

Chapter II: Audit Report

Additions to Topics

1. Purpose of SA 700

SA 700 (Revised) “Forming an Opinion and Reporting on Financial Statements”, deals with the auditor’s responsibility to form an opinion on the financial statements. It also deals with the form and content of the auditor’s report issued as a result of an audit of financial statements.

The requirements of this SA are aimed at

- a. Addressing an appropriate balance between the need for **consistency** and
- b. **Comparability** in auditor reporting globally and the need to increase the value of auditor reporting by making the information provided in the auditor’s report more relevant to users.

This SA promotes consistency in the auditor’s report, but recognizes the need for flexibility to accommodate particular circumstances of individual jurisdictions. Consistency in the auditor’s report, when the audit has been conducted in accordance with SAs, promotes **credibility in the global marketplace** by making more readily **identifiable** those audits that have been conducted in accordance with globally recognized standards. It also helps to promote the **user’s understanding** and to identify unusual circumstances when they occur.

2. Definitions

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 may be a fair presentation framework or a compliance framework.

- i. **Fair Presentation Framework:** The term “fair presentation framework” is used to refer to a financial reporting framework that **requires compliance** with the requirements of the framework **and:**

- a) Acknowledges explicitly or implicitly that, to achieve fair presentation of the financial statements, it may be necessary for management to provide **disclosures beyond those specifically required** by the framework; or
 - b) Acknowledges explicitly that it may be necessary for management to **depart from a requirement of the framework** to achieve fair presentation of the financial statements. Such departures are expected to be necessary only in extremely rare circumstances.
- ii. **Compliance Framework:** The term “compliance framework” is used to refer to a financial reporting framework that **requires compliance** with the requirements of the framework, **but does not contain the acknowledgements** in (i) or (ii) above.
- When the financial statements are prepared in accordance with a fair presentation framework, the evaluation mentioned above shall also include an evaluation by the auditor as to whether the financial statements achieve fair presentation which shall include consideration of:
- i. The overall presentation, structure and content of the financial statements; and
 - ii. Whether the financial statements, including the related notes, represent the underlying transactions and events in a manner that achieves fair presentation.

3. Going Concern Paragraph

Where applicable, the auditor shall report in accordance with SA 570 (Revised).

- (i) Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a **going concern** and will continue its operations for the foreseeable future. General purpose financial statements are prepared using the going concern basis of accounting, unless management either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.
- iii. When the use of the going concern basis of accounting is appropriate, assets and liabilities are recorded on the basis that the entity will be able to **realize its assets and discharge its liabilities in the normal course of business**.
- (ii) The auditor shall evaluate whether **sufficient appropriate audit evidence** has been obtained regarding, and shall conclude on, the appropriateness of management’s

use of the going concern basis of accounting in the preparation of the financial statements.

- (iii) Based on the audit evidence obtained, the auditor shall conclude whether, in the auditor's judgment, a **material uncertainty** exists related to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern.
- (iv) A material uncertainty exists when the **magnitude of its potential impact and likelihood of occurrence** is such that, in the auditor's judgment, appropriate disclosure of the nature and implications of the uncertainty is necessary for:
 - a. In the case of a fair presentation financial reporting framework, the fair presentation of the financial statements, or
 - b. In the case of a compliance framework, the financial statements not to be misleading

4. Consequence of an Inability to Obtain Sufficient Appropriate Audit Evidence Due to a Management-Imposed Limitation after the Auditor Has Accepted the Engagement

- (i) If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the scope of the audit that the auditor considers is likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor shall **request that management remove the limitation**.
- (v) If management **refuses** to remove the limitation referred above, the auditor shall **communicate the matter to those charged with governance**, unless all of those charged with governance are involved in managing the entity and determine whether it is possible to perform **alternative procedures** to obtain sufficient appropriate audit evidence.
- (ii) If the auditor is **unable to obtain sufficient appropriate audit evidence**, the auditor shall determine the implications as follows:
 - a. If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive, the auditor shall **qualify** the opinion; or

- b. If the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive so that a qualification of the opinion would be **inadequate** to communicate the gravity of the situation, the auditor shall:
- i. **Withdraw** from the audit, where practicable and possible under applicable law or regulation; or
 - ii. If withdrawal from the audit before issuing the auditor's report is not practicable or possible, **disclaim an opinion** on the financial statements.
- (iii) If the auditor withdraws as contemplated by point (b)(i) above, before withdrawing, the auditor shall **communicate to those charged with governance** any matters regarding misstatements identified during the audit that would have given rise to a modification of the opinion.

5. Basis for Opinion Section

- (i) If there is a material misstatement of the financial statements that relates to **specific amounts** in the financial statements (including **quantitative disclosures** in the notes to the financial statements), the auditor shall include in the Basis for Opinion section a description and **quantification of the financial effects** of the misstatement, unless impracticable.
- (ii) If it is **not practicable** to quantify the financial effects, the auditor shall so **state** in this section.
- (iii) If there is a material misstatement of the financial statements that relates to **narrative disclosures**, the auditor shall include in the Basis for Opinion section an **explanation of how the disclosures are misstated**.
- (iv) If there is a material misstatement of the financial statements that relates to the **non-disclosure of information** required to be disclosed, the auditor shall:
 - (a) **Discuss** the non-disclosure with those charged with governance;
 - (b) **Describe** in the Basis for Opinion section the nature of the omitted information; and
 - (c) Unless prohibited by law or regulation, **include the omitted disclosures**, provided it is practicable to do so and the auditor has obtained sufficient appropriate audit evidence about the omitted information.

- (v) If the modification results from an **inability** to obtain sufficient appropriate audit evidence, the auditor shall include in the Basis for Opinion section the **reasons for that inability**.
- (vi) When the auditor expresses a **qualified or adverse opinion**, the auditor shall amend the statement about whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion required by SA 700 (Revised) to include the word "**qualified**" or "**adverse**", as appropriate.
- (vii) When the auditor **disclaims** an opinion on the financial statements, the auditor's report **shall not include** the following elements required by SA 700 (Revised).
 - (a) A **reference to the section** of the auditor's report where the **auditor's responsibilities** are described; and
 - (b) A **statement** about whether the **audit evidence obtained is sufficient and appropriate** to provide a basis for the auditor's opinion.

Even if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial statements, the auditor shall describe in the Basis for Opinion section the reasons for any other matters of which the auditor is aware that would have required a modification to the opinion, and the effects thereof.

6. Description of Auditor's Responsibilities for the Audit of the Financial Statements

When the Auditor Disclaims an Opinion on the Financial Statements

When the auditor disclaims an opinion on the financial statements due to an inability to obtain sufficient appropriate audit evidence, the auditor shall amend the description of the auditor's responsibilities required by SA 700 (Revised) to include only the following:

- (i) A statement that the auditor's responsibility is to conduct an audit of the entity's financial statements in accordance with **Standards on Auditing** and to issue an auditor's report;
- (ii) A statement that, however, because of the matter(s) described in the Basis for Disclaimer of Opinion section, the auditor **was not able to obtain sufficient appropriate audit evidence** to provide a basis for an audit opinion on the financial statements; and
- (iii) The statement about **auditor independence** and other **ethical responsibilities** required by SA 700 (Revised).

7. Considerations When the Auditor Disclaims an Opinion on the Financial Statements

Unless required by law or regulation, when the auditor **disclaims an opinion** on the financial statements, the auditor's report **shall not include a Key Audit Matters** section in accordance with SA 701.

8. Communication with Those Charged with Governance when modifying opinion

When the auditor expects to **modify** the opinion in the auditor's report, the auditor shall **communicate** with those charged with governance the **circumstances** that led to the expected modification and the **wording** of the modification.

9. Some examples of circumstances where the auditor may consider it necessary to include an Emphasis of Matter paragraph.

- (i) An **uncertainty** relating to the future outcome of **exceptional litigation or regulatory action**.
- (ii) A **significant subsequent event** that occurs between the date of the financial statements and the date of the auditor's report.
- (iii) **Early application (where permitted) of a new accounting standard** that has a material effect on the financial statements.
- (iv) A **major catastrophe** that has had, or continues to have, a significant effect on the entity's financial position.

10. The inclusion of an Emphasis of Matter paragraph in the auditor's report does not affect the auditor's opinion

An Emphasis of Matter paragraph is not a substitute for:

- (i) A **modified opinion** in accordance with SA 705 (Revised) when required by the circumstances of a specific audit engagement;
- (ii) **Disclosures** in the financial statements that the applicable financial reporting framework requires management to make, or that are otherwise necessary to achieve fair presentation; or
- (iii) **Reporting in accordance with SA 570 (Revised)** when a **material uncertainty exists** relating to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern.

11. Communication with Those Charged with Governance when including EOM/ OM paragraph

If the auditor expects to include an Emphasis of Matter or an Other Matter paragraph in the auditor's report, the auditor shall communicate with those charged with governance regarding this **expectation** and the **wording** of this paragraph.

12. Communication with Those Charged with Governance when including Key Audit Matters paragraph

The auditor shall communicate with those charged with governance:

- (i) Those **matters** the auditor has determined to be the key audit matters; or
- (ii) If applicable, depending on the facts and circumstances of the entity and the audit, the auditor's **determination that there are no key audit matters** to communicate in the auditor's report

13. Objectives of SA 710

As per SA 710, the objectives of the auditor are:

- (i) To obtain **sufficient appropriate audit evidence about whether the comparative information** included in the financial statements has been **presented**, in all material respects, in accordance with the requirements for comparative information in the applicable financial reporting framework; and
- (ii) To **report** in accordance with the auditor's reporting responsibilities.

14. Audit Procedures regarding Comparative Information – SA 710

- (i) If the auditor becomes aware of a **possible material misstatement** in the comparative information while performing the current period audit, the auditor shall perform such **additional audit procedures** as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists. If the auditor had audited the prior period's financial statements, the auditor shall also follow the relevant requirements of **SA 560**.
- (ii) As required by SA 580, the auditor shall **request written representations for all periods** referred to in the auditor's opinion. The auditor shall also obtain a **specific written representation regarding any prior period item that is separately disclosed** in the current year's statement of profit and loss.

15. Prior Period financial statements audited by predecessor auditor

If the financial statements of the prior period were audited by a predecessor auditor, in addition to expressing an opinion on the current period's financial statements, the auditor shall **state in an Other Matter paragraph**:

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 therefor; and

The **date** of that report, unless the predecessor auditor's report on the prior period's financial statements is revised with the financial statements.

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 statements are **amended**, and the predecessor auditor **agrees to issue a new auditor's report** on the amended financial statements of the prior period, the auditor shall **report only on the current period**.

16. Prior Period financial statements unaudited

If the prior period financial statements were not audited, the auditor shall state in an Other Matter paragraph that the comparative financial statements 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 statements.

Examples and Case Studies

1. Topic: Elements of Audit Report

Illustration 1: M/s Smart & Associates are the statutory auditors of Hotmeals Ltd. for the FY 2020- 21. How will the auditor address the audit report issued on the financial statements for the FY 2020-21? Also give a title to the report.

Solution:

Independent Auditor's Report

To the Members of Hotmeals Ltd.

Illustration 2: Richa International is a partnership firm dealing in export of blankets. The partners of the firm are Richa and Ashish. Explain how the statutory auditor of the firm will address the auditor's report.

Solution:

Independent Auditor's Report

To the Partners of Richa International

Illustration 3:

M/s Amitabh & Associates are the statutory auditors of Ringston Ltd. which is a company engaged in the business of manufacture of pen drives. The auditor has started drafting the audit report for the FY 2020-21. CA Amitabh, the engagement partner is of the view that the financial statements of Ringston Ltd. represent a true and fair view. Give the draft of the opinion paragraph of the audit report.

Solution:

Opinion

We have audited the financial statements of **Ringston Limited** which comprise the **Balance Sheet as at 31.03.2021 and the statement of Profit and Loss Account** and the **notes** to the financial statements, including a summary of significant accounting policies and other explanatory information. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid 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 31.03.2021 and the Profit & Loss for the year ending on that date.

Illustration 4:

M/s Kite Rite & Associates are the statutory auditors of Prime Deluxe Limited, for the FY 2020-21. At the time of finalising the audit report, one of the engagement team members, Mr. Robin, asked the engagement partner, CA Kite as to what all should be included in the Basis of Opinion Paragraph. The engagement partner CA Kite, explained the team in detail and asked Mr. Robin to draft such section for the auditor's report of Prime Deluxe Limited. Help Mr. Robin to draft the Basis for opinion section.

Solution:

Basis for Opinion

We conducted our audit in accordance with the **Standards on Auditing (SAs)** specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the **Auditor's Responsibilities** for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the **Code of Ethics** issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the **audit evidence** we have obtained is **sufficient and appropriate** to provide a basis for our opinion.

Illustration 5:

Diamond Shine Ltd. is a company engaged in the manufacture of detergent. M/s Bright & Associates are the statutory auditors of the company. Explain how the paragraph related to the management's responsibility will come in the auditor's report.

Solution:

Management's Responsibility for the Standalone Financial Statements

The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, (changes in equity) and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the accounting Standards specified under section 133 of the Act. This responsibility also includes **maintenance of adequate accounting records** in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; **selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls**, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statement that give a true and fair view and are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's **ability to continue as a going concern**, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or

to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for **overseeing the Company's financial reporting process.**

Illustration 6:

M/s Ajay Vijay & Associates are the statutory auditors of Sarovar Ltd. for the FY 2020- 21. The company is engaged in the business of manufacture of water bottles. At the time of finalising the auditor's report, one of the audit team members asked CA Ajay, the engagement partner to advise as to how the auditor's responsibilities can be shown in an appendix to the auditor's report. Draft the auditor's responsibility paragraph so as to advise the audit team member.

Solution:

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are **to obtain reasonable assurance** about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and **to issue an auditor's report** that includes our opinion. 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 and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A **further description of our responsibilities** for the audit of the financial statements is included in **appendix X** of this auditor's report. This description, which is located at [indicate page number or other specific reference to the location of the description], forms part of our auditor's report.

Illustration 7:

M/s TUV & Associates are the statutory auditors of Venus Ltd. for the FY 2020-21. At the time of finalising the auditor's report, one of the audit team members asked the engagement partner, CA Tarun, to explain as to how the auditor's report will be signed. Help CA Tarun in explaining the same.

Solution:

The following is the correct way of signing an audit report.

M/s TUV & Associates
Chartered Accountants
(Firm's Registration No.)

Signature

(Name of the Member Signing the Audit Report)

(Designation)

(Membership No. XXXXX)

Place of Signature:

Date:

Illustration 8:

Super Duper Ltd. is a company engaged in the manufacture of office furniture. M/s Young Old & Associates are the statutory auditors of the company for the FY 2020- 21. During the year under audit, the engagement partner CA Young noticed that the company has not bifurcated its loans into long term and short term. CA Young understands that such misstatement is not pervasive though the same is material.

Explain the type of opinion that should be given by M/s Young Old & Associates in this case.

Solution:

M/s Young Old & Associates should give a **qualified opinion** as the effect of the misstatement on account of the non-bifurcation of loans into long term and short term loans, is **material but not pervasive**.

Illustration 9:

M/s Taj Raj & Associates are the statutory auditors of Porex Ltd. engaged in the manufacture of premium watches, for the FY 2020-21. During the course of audit, CA Taj, the engagement partner found that the stocks and debtors of the company constituting about 80% of the total assets of the company are not realisable. Further, the cashier of the company has committed a fraud during the year under audit. Both the facts are not reflected in the financial statements for the year ending 31.03.2021. Accordingly, CA Taj is of the view that the impact of both the situations on the financial statements is material and pervasive and thus, the financial statements represent a distorted view of the state of affairs of the company. Explain the reporting requirements of CA Taj.

Solution:

The auditor shall express an **adverse opinion** when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are **both material and pervasive** to the financial statements.

In the case Porex Ltd., CA Taj found that the stocks and debtors of the company constituting about 80% of the total assets of the company are not realisable. Further, the cashier of the

company has committed a fraud during the year under audit. Such situations are not reflected in the financial statements of the company despite having a material and pervasive impact on the financial statements. As such, CA Taj should give an adverse opinion.

Further, CA Taj should also consider the reporting responsibilities under **CARO 2020** and **section 143(12)** of the Companies Act, 2013.

Illustration 10:

Delightful Ltd. is a company engaged in the production of smiley balls. During the FY 2020-21 the company transferred its accounts to computerised system (SAP) from manual system of accounts. Since the employees of the company were not well versed with the SAP system, there were many errors in the accounting during the transition period. As such the statutory auditors of the company were not able to extract correct data and reports from the system. Such data was not available manually also. Further, the employees and the management of the company were not supportive in providing the requisite information to the audit team. Explain the kind of audit report that the statutory auditor of the company should issue in this case.

Solution:

When the statutory auditor of the company is unable to obtain sufficient and appropriate audit evidence, the auditor should give **disclaimer of opinion** as per SA 705.

In the present case, the statutory auditor of the company is **unable to extract correct data and reports** from the SAP system for conduct of audit. Also, such data and reports are not available manually. As such, the statutory auditor of Delightful Ltd. should give a disclaimer of opinion.

2. Topic: Limitation imposed by management after engagement is accepted

Illustration:

M/s Daisy & Associates are the statutory auditors of Zebra Ltd. for the FY 2020-21. CA Daisy, the engagement partner wants to verify the cash in hand as on 31.03.2021.

The cash balance of the company as on 31.03.2021 is Rs. 1,00,000/- and the turnover of the company for the year is Rs. 6 crores. The management of the company informs CA Daisy that such cash verification is not possible as the cashier is on leave for his marriage and no other employee of the company is available as all are busy in year ending activities. Explain the relevant provisions to deal with such a situation.

Solution:

If, after accepting the engagement, the auditor becomes aware that management has imposed a limitation on the scope of the audit that the auditor considers is likely to result in the need to express a qualified opinion or to disclaim an opinion on the financial statements, the auditor shall **request that management remove the limitation**.

In the present case CA Daisy, the statutory auditor is unable to verify the cash in hand of Zebra Ltd. as on 31.03.2021. The same is due to a limitation imposed by the management of Zebra Ltd. which is due to the non-availability of the cashier. In such situation, CA Daisy should perform **alternate procedures** to verify the cash on hand of the company. Further, CA Daisy should **consider the impact** on the auditor's report and may consider issuing a qualified opinion in this case.

3. Topic: Communication with Those Charged with Governance when modifying the opinion

Illustration:

M/s Sun Moon & Associates are the statutory auditors of Venus Ltd. for the FY 2020-21. Owing to the pervasive nature of material misstatements in the financial statements of the company, CA Moon, the engagement partner decided to give an adverse opinion. Explain the responsibility of CA Moon with respect to communication with those charged with governance.

Solution:

CA Moon, being the statutory auditor of Venus Ltd. should **communicate with those charged with governance** about the **circumstances** that led to the expected modification i.e. an adverse opinion. Further the **wording** of such modification also needs to be discussed.

4. Topic: Emphasis of Matter Paragraph

Illustration:

Lomaxe Ltd. is a company engaged in the business of manufacture of candles. CA Kamalnath is the statutory auditor of the company for the FY 2020-21. During the year under audit, there was a fire in the company's factory as a result of which, some of the company's plant and machinery was destroyed. The same was disclosed by the company in the notes to accounts annexed to the financial statements for the year ending 31.03.2021. CA Kamalnath decided to communicate this matter in the auditor's report as he is of the view that the matter is of such importance that it is fundamental to the user's understanding of the financial statements. Help CA Kamalnath to deal with this situation in the auditor's report

Solution:

In the present case there is a need to add Emphasis on Matter Paragraph in the Auditor's Report. The draft of the same is as under:

Emphasis of Matter – Effects of Fire in Company's Factory

We draw attention to **Note Y** of the financial statements, which describes the **effects** of a fire in the Company's factory. **Our opinion is not modified** in respect of this matter.

5. Topic: Presentation in auditor's report when there are no KAM**Key Audit Matters**

[Except for the matter described in the Basis for Qualified (Adverse) Opinion section or Material Uncertainty Related to Going Concern section,] We have determined that there are no [other] key audit matters to communicate in our report.

Correct-Incorrect Questions

- i. When the auditor has to express an adverse opinion, he need not communicate with those charged with governance as this may have an impact on payment of his audit fees.

Incorrect: When the auditor expects to modify the opinion in the auditor's report, the auditor shall communicate with those charged with governance the **circumstances** that led to the **expected modification** and the **wording** of the modification.

- ii. Instead of modifying an opinion in accordance with SA 705, the statutory auditor can use Key Audit Matter paragraph in the audit report with an unmodified opinion.

Incorrect: Communicating key audit matters in the auditor's report is **not a substitute** for the auditor expressing a modified opinion when required by the circumstances of a specific audit engagement in accordance with SA 705 (Revised)

Theoretical Questions

- i. In considering the qualitative aspects of the entity's accounting practices, the auditor may become aware of possible bias in management's judgments. The auditor may conclude that lack of neutrality together with uncorrected misstatements causes the financial statements to be materially misstated. Explain and analyse the indicators of lack of neutrality with examples, wherever required.

Hint: Indicators of lack of neutrality (Selective correction of MS and possible management bias in estimates)

- ii. The first section of the auditor's report shall include the auditor's opinion, and shall have the heading "Opinion." The Opinion section of the auditor's report shall also identify the entity whose financial statements have been audited. Apart from the above, explain the other relevant points to be included in opinion section.

Hint: Content of Opinion Section

- iii. Define Emphasis of Matter Paragraph and how it should be disclosed in the Independent Auditor's Report?

Hint: SA 706 – Definition and Disclosures in Emphasis of Matter Paragraph

- iv. "An auditor is required to make specific evaluations while forming an opinion in an audit report." State those evaluations.

Hint: Specific Evaluations by Auditor

- v. The auditor's report shall include a section with a heading "Responsibilities of Management for the Financial Statements." SA 200 explains the premise, relating to the responsibilities of management and, where appropriate, those charged with governance, on which an audit in accordance with SAs is conducted. Explain

Hint: Management Responsibility Section

- vi. Communicating Key Audit Matter is not a substitute for disclosure in the Financial Statements rather Communicating key audit matters in the auditor's report is in the context of the Auditor having formed an opinion on the financial statements as a whole. Analyse.

Hint: SA 701 – KAM not a substitute for disclosures required by applicable FRF, modification as per SA 705 and Reporting under Going Concern as per SA 570.

- vii. The auditor's report shall include a section, directly following the Opinion section, with the heading "Basis for Opinion". Explain what is included in this "Basis for Opinion" section.

Hint: Content of Basis for Opinion Section

- viii. Give a brief description about the management responsibility to be mentioned in the statutory auditor's report.

Hint: Management Responsibility Section

- ix. Distinguish between an adverse opinion and a qualified opinion. Also draft an opinion paragraph for both types of opinion.

Hint: SA 705 – Adverse and Qualified Opinion