURSE OF AUDIT
EXAMPLES OF PROFESSIONAL JUDGEMENT:

A) WHETHER MIS-STATEMENT IS MATERIAL OR NON-MATERIAL
B) DETERMINING NATURE, TIMING, EXTENT OF AUDIT PROCEDURES
C) WHETHER INTERNAL CONTROL IS STRONG/WEAK.
AUDIT EVIDENCES

AUDITOR MUST OBTAIN SUFFICIENT & APPROPRIATE AUDIT EVIDENCES TO FORM HIS AUDIT OPINION
( FULL DETAILS IN SA 500)
SA 200

CONDUCT OF AUDIT IN ACCORDANCES WITH SAs

AUDITOR MUST APPLY RELEVANT SA. RELEVANT SA MEANS CIRCUMSTANCES EXIST TO APPLY THAT SA + THAT SA IS EFFECTIVE

IF ENTIRE SA IS NOT RELEVANT THEN APPLY ONLY RELEVANT PORTION OF THE SA
CONDUCT OF AUDIT IN ACCORDANCES WITH SAs

APPLY THE AUDIT PROCEDURES TO ACHIEVE THE OBJECTIVE STATED IN SA

IF SUCH OBJECTIVE CAN’T BE ACHIEVED THEN ISSUE A MODIFIED REPORT
ACCOUNTING SYSTEM & INTERNAL CONTROL

These are the responsibilities of Management. Auditor’s duty is only to check them.
OBJECTIVE OF AN INDEPENDENT AUDITOR

IT IS TO FORM AN OPINION WHETHER FINANCIAL STATEMENTS ARE SHOWING TRUE & FAIR VIEW OR NOT. HOWEVER AUDITOR’S OPINION ON FINANCIAL STATEMENTS DOES NOT RELIEVE THE MANAGEMENT & FROM THEIR RESPONSIBILITY OF PREPARING THE FS AS PER APPLICABLE FINANCIAL REPORTING FRAMEWORKS (AFRF).
AUDITOR'S OPINION IS TO GIVE A REASONABLE ASSURANCE AND NOT AN ABSOLUTE ASSURANCE.
<table>
<thead>
<tr>
<th>REASONABLE ASSURANCE</th>
<th>ABSOLUTE ASSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>IT IS A HIGH DEGREE OF</strong> ASSURANCE TO USERS OF FS BUT NOT A GURANTEE</td>
<td><strong>IT IS A 100% ASSURANCE. I.E, GURANTEE</strong></td>
</tr>
<tr>
<td>AUDITOR CAN GIVE ONLY REASONABLE ASSURANCE</td>
<td>ABSOLUTE ASSURANCE CAN NEVER BE GIVEN BY AUDITOR DUE TO AUDIT RISK</td>
</tr>
</tbody>
</table>
AUDIT RULE -

Audit means that there may exist some undetailed material mis-statements even if auditor has given a clear report. Auditor can reduce this audit risk to an acceptable low level but cannot make it 0. Because of inherent limitation of audit.
INHERENT LIMITATIONS OF AUDIT

NATURE OF FINANCIAL REPORTING

ACCOUNTS ITSELF CONTAIN MANY ESTIMATIONS BECAUSE PRECISE MEANS OF MEASUREMENT NOT AVAILABLE

NATURE OF AUDIT PROCEDURES

AUDITOR DEPENDS ON MANAGEMENT OF THE INFORMATION & THEY MAY GIVE WRONG INFORMATION

LIMITATION WITH RESPECT TO TIME & COST

TO COMPLETE AUDIT WITHIN REASONABLE TIME & COST, AUDITOR DOES SAMPLING
SA 200

INHERENT LIMITATIONS OF AUDIT

OTHER FACTORS

AUDIT EVIDENCES ARE PERSUASIVE NOT CONCLUSIVE
THE CHANCES OF MMS ARISING OUT OF FARUD (INTENTIONAL) & NOT GETTING DETECTED IS HIGHER THAN THAT ARISING OUT OF AN ERROR (UNINTENTIONAL)
Audit evidences refers to information on the basis of which auditor forms his conclusions which leads to an audit opinion. To form an opinion auditor must collect sufficient appropriate audit evidences.
AUDIT EVIDENCES

SUFFICIENCY

Means quantum. i.e., quantity of evidences collected.
AUDIT EVIDENCES

APPROPRIATENESS

Refers to quality which means relevance & realibility.

Auditor on the basis of following factors will decide sufficiency & appropriateness of audit evidences:-
AUDIT EVIDENCES

FACTORS-

• **SIZE & NATURE OF ORGANISATION**- If it’s a large size organisation then more audit evidences required & vice versa.

• **NATURE OF ITEM**- If item is complex then more audit evidence required but if simple then less required.

• **MATERIALITY OF ITEM**- If item is material then more audit evidences required but if non-material then less audit evidences required.
AUDIT EVIDENCES

APPROPRIATENESS FACTORS-

• INTERNAL CONTROL- IF STRONG THEN LESS AUDIT EVIDENCES REQUIRED BUT IF WEAK THEN MORE AUDIT EVIDENCES REQUIRED

• EXPERIENCE OF AUDITOR- EXPERIENCE OF AUDITOR WILL GUIDE THE AUDITOR WHETHER COLLECTED AUDIT EVIDENCES ARE SUFICIENT OR NOT.

• AVAILABILITY OF INFORMATION- IF MORE INFORMATION AVAILABLE THEN MORE AUDIT EVIDENCES REQUIRED; OTHERWISE LESS
TYPES OF AUDIT EVIDENCES

BASED ON SOURCE
- INTERNAL
- EXTERNAL

BASED ON NATURE
- VISUAL
- DOCUMENTARY
- ORAL
TYPES OF AUDIT EVIDENCES

BASED ON SOURCE

INTERNAL

COLLECTED FROM WITHIN
CLIENT’S ENTITY

EXAMPLE- VOUCHER, BOOKS OF ACCOUNTS MANAGEMENT, TCWG, EMPLOYEES

EXTERNAL

FROM OUTSIDE CLIENT’S ENTITY

EXAMPLE- CONFIRMATION FROM BOOKS, DRS (DEBTORS), CRS (CREDITORS), STOCKS CONFIRMATION
TYPES OF AUDIT EVIDENCES

BASED ON NATURE

VISUAL

THOSE AUDIT EVIDENCES WHICH ARE COLLECTED AFTER OBSERVATION
EXAMPLE- STOCK / TAKING COUNTING

DOCUMENTARY

COLLECTED AFTER INSPECTION
EXAMPLE- FD RECEIPT

ORAL

COLLECTED AFTER ENQUIRY
EXAMPLE- MANAGEMENT ENQUIRY
External audit evidences is more reliable than internal audit evidences.

If internal control are satisfactory then reliability on collected audit evidences will increase.

Documentary audit evidences is more reliable than visual / oral.

Audit evidences collected by auditor himself are more reliable than those provided by management.

Original documents are more reliable than photocopies/digitalized copies.
If different types of audit evidences are consistent then relevance will increase, but if they are inconsistent then auditor must perform further audit procedures to collect more audit evidences to resolve the inconsistency. & If more audit evidences not available then issue a MODIFIED REPORT.
PROCEDURE TO COLLECT AUDIT EVIDENCES

RAT (RISK ASSESSMENT PROCEDURES)

FAP (FURTHER AUDIT PROCEDURES)

SA 315

TEST OF CONTROLS
i.e., compliance procedures

TEST OF DETAILS.
i.e., substantive procedures

VOUCHING VERIFICATION

ANALYTICAL PROCEDURES
STEPS TO COLLECT AUDIT EVIDENCES

a) INSPECTION - To collect documentary evidences
b) OBSERVATION - To collect visual evidences
c) INQUIRY - Is done from management & tcwg
d) CONFIRMATION - Is done from external parties
e) RECALCULATION - To check & perform some of the works Independently that internal controls performs
f) ANALYTICAL PROCEDURES - Analysis of ratios & trends
THESE ARE THE ASSERTIONS, EVIDENCES, CLARIFICATIONS, STATEMENTS GIVEN IN WRITING EITHER ON PAPER OR ELECTRONIC FORM BY THE MANAGEMENT TO AUDITOR DURING THE COURSE TO AUDIT.
WRITTEN REPRESENTATION

TWO TYPES

UNSOLICITED

WHEN MANAGEMENT MAKES REPRESENTATION ON OWN MOTION WITHOUT BEING ASKED BY AUDITOR

IN RESPONSE TO SPECIFIC QUERIES

WHEN MANAGEMENT MAKES REPRESENTATION ON SPECIFIC ENQUIRIES MADE BY THE AUDITOR
OBJECTIVES OF WRITTEN REPRESENTATION

• To ensure management agrees to its financial responsibilities
• To provide & support audit evidences
• To modify audit opinion if appropriate written representation, not received on material items.
IT IS NOT A SUBSTITUTE OF OTHER AUDIT EVIDENCES & WHENEVER MANAGEMENT REPRESENTATION IS RECEIVED AUDITOR SHOULD APPLY “3 AUDIT PROCEDURES”.

- **a)** SEEK CORROBATIVE (ALTERNATIVE) AUDIT EVIDENCES
- **b)** COMPARE THEM WITH MANAGEMTN REPRESENTATION
- **c)** CHECK WHETHER MANAGEMENT WAS ITSELF WELL INFORMED ON THE MATTER OR NOT.
Auditor should always ask for written representation.

- Written representation:
  - Auditor should write them down & get signed by management. OK
  - Management signs: OK

- Oral representation:
  - Auditor should write them down & get signed by management. OK
  - Management does not sign: OK

- No representation:
  - Qualified/disclaimer of opinion
  - Qualifies/disclaimer of opinion
EXTERNAL CONFIRMATION

DEFINITION

It is a type of audit evidence obtained as a direct written response by the auditor from the *3rd party* (confirming party) either in paper form or electronic form.
EXTERNAL CONFIRMATION

EXAMPLE

• BANK STATEMENT FROM BANK
• DEBTOR CONFIRMATION
• CREDITOR CONFIRMATION
• STOCK CONFIRMATION
• LOAN CONFIRMATION
TWO TYPES OF CONFIRMATION

POSITIVE
Auditor asks the confirming party to reply in all cases. I.E., even when balance tallies & even when it doesn’t

NEGATIVE
Auditor asks the confirming party to reply only if balance does not tally
AUDITOR SHOULD SEND POSITIVE CONFIRMATION REQUEST IF ANY OF THE FOLLOWING FACTORS PRESENT-

a) A/c balance is material (huge)
b) Internal control is weak
c) Item is complex
d) Risk of exception is high which means chances of deviation between balance appearing in client’s book & that is confirming party’s book are high.
a) Select the item on which external confirmation is required.
b) Selecting the confirming party
c) Design the confirmation request to be sent. I.E, positive/negative.
d) Send the request.
e) Receive & evaluate the reply
EXTERNAL CONFIRMATION

If confirming party ‘3rd party’ refuses to reply then perform other audit procedures to collect other audit evidences which if not available then issue qualifies/disclaimer of opinion.

If management does not allow auditor to confirm with external parties then identify the reason which if not valid then consider modifying audit opinion.
External confirmation should be sought as on balance sheet date or close to that date.
THE OBJECTIVE OF THIS STANDARD IS TO MENTION THE AUDIT PROCEDURES AS TO HOW TO CHECK THE OPENING BALANCES IN INITIAL AUDIT ENGAGEMENTS.
Initial audit engagement means audit of an entity whose financial statements were either:

a) Not audited in prior period

Or

b) Audited in prior period by the predecessor auditor
PREDECESSOR AUDITOR:
Means auditor of last year’s financial statement of client.

Opening balances means closing balances which have brought forward & also includes disclosures like contingent liabilities.
AUDITOR IN CASE OF INITIAL AUDIT ENGAGEMENT WILL HAVE TO APPLY FOLLOWING 3 AUDIT PROCEDURE

A) Check that closing balance has been correctly brought forward as opening balance or not.

B) Check that accounting policies have been consistently applied & if changed then due to permissible reasons & disclosure given or not.

C) Check that balances are free from material mis-statement
IF PRIOR PERIOD AUDIT WAS DONE BY PREDECESSOR AUDITOR

HE GAVE CLEAR REPORT

Current year auditor can assume opening balance as free from material mis-statement.

MODIFIED REPORT

If those grounds still exist then current year auditor will also modify
IF PRIOR PERIOD AUDIT WAS NOT CONDUCTED

FOR OPENING BALANCE OF CA & CL

Current year’s audit procedures are sufficient

FOR OPENING BALANCE OF NCA, NCL & SHAREHOLDERS FUND

Check documentary evidence by applying verification procedures.
ANALYTICAL PROCEDURES

DEFINITION-
It means evaluation of financial information through analysis of plausible (rational) relationship between financial & non-financial data.
Analytical procedures include:

a) Comparing current year’s financial information with preceding year.

b) Comparing with industry data

c) Comparing budgeted & actual figures

d) Analysis of key financial ratios

e) Comparing with other non-financial elements. E.g., comparing salary figure with no. of employees in the payroll.

It is a type of substantive audit procedure.
Auditor places degree of reliance on the results of analytical procedures on the basis of following factors:-

a) If internal control is strong, then more reliance
b) If item is material, then less reliance.
c) If item is complex, then less reliance.
d) If other auditor evidences are consistent with results of analytical procedures then more reliance.
e) If auditor’s expected results matches with actual results, then more reliable.
IMPORTANCE OF ANALYTICAL PROCEDURE:-

a) GIVES AUDIT EVIDENCES
b) ESTABLISHES A BASIS OF FORMING AUDIT OPINION.
OBJECTIVE OF THIS STANDARD

IS TO ACCEPT THE AUDIT IF FOLLOWING EXISTS-

(a) PRE CONDITIONS OF AUDIT

(b) COMMON UNDERSTANDING BETWEEN AUDITOR & MANAGEMENT & TCWG
PRE CONDITIONS OF AUDIT-

BEFORE ACCEPTING THE AUDIT, THE AUDITOR SHOULD ENSURE THE FOLLOWING-

i) MANAGEMENT & TCWG ACCEPTS THAT THEY HAVE PREPARED A CCO UNTS AS PER APPLICABLE FRF WHICH WAS THEIR RESPONSIBILITY

ii) THEY HAVE PREPARED INTERNAL CONTROL TO PROTECT MATERIAL MIS-STATEMENT.
PRE CONDITIONS OF AUDIT - BEFORE ACCEPTING THE AUDIT, THE AUDITOR SHOULD ENSURE THE FOLLOWING -

iii) THEY WILL GIVE AUDITOR

• RELEVANT INFORMATION REGARDING AUDIT
• ANY ADDITIONAL INFORMATION THAT AUDITOR SEEK.
• UNRESTRICTED ACCESS TO THE PERSONS WITHIN CLIENTS ENTITY
COMMON UNDERSTANDING-
AUDITOR BEFORE ACCEPTING AUDIT WILL SEND TERMS OF ENGAGEMENT TO MGT & TCWG CONTAINING THE FOLLOWING-
• PRE CONDITION OF AUDIT
• AUDITOR’S RESPONSIBILITY
• AUDITOR’S SCOPE OF AUDIT
• MANAGEMENT’S RESPONSIBILITY
• EXPECTED FORM OF AUDIT REPORT
RECURRING AUDIT

MEANS WHEN SOME CLIENT’S FINANCIAL STATEMENTS ARE AUDITED YEAR AFTER YEAR.
AUDITOR IS NOT REQUIRED TO SEND TERMS OF AUDIT ENGAGEMENT AGAIN IN RECURRING AUDIT EXCEPT IN FOLLOWING CASES.

- WHEN AUDITOR FEELS THAT MANAGEMENT HAS FORGOTTEN OR MISUNDERSTOOD TERMS OF AUDIT ENGAGEMENT
- SUBSTANTIAL CHANGE IN MANAGEMENT
- SUBSTANTIAL CHANGE IN OWNERSHIP
- CHANGE IN LAW
- CHANGE IN STANDARDS
- CHANGE IN REPORTING REQUIREMENTS
CHANGE IN TERM OF AUDIT ENGAGEMENT IS ALLOWED THEN BOTH CONDITIONS ARE SATISFIED:

- THERE MUST BE MUTUAL CONSENT OF AUDITOR & CLIENT
- IT SHOULD BE A JUSTIFIABLE CHANGE.
<table>
<thead>
<tr>
<th>JUSTIFIABLE</th>
<th>UNJUSTIFIABLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>WHICH DOES NOT HAMPER THE QUALITY OF AUDIT.</td>
<td>WHICH HAMPER THE QUALITY OF AUDIT.</td>
</tr>
<tr>
<td>E.G.- CLIENT REQUIRED TO AUDITOR TO VOUCH ALL PURCHASE BILLS.</td>
<td>CLIENT REQUEST TO AUDITOR TO NOT TO VOUCH ANY PURCHASE BILL.</td>
</tr>
<tr>
<td>ITS OPTIONAL FOR AUDITOR TO PERFORM THIS ACTIVITY.</td>
<td>ITS COMPULSORY FOR AUDITOR TO PERFORM THIS ACTIVITY.</td>
</tr>
</tbody>
</table>
IF CLIENT CHANGES THE TERMS OF AUDIT ENGAGEMENT WITHOUT AUDITOR’S CONSENT THEN AUDITOR SHOULD RESIGN AND INFORM OTHER DIRECTORS & MEMBERS.
OBJECTIVE OF SA 700 (REVISED)

1. TO FORM AN AUDIT OPINION ON THE BASIS OF EVALUATION OF AUDIT EVIDENCES.

2. TO CLEARLY EXPRESS THAT THE OPINION ON THE BASIS OF WRITTEN REPORT.
FORMAT OF AUDIT REPORT/ BASIC ELEMENTS OF AUDIT REPORT

1. **TITLE**- EVERY AUDIT REPORT WILL HAVE SAME TITLE. i.e, INDEPENDENT AUDITORS’S REPORT.

2. **ADDRESSEE**- AUDIT REPORT Shall BE ADDRESSED TO THE MEMBERS OF COMPANY UNLESS LAW/REGULATION OTHERWISE PROVIDE.
3. AUDITOR’S OPINION- Auditor will mention either clean/qualified/adverse/disclaimer of opinion, then he shall specifically mention the reason.

This paragraph will also contain “5 points”-

- Identify the entity whose financial statements were audited
- Statement that audit has been conducted
- Identify the title of financial statement that have been audited.
- Identify the period for which financial statement have been audited
- Give reference to notes on a/c & significant accounting policies.
4. BASIS OF OPINION - AUDITOR WILL MENTION THE FOLLOWING-

- AUDIT WAS CONDUCTED BY COMPLYING RELEVANT SAs.
- AUDIT WAS CONDUCTED INDEPENDENTLY & COMPLYING RELEVANT ETHICAL REQUIREMENTS.
- REFERENCE TO AUDITOR’S RESPONSIBILITY IN (PARA 8)

5. GOING CONCERN - AUDITOR WILL DO THE REPORTING AS PER SA 570

6. KEY AUDIT MATTERS - AUDITOR WILL DO THE REPORTING AS PER SA 701
7. MANAGEMENT RESPONSIBILITY RELATING TO FINANCIAL STATEMENT

A) Audit report should mention that it was management’s responsibility to prepare financial statement as per applicable frf (financial reporting frameworks) & also to prepare internal control which ensures that financial statements are free from material statements arising out of fraud/error.

B) It was management’s responsibility to evaluate its going concern assumption.
8. AUDITOR’S RESPONSIBILITY

a) To provide reasonable assurance that financial statements taken as a whole are free from material mis-statements.

b) Mention that reasonable assurance is high degree of assurance but not a guarantee.

c) Mention that due to inherent limitations of audit there may be undetected material mis-statements.
9. OTHER REPORTING REQUIREMENTS
This para will contain CARO if applicable on client & other reporting requirements as per law.

10. Signature auditor’s sign, membership no. In case of firm, firm’s name & registration no.

11. PLACE - Auditor’s city

12. DATE - The date when auditor completed collecting sufficient appropriate audit evidence.
Key audit matters means those audit matters which as per auditor’s professional judgment were of the most significance during the course of audit. They are selected by auditor out of matters communicated with TCWG.
PURPOSE AND OBJECTIVES

a) To increase communicative value of auditor’s responsibility
b) For transparency
c) Increases integrity of auditors
d) Helps users to better understand the auditor’s report.
e) FACTORS CONSIDERED BY AUDITOR WHILE SELECTING KEY AUDIT MATTERS OUT OF MATTERS COMMUNICATED WITH TCWG:-

- Where risk of material mis-statement is high in particular item.
- Item involving significant managements judgment including, along estimate & basis of uncertain
- Impact of audit on significant transactions / events.
f) Auditor will maintain key audit matters in a separate section in audit report under the heading “key audit matters”

G) Key audit matters is not:-

• A substitute of disclosure in notes on a/c to given by management
• A substitute of modified report it required to be given by auditor.
• A substitute of of SA 570, going concern procedure.
• An opinion on those individual matters mentioned in key audit matters.
APPLICABILITY OF SA 701

a) ALL LISTED COMPANIES

b) OTHER COMPANIES IF SPECIFIED BY ANY LAW/REGULATION
1) **AUDITOR SHALL ISSUE A MODIFIED REPORT IF ANY OF THE FOLLOWING TWO CONDITIONS EXIST:-**

   a) When on the basis of sufficient appropriate audit evidences, collected, auditor concludes that financial statements taken as whole are not free from material mis-statements

   b) Auditor unable to obtain sufficient appropriate audit evidences & so unable to conclude whether financial statement taken as a whole are free from material mis-statement or not.
3 TYPES OF MODIFIED REPORT

QUALIFIED

DISCLAIMER OF OPINION

ADVERSE
Auditor on basis of sufficient appropriate audit evidences collected concludes that mis statements either individually or in aggregate material but not persuasive

Auditor being unable to collect sufficient appropriate audit evidences concludes that effect of unidentified, mis statement or financial statement is material but not persuasive
Is issued by auditor, when auditor on the basis of sufficient appropriate audit evidence collected concludes that mis-statement either individually or taken together are both material & persuasive.
Auditor shall disclaim to collect sufficient appropriate audit evidences & he concludes that effect of undetected mis-statement of financial statements can be material & persuasive both.

AUDITOR ISSUES DISCLAIMER IN VERY RARE CIRCUMSTANCES
• Mis-statement is not confined to a particular account balance/element.
• Even if so confined, is in huge proportion
• Wrong disclosure which is fundamental to user’s understanding.

E.g., Going concern disclosure
<table>
<thead>
<tr>
<th>MATTERS GIVING RISE TO MODIFICATION</th>
<th>MATERIAL BUT NOT PERSUASIVE</th>
<th>MATERIAL &amp; PERSUASIVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auditor concludes that mis-statement exists</td>
<td>QUALIFIED</td>
<td>ADVERSE</td>
</tr>
<tr>
<td>Inability to obtain sufficient appropriate audit evidences</td>
<td>QUALIFIED</td>
<td>DISCLAIMER OF OPINION</td>
</tr>
</tbody>
</table>
Is a paragraph included in auditor’s report related to those matters which are appropriately presented & disclosed in financial statements, in auditor’s judgment is important for user’s fundamental understanding of financial statements.
EXAMPLES OF EMP

- CLIENT’S EARLY APPLICATION OF AS
- CHANGE IN REGULATORY REQUIREMENT
- CHANGE IN AS
- MAJOR CATASTROPHE IMPACTING FINANCIAL POSITION OF CLIENT.
- MATERIAL PENDING LITIGATION
OMP

Is a paragraph included in auditor’s report related to matter other than those appropriately presented & disclosure in financial statement but in auditor’s judgment is relevant to users understanding of audit opinion, auditors responsibility & audit report.
EXAMPLES OF OMP:

- Using the work of other auditor (e.g., branch auditor)
- Using the work of expert
- Using the work of internal auditor
MATTERS CAN BE INCLUDED IN EMP ONLY IF

a) Auditor has not express modified opinion on such matters
b) It has not been reported in key audit matters.
MATTERS CAN BE INCLUDED IN OMP ONLY IF

a) Its not prohibited by law &
b) Its not reported in key audit matters.
BOTH EMP AND OMP WILL BE MENTIONED BY GIVING THEIR SEPARATE HEADINGS IN INDEPENDENT AUDITOR’S REPORT.

THEY SHALL BE MENTIONED AFTER AUDITOR’S RESPONSIBILITY PARA.
<table>
<thead>
<tr>
<th>EMP</th>
<th>OMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Paragraph included in Audit Report</td>
<td>• Same</td>
</tr>
<tr>
<td>• Related to Matters Presented &amp; Disclosed in Financial Statements</td>
<td>• Related to Other Matters</td>
</tr>
<tr>
<td>• For Users Better Understanding of Financial Statements</td>
<td>• For Users Better Understanding of Audit Report</td>
</tr>
<tr>
<td>• Can’t mention matters due to which modified report issue / KAM</td>
<td>• Can’t mention those matters prohibited by law / KAM</td>
</tr>
</tbody>
</table>
CONSIDERATION OF LAWS & REGULATION IN AUDIT OF FINANCIAL STATEMENTS

MANAGEMENT RESPONSIBILITY

TO COMPLY WITH APPLICABLE LAWS & REGULATIONS IS THE RESPONSIBILITY OF MANAGEMENT WITH THE OVERSIGHT OF TCWG
FOLLOWING MEASURES SHOULD BE TAKEN BY MANAGEMENT TO COMPLY APPLICABLE LAWS & REGULATIONS:

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<tbody>
<tr>
<td>a)</td>
<td>To ensure that operating procedures comply law</td>
</tr>
<tr>
<td>b)</td>
<td>To develop strong internal control to comply law</td>
</tr>
<tr>
<td>c)</td>
<td>To maintain a separate register of applicable laws</td>
</tr>
<tr>
<td>d)</td>
<td>To develop code of conduct after compliance of law</td>
</tr>
<tr>
<td>e)</td>
<td>To make code of conduct aware to employees</td>
</tr>
<tr>
<td>f)</td>
<td>To train &amp; update employees</td>
</tr>
<tr>
<td>g)</td>
<td>To establish legal department if possible</td>
</tr>
</tbody>
</table>
AUDITOR RESPONSIBILITY

a) Is not to make client comply with applicable laws & regulations

b) But it is to check whether client has complied applicable laws & regulations or not & if not whether its effect on financial statements have been properly accounted presented & disclosed.
AUDIT PROCEDURES APPLIED BY AUDITOR TO CHECK COMPLIANCE OF APPLICABLE LAWS & REGULATIONS:

- Inquiry from management
- Check correspondence exchanged with regulating authorities
- Insert challans, forms, returns submitted
- Being alert to possible non-compliances
WHAT IF NON-COMPLIANCE OBSERVED BY AUDITOR

HE WILL CHECK

FACT

EFFECT

CIRCUMSTANCES
WHAT IF NON-COMPLIANCE OBSERVED BY AUDITOR

FACT
Nature of non-compliance

EFFECT
• Fines/penalties attracted
• GC endangered or not

CIRCUMSTANCES
WHETHER IT WAS
INTENTIONAL
UNINTENTIONAL
If it was an intentional non-compliance then it’s a fraud, but if unintentional then it’s an error.
REPORTING OF NON-COMPLIANCE

- Auditor will report to management & TCWG
- If intentional non-compliance report to TCWG as soon as possible
- If TCWG involved then report to audit committee
EFFECT ON AUDIT REPORT

a) If auditor discovered non-compliances & asked management to make provisions for fines/penalties or make appropriate disclosures

- **Management agreed**
  - **OK**

- **Disagreed**
  - **Qualified/disclaimer of opinion**
b) if auditor unable to obtain sufficient appropriate audit evidences regarding compliance of law then-

ISSUE
QUALIFIED/DISCLAIMER OF OPINION
• If any law requires the auditor to report such non-compliances then they must be reported.
Some instances/egs which hints the auditor increases his professional skepticism regarding non-compliances of laws, regulations by clients:

- Adverse media comment
- Investigation done by regulatory authorities
- Huge sales commission paid
- Purchase made above market price
- Entering into complicated transactions
- Doubtful related party transactions
- Investment made in tax haven countries
- Goods imported from one country but payment made in another country
1. This SA is applicable on statutory auditor of client who has undergone internal audit.

2. This SA shall not apply:
   - If internal auditor refuses to share his working paper with statutory auditor.
   - Internal auditor was assisting external/statutory auditor.
3. If all 4 factors are satisfied, statutory auditor will check the work of internal auditor:

- Internal auditor should have enjoyed independent status in organization
- He should be professionally competent
- He has exercised due skill & care
- His scope of function was wide.
4. Whether to rely on internal auditor’s work or not, statutory auditor will check the following:

a) Whether proper audit procedures were applied
b) Whether sufficient appropriate auditing evidences collected
c) Whether work of staffs properly supervised
d) Proper working papers made or not.
5. Even if statutory auditor uses the work of internal auditor, the responsibility to form an audit opinion still lies on statutory auditor.

6. Explain liaison (co-ordination) between internal & external (statutory) auditor:

WRITE ALL ABOVE 5 POINTS
COMPARATIVE INFORMATION

Corresponding figures & comparative financial statement

SCOPE OF SA 710

It talks about auditor’s responsibility relating to comparative information.

There Are 2 Types Of Comparative Information:-

- Corresponding figures
- Comparative financial statements
DEFINITION

Refers to amount & disclosures of one or more prior period included in current year’s financial statements.
WHEN AMOUNT & DISCLOSURES OF ONE OR MORE PRIOR PERIOD IS INCLUDED IN “CY” FINANCIAL STATEMENTS SO, THAT USERS CAN READ THEM IN RELATION TO CY’s amount & disclosures but no separate opinion is formed by auditor on those prior period amount & disclosure

WHEN “CY’s” FINANCIAL STATEMENTS CONTAIN ONE OR MORE PRIOR PERIOD FINANCIAL STATEMENT & AUDITOR FORMS AN OPINION ON EACH OF THOSE PRIOR PERIOD FINANCIAL STATEMENTS ALSO
a) DETERMINE:-

- Whether prior period amount & disclosures shown in cy’s financial statements are as per applicable FRF “financial reporting frameworks” or not.
- Whether clarifications of A/Cs proper or not.
b) EVALUATE:-

• Whether amount & disclosure of prior period in CY’s financial statements are matching with those in prior periods financial statements
• Accounting policies consisting followed or not.
• If any change in accounting policies then its due to permissible reason or not & disclosure given or not
• RMM- where there exists RMM in prior periods amounts & disclosures
• Written representation – obtain from management as per SA 580 regarding correctness of prior period amount & disclosure.
AUDITOR’S RESPONSIBILITY REQUIREMENT RELATING TO CORRESPONDING FIGURES

a) If modified opinion was given in prior period & reasons for such modifications still exists, then CY auditor will also issue modified report.

b) If during CY audit procedures material mis-statement found in prior period amounts & management fails to correct then issue modified report.
Prior period financial statements were audited by another auditor. Prior period financial statement is un-audited. Auditor has checked only of balance as per SA-510.

Cy auditor will mention other matters paragraph of his audit report.
Auditor’s Reporting Requirement Related to Comparative Financial Statement

- Auditor will express an opinion on each of those financial statements.
- If different opinion has been given by CY auditor in relation to prior period’s financial statements then explain the reasons for such difference of opinion.
BANK AUDIT

Statutory Audit
DISCUSS THE REGULATORY FRAMEWORK GOVERNING BANKS OR VARIOUS ACTS GOVERNING BANKS:

- THE RESERVE BANK OF INDIA ACT, 1934.
- SBI (SUBSIDIARY ACT), 1959.
- INFORMATION TECHNOLOGY ACT, 2000.
- PREVENTION OF MONEY LAUNDERING ACT 2002.
- CREDIT INFORMATION COMPANIES REGULATION ACT, 2005.
- REGIONAL RURAL ACT, 1976.
PECULIARITIES OR CHALLENGES TO BANK AUDIT

HUGE VOLUME AND COMPLEXITIES OF TRANSACTION.

WIDE GEOGRAPHICAL AREA OF BANKS.

MULTIPLE PRODUCTS AND SERVICES.

EXTENSIVE USE OF TECHNOLOGY.

STRICT VIGILANCE BY RBI.
TYPES OF AUDIT REPORT ISSUED TO BANK

STATUTORY AUDIT REPORT AS PER

TAX AUDIT REPORT UNDER INCOME TAX ACT, 1961.

LONG TERM AUDIT REPORT SUBMITTED TO RBI BEFORE 30TH JUNE EVERY YEAR.
BANK AUDIT APPROACH
OR
HOW TO CHECK INTERNAL CONTROL OF BANK?

WHO
(A) WHO PERFORMS THE CONTROLS?
(B) IS HAVING REQUISITE KNOWLEDGE?

WHAT
(A) WHAT EVIDENCE TO PROVE THAT CONTROL WAS PERFORMED?

WHEN
(A) WITH WHAT FREQUENCY IS CONTROL PERFORMED?
(B) IS IT SUFFICIENT TO PREVENT DETECT, CORRECT RISK OF MATERIAL MISSTATEMENTS?

WHERE
(A) WHERE IS THE EVIDENCE KEPT?
(B) FOR HOW LONG?
(C) IS IT ACCESSIBLE TO AUDITOR?

WHY
(A) WHY IS CONTROL PERFORMED AND TO DETECT WHICH ERROR?

HOW
(A) HOW IS CONTROL PERFORMED?
(B) WHAT ARE THE ACTIVITIES INVOLVED IN IT?
(C) CAN THEY BE BYPASSED OR BREACHED?
(D) CAN BYPASS BE DETECTED?
(E) TIMEFRAME TO RECTIFY THE BREACH.
INCOME RECOGNITION POLICY

BANK FOLLOW ACCRUAL BASIS OF ACCOUNTING ACCEPT INTEREST ON NPA'S WHICH IS RECOGNISED ON CASH BASIS.

FINANCIAL STATEMENT UNDER SCHEDULE III

BALANCE SHEET FORM A SCHEDULE 1 TO 12

PROFIT OR LOSS FORM B SCHEDULE 13 TO 16
AUDIT OF ACCOUNTS:- AS PER SECTION 30 OF THE BANKING REGULATION ACT, 1949 BANK AUDITOR SHALL BE A PERSON WHO IS QUALIFIED TO BE A COMPANY’S AUDITOR..

REFER SECTION 141 OF COMPANIES ACT 2013.
APPOINTMENT OF AUDITOR

- SHAREHOLDERS IN ANNUAL GENERAL MEETING.
- FOR APPROVAL OF RBI

- BOARD OF DIRECTORS IN BOARD MEETING.
- PRIOR APPROVAL OF RBI.

- COMPTROLLER AND AUDITOR GENERAL OF INDIA IN CONSULTATION WITH CENTRAL GOVERNMENT.

- STATE BANK OF INDIA

- BOARD OF DIRECTORS IN BOARD MEETING.
- PRIOR APPROVAL OF CENTRAL GOVERNMENT.
REMUNERATION OF AUDITOR

BANKING COMPANY

NATIONALISED BANK
- RBI IN CONSULTATION WITH CENTRAL GOVERNMENT.

SBI AND ITS SUBSIDIARIES
- RBI IN CONSULTATION WITH CENTRAL GOVERNMENT.

REGIONAL RURAL BANKS
- BOARD OF DIRECTORS
CONTENTS OF AUDIT REPORT

1. WHETHER BALANCE SHEET SHOWS THE TRUE AND FAIR VIEW OF STATEMENT OF AFFAIRS.
2. WHETHER PROFIT AND LOSS SHOWS THE TRUE AND FAIR VIEW OF ITS PROFIT AND LOSS ACCOUNT.
3. WHETHER OR NOT BANK HAS DONE THE TRANSACTIONS WITHIN ITS POWERS.
4. WHETHER OR NOT ADEQUATE RETURNS READ FROM BRANCHES FOR PURPOSE OF AUDIT.
5. ANY OTHER MATTER THAT AUDITOR FEELS NECESSARY TO REPORT TO CENTRAL GOVERNMENT.
FORMOFSTATUTORY REPORT:- AS PER SECRETARIAL AUDIT 700, 701,705, 706 AND 710.
LONG FORM AUDIT REPORT

CONTENT AND FORMAT DECIDED BY RBI

PREPARED BY AUDITOR OF BANK

SUBMITTED TO RBI

DUE DATE 30TH JUNE EVERY YEAR

AUDITOR'S DUTY TO REPORT FRAUD IN BANKS: - IN SAME MANNER AS SECTION 143(12) READ WITH RULE 13.
ADVANCES INCLUDES

- TERM LOAN
- CASH CREDIT/ OVERDRAFT
- ADVERSE BALANCE IN DEPOSITS ACCOUNT
- BILL DISCOUNTED
- PARTICIPATION IN RISK SHARING
- INTEREST BEARING STAFF LOAN
CLASSIFICATION OF ADVANCES ON THE BASIS OF

SECTOR

PRIORITY (AGRICULTURE SME)

NON-PRIORITY

SECURED

UNSECURED

PRUDENTIAL NORMS

STANDARD INTEREST AND INSTALLMENT READ WITHIN 90 DAYS OF DUE DATE.

INTEREST & INSTALLMENT BOTH NOT READ WITHIN 90 DAYS OF THE DUE DATE.
PRUDENTIAL NORMS

STANDARD (INTEREST AND INSTALLMENT READ WITHIN 90 DAYS OF DUE DATE).

- REGULAR
- SPECIAL MENTION ACCOUNT

INTEREST OR INSTALLMENT READ AFTER 30 DAYS.
- 31 TO 60 DAYS.
- 61 TO 90 DAYS.

NON PERFORMING ASSET (INTEREST & INSTALLMENT BOTH NOT READ WITHIN 90 DAYS OF THE DUE DATE).

- SUB STANDARD
- DOUBTFUL
- LOSS

- NPA UPTO 1 YEAR
- FOR ONE YEAR
- SECOND AND THIRD YEAR
- MORE THAN 3 YEARS

DECLARED AS BIRTH DATE BY RBI'S AUDITOR OR BRANCH MANAGER.
<table>
<thead>
<tr>
<th>TYPES OF ASSET</th>
<th>PERCENTAGE OF PROVISION</th>
</tr>
</thead>
<tbody>
<tr>
<td>STANDARD ASSET</td>
<td>• 0.25% X OUTSTANDING (AGRICULTURE AND SME)</td>
</tr>
<tr>
<td></td>
<td>• 0.40% X OUTSTANDING (OTHERS)</td>
</tr>
<tr>
<td>SUB-STANDARD ASSET</td>
<td>15% X OUTSTANDING</td>
</tr>
<tr>
<td>DOUBTFUL</td>
<td>• UPTO 1 YEAR</td>
</tr>
<tr>
<td></td>
<td>• 2(^{ND}) AND 3(^{RD}) YEAR</td>
</tr>
<tr>
<td></td>
<td>• MORE THAN 3 YEARS</td>
</tr>
<tr>
<td></td>
<td>• 25% X SECURED PORTION</td>
</tr>
<tr>
<td></td>
<td>• 40% X SECURED PORTION</td>
</tr>
<tr>
<td></td>
<td>• 100% X SECURED PORTION</td>
</tr>
<tr>
<td></td>
<td>• 100% X UNSECURED PORTION</td>
</tr>
<tr>
<td></td>
<td>• 100% X UNSECURED PORTION</td>
</tr>
<tr>
<td></td>
<td>• 100% X UNSECURED PORTION</td>
</tr>
<tr>
<td>LOSS ASSET</td>
<td>100%</td>
</tr>
</tbody>
</table>
IF REALIZABLE VALUE OF SECURITY IS

LESS THAN 50% × OUTSTANDING

LESS THAN 10% × OUTSTANDING

STRAIGHT AWAY SUCH NPA WILL BE CLASSIFIED AS DOUBTFUL.

STRAIGHT AWAY CLASSIFY AS LOSS ASSET.
CLASSIFICATION AS NPA

- **LOAN**
  (INTEREST/INTSALLMENT READ TILL 30 DAYS FROM DEMAND DRAFT)

- **BILL DISCOUNTED**
  (REMAINED UNPAID TILL 30 DAYS FROM DUE DATE OF SUCH OF SUCH BILL)

- **OVERDRAFT OR CASH CREDIT**
  (IF BECOMES OUT OF ORDER)

- **AMOUNT WITHDRAWN**
  MORE THAN LIMIT SANCTIONED FOR 90 DAYS.

- **AMOUNT CREDITED LESS THAN INTEREST DEBITED IN 90 DAYS.**
AGRICULTURAL ADVANCES

LONG DURATION CROPS

• CROP LONGER THAN 1 YEAR. EXAMPLE: PADDY, LEAFY VEGETABLES.
• DECLARED AS NPA IF TWO SEASONS FAIL.

SHORT DURATION CROPS

• CROP LESS THAN 1 YEAR. EXAMPLE: MANGO, CARROT
• DECLARED AS NPA IF TWO SEASONS FAIL.
NPA ACCOUNTS REGULARIZED CLOSE TO BALANCE SHEET
DATE:- AUDITOR SHOULD CHECK WHETHER BANK HAS GIVEN NEW LOAN TO CUSTOMERS TO PAY OFF THERE OLD NPA'S.

ADVANCES UNDER CONSORTIUM:- IF LEADING BANKS HAS RECEIVED INTEREST ON INSTALLMENT BUT HAS NOT PARTED WITH SHARE OF OTHER PARTICIPATING BANKS TILL 90 DAYS FROM DEMAND DRAUGHT OTHER BANKS WILL CLASSIFY IT AS NPA.
AUDIT OF ADVANCES

1. It should be outstanding on the balance sheet date.

2. Amount of advance outstanding is due to the bank.

3. Check the loan documents and other supporting documents.

4. Check that these are no unrecorded advances.

5. Check whether valuation properly done or not.

6. Proper presentation on disclosure made or not.

7. Adequate provisions made or not.
HOW WILL AUDITOR EVALUATE INTERNAL CONTROL RELATED TO ADVANCES?

1. WHETHER BANK CHECK CREDIT WORTHINESS OF BORROWER.

2. ALL NECESSARY DOCUMENTS OF LOAN PROPERLY EXECUTED.

3. END USE OF FUNDS BY BORROWERS IS MONITORED.

4. SUFFICIENT MANAGING OF SECURITY MAINTAINED OR NOT.

5. ALL SECURITIES ARE PROPERLY REGISTERED OR NOT.
HOW WILL AUDITOR COLLECT SUFFICIENT APPROPRIATE AUDIT EVIDENCE IS RELATED TO ADVANCES?

1. BY CHECKING VALIDITY OF Recorded AMOUNTS.
2. LOAN DOCUMENTS.
3. EXTERNAL CONFIRMATION.
4. RBI RECORDS.
5. ANALYTICAL PROCEDURES
MODES OF CREATION OF SECURITIES

MORTGAGE
- WHEN BORROWER GIVES IMMOVABLE ASSET AS A SECURITY.
  - REGISTERED WHEN MORTGAGE IS REGISTERED.

HYPOTHENTICATION
- WHEN CHARGE IS CREATED ON MOVABLE ASSETS BUT POSSESSION REMAINS WITH BORROWER.

PLEDGE
- WHEN CHARGES CREATED ON MOVABLE ASSET AND POSSESSION TRANSFERRED TO BANK.

ASSIGNMENT
- BORROWER CREATES A CHARGE ON ACTIONABLE CLAIM THAT IS DEBTORS IN FAVOUR OF BANK.

SET OFF
- WHEN BANK ADJUSTS DEPOSIT AMOUNT AGAINST LOAN OR INTEREST OF BORROWER DIFFERENT BRANCHES OF BANK CAN SET OF LOAN OF ONE BRANCH FROM DEPOSIT OF ANOTHER.

LIEN
- RIGHT TO RETAIN BORROWED ASSET.

EQUITABLE
- WHEN ORIGINAL TITLE DEEDS ARE GIVEN BY BORROWER.
AUDIT OF REVENUE ITEMS

SECTION 13

• INTEREST EARNED
• EXAMPLE:
  1. INTEREST ON LOAN
  2. DISCOUNT ON BILL
  3. INTEREST ON INVESTMENT
  4. INTEREST ON BALANCE WITH RBI
  5. INTEREST ON BALANCE WITH OTHER BANKS

SECTION 14

• OTHER INCOME
• EXAMPLE
  1. COMMISSION INCOME
  2. BROKERAGE INCOME
  3. REFERRAL FEES
  4. LOCKER RENT
  5. PROFIT ON SALE OF FIXED ASSET OR INVESTMENT
  6. LOSS ON SALE OF FIXED ASSET OR INVESTMENT
  7. PROFIT OR LOSS ON REVALUATION
AUDIIT PROCEDURES

1. AUDITOR WILL OBTAIN REASONABLE INSURANCE WHETHER INCOME RECOGNISED IN THE BOOKS PERTAIN TO BANK AND HAVE OCCURRED IN THE RELEVANT PERIOD OR NOT

2. AUDITOR WILL CHECK THAT THESE SHOULD NOT BE ANY UNRECORDED INCOME.

3. AS PER RBI'S GUIDELINES BANKS SHOULD RECOGNISE INCOME FROM A PARTICULAR ITEM ON ACCRUAL BASIS IF:
   - INCOME (GROSS) MORE THAN 1% OF TOTAL GROSS INCOME OR
   - INCOME (NET BASIS THAT IS AFTER DEDUCTING THE EXPENSES INCURRED TO EARN THAT INCOME). 1% X NET PROFIT BEFORE TAX

4. IF THE ABOVE CRITERIA ARE NOT MET THAN BANK MAY RECOGNISE ON CASH BASIS AND AUDITOR SHALL NOT QUALIFY HIS REPORT DUE TO THIS.

5. ANY INCOME BEING RECOGNISED ON APPROVAL BASIS BANKS SHOULD CHECK THAT BE SHOULD NOT BE UNCERTAINTY ABOUT ITS ULTIMATE COLLECTION.

6. INTEREST ON NPA SHALL BE RECOGNISED ONLY ON CASH BASIS ANY INTEREST ALREADY RECOGNISED IN RESPECT OF SUCH LOAN BUT NOT YET REALISED SHALL BE REVERSED.

7. INTEREST ON ADVANCES AGAINST TERM DEPOSIT OR POLICIES AUR KISAN VIKAS PATRA'S ETC MAY BE RECOGNISED ON ACCRUAL BASIS.

8. IN CASE OF BILL DISCOUNTED ONLY INTEREST AND DISCOUNT ON BILL THAT PERTAINS TO EXPIRED PERIOD OF BUILT DURING CURRENT FINANCIAL YEAR SHALL BE RECOGNISED AND FOR THE UNEXPIRED PERIOD IT SHALL BE TRANSFERRED TO REBATE ON BILL DISCOUNTED.
<table>
<thead>
<tr>
<th></th>
<th>AUDIT OF INTEREST EXPANDED</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>INTEREST EXPANDED INCLUDES ITEMS LIKE INTEREST ON DEPOSITS INTEREST ON RBI LOANS AND OTHER BANK LOANS.</td>
</tr>
<tr>
<td>2</td>
<td>AUDITOR WILL CHECK THE REASONABLENESS OF INTEREST EXPANDED BY ANALYZING RATIO OF INTEREST PAID ON VARIOUS DEPOSITS TO THE AVERAGE QUANTUM OF RESPECTIVE DEPOSIT DURING THE YEAR.</td>
</tr>
<tr>
<td>3</td>
<td>AUDITOR SHOULD NOT WORKOUT WEIGHTED AVERAGE INTEREST RATE COMPARED WITH ACCURATE RATE OF INTEREST AND INQUIRED INTO MATERIAL DIFFERENCES, IF ANY.</td>
</tr>
<tr>
<td>4</td>
<td>AUDITOR SHOULD COMPARE INTEREST RATE OF CURRENT YOUR WITH THAT OF PREVIOUS YOUR ON VARIOUS TYPES OF DEPOSIT AND ENQUIRY FROM MANAGEMENT IN CASE OF MATERIAL DIFFERENCES.</td>
</tr>
<tr>
<td>5</td>
<td>AUDITOR SHALL CHECK WHETHER INTEREST HAS BEEN PROVIDED ON ALL DEPOSITS UPTO BALANCE SHEET DATE.</td>
</tr>
</tbody>
</table>
| 6 | AUDITOR SHALL CHECK WHETHER INTEREST RATE COMPLIES WITH:  
   - BANK'S INTERNAL REGULATION  
   - RBI'S RATE  
   - DEPOSITORS AGREEMENT |
| 7 | IN CASE OF FIXED DEPOSIT, INTEREST RATE SHOULD ALSO BE EXAMINED FROM FIXED DEPOSITS AGREEMENT. |
| 8 | IN CASE OF INTEGRANDS BALANCES INTEREST RATE SHOULD BE AS PER HEAD OFFICE'S DIRECTION. |
| 9 | INTEREST ON MATURE TERM DEPOSIT SHOULD BE PROVIDED FOR. |
| 10 | AUDITOR WILL CHECK WHETHER INTEREST EXPANDED HAS BEEN PROPERLY PRESENTED AS PER SCHEDULE XV OR NOT. |
OPERATING EXPENSES

1. WHETHER THERE WAS PROPER INTERNAL CONTROLS RELATING TO AUTHORIZATION OF AUDIT EXPENSES.

2. AUDITOR SHALL INSPECT THE RELEVANT DOCUMENTS EVIDENCING THE EXPENDITURE.

3. AUDITOR SHALL CONSIDER THE REASONABLENESS OPERATING EXPENSES BY COMPARING IT WITH LAST YEAR’S EXPENSES.

4. AUDITOR SHALL ALSO PERFORM OTHER ANALYTICAL PROCEDURES.
## AUDIT OF PROVISIONS AND CONTINGENCIES

1. **Auditor should gam the knowledge of various regulatory departments for provisioning.**

2. **Auditor will check whether proper classification of looking into standard substandard doubtful loss have been done or not.**

3. **Whether appropriate rate of profession have been changed or not.**

4. **Whether provisions for tax has been computed by ignoring provisions on such loans and advances.**

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**Disclosure of prior period items:** In notes to accounts.