



SA 700: Forming an Opinion & Reporting on the Financial Statements

Objective

- A/Evidence*
draw con'n [same]
- To form opinion on FS based on evaluation of conclusions drawn from audit evidence obtained &
 - To express clearly that opinion through a written report.

Specific Evaluations by the Auditor

July-21

In particular, auditor shall evaluate whether:

- FS adequately disclose significant a/c policies selected & applied
- A/c policies selected & applied are consistent with applicable FRF & appropriate
- A/c estimates made by mgt are reasonable
- FS provide adequate disclosures to enable intended users to understand effect of material transactions and events on info. conveyed in FS
- Info. presented in FS is relevant, reliable, comparable, & understandable
- Terminology used in FS, including title of each FS, is appropriate.

Forming an opinion on FS

Form opinion, whether FS are prepared in all material respects as per applicable FRF.

To form opinion, obtain reasonable assurance about whether FS as whole are free from material misstatement, due to fraud or error.

Further, when FS are prepared as per fair presentation framework, evaluate whether FS achieve fair presentation considering:

- Overall presentation, structure and content (OPSC) of FS &
- Whether FS, including related notes, represent transactions & events in a manner that achieves fair presentation.

In other words, express unmodified opinion when auditor concludes FS are prepared, in all material respects, as per applicable FRF.

Basic Elements of Audit Report

- Title: Independent Auditor's Report
- Addressee: Addressed as required by circumstances of engg. Report could be addressed to Members in case of general purpose (statutory) FS and BOD for special purpose FS
- Auditor's Opinion: First section of auditor's report
 Opinion section of auditor's report shall also:
 - Identify entity whose FS have been audited
 - State that FS have been audited

- c) Identify title of each statement comprising FS.
- d) Refer to notes, including summary of significant a/c policies
- e) Specify date or period covered by, each FS comprising the FS.

4. **Basis for Opinion:** Auditor's report shall include a section, directly following Opinion section, with heading "Basis for Opinion", that:

- a. States that audit was conducted as per **Standards on Auditing**
- b. Refers to **Section** of auditor's report that describes **auditor's responsibilities under SAs**
- c. Includes **Statement** that auditor is **independent of entity** & has fulfilled other ethical responsibilities. Refer to **Code of Ethics** issued by ICAI
- d. States whether auditor believes that **audit evidence** obtained is **Sufficient and appropriate** to provide basis for auditor's opinion.

5. **Going Concern:** Already covered in **SA 570**.

→ G.C. Inappropriate → **Adverse** Opinion

→ G.C. Appt ✓ **MU, EK, cast** → **Discl.** → **yes** → **Unmodified** **Sec.**

6. **Key Audit Matters:** For audits of FS of **listed entities** → communicate KAM in auditor's report as per SA 701.

7. **Other Information:** Where applicable, auditor shall report as per **SA 720** (Revised).

8. **Responsibilities for FS :** Section with heading "Responsibilities of Mgt for FS." In some entities reference may be to TCWG.

This section of auditor's report shall describe mgt's responsibility for:

- a. **Preparing FS** as per applicable FRF & **internal control** to enable preparation of FS free from M.M., due to fraud/error &
- b. **Assessing entity's ability to continue as going concern** & whether use of GC basis of accounting is appropriate as well as disclosing matters relating to GC.

Also identify those responsible for oversight of financial reporting process. In this case, heading of this section shall also refer to "TCWG". When FS prepared as per **fair presentation framework**, auditor's report shall refer to "**preparation & fair presentation of FS**" or "preparation of FS that give a **true & fair view**," as appropriate.

9. **Auditor's Responsibilities for Audit of FS:**

(I) This section of auditor's report shall:

a) State **objectives of auditor** are to:

- i. Obtain **reasonable assurance** whether FS are free from MM, whether due to fraud/error &
- ii. Issue an **auditor's report** that includes auditor's **opinion**.

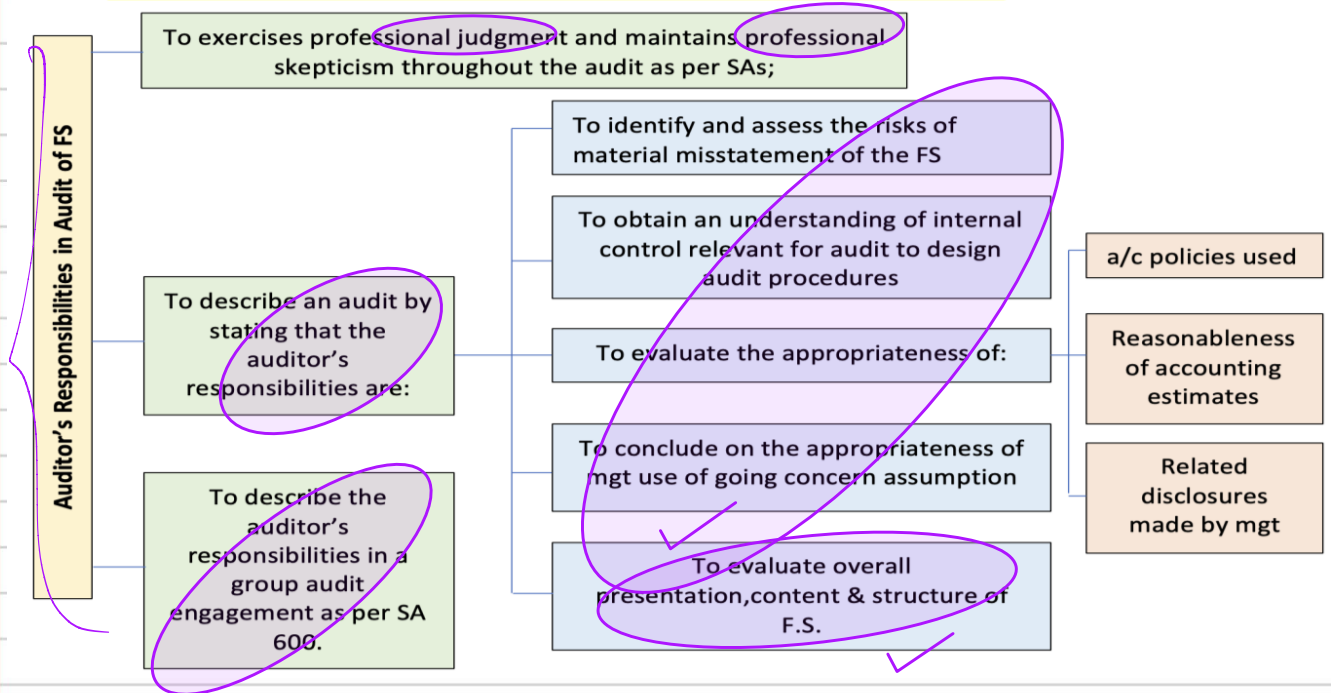


b) State that **reasonable assurance** is **high level of assurance**, but not a **guarantee** that audit conducted as per SAs will always detect a MM when it exists & **ILA**

c) State that **misstatements** can arise from fraud/error & either:

- i. Describe that they are **considered material if**, individually or in aggregate could reasonably be expected to **influence economic decisions** of users taken on basis of these FS or
- ii. Provide a definition or description of materiality in accordance with applicable FRF.

(II) Auditor's Responsibilities for Audit of F.S. section of auditor's report shall further:



(III) Auditor's Responsibilities for Audit of FS section of auditor's report also shall: **SA 260**

- a. State that **auditor communicates with TCWG**: **planned scope & timing of audit & significant audit findings**, including **significant deficiencies** in internal control that auditor identifies during audit **SA 265**
- b. State that auditor provides TCWG with **statement** that auditor has **complied with relevant ethical requirements** regarding independence, relationships that affect auditor's independence & related safeguards & **SA 260**
- c. For audits of FS of entities for which **KAM** are communicated as per **SA 701**, state that, from matters communicated with TCWG, auditor determines those matters that were of **most significance** in audit of FS of current period & are therefore **KAM** **Listed entities**

KAM to be presented in Audit Report:

As per SA 701, auditor describes these matters in auditor's report **unless**

- ✓ **law or regulation precludes disclosure** about the matter or

- ✓ in extremely rare circumstances, auditor determines that a matter should not be communicated in auditor's report because adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

10. Location of description of auditor's responsibilities:

a) Within body of Audit Report

b) Within an appendix to auditor's report in that case auditor shall include reference to location of appendix

c) By specific reference within auditor's report to location of such description on website of appropriate authority, where law, regulation or auditing stds permit.

11. Other reporting responsibilities: Heading "Report on Other Legal & Regulatory Requirements"

12. Signature of auditor: Audit report shall be signed by Auditor in personal name & audit firm.

Partner signing needs to mention membership no. + Registration no. of firm + UDIN

13. Place of Signature: location i.e. city where its signed

14. Date of Audit Report: Not earlier than date when auditor has obtain SAAE

Eg ICAI
• Sec 143(2)

class < 1/2/20
9/1/20

Audit reports for audit as per both SAs & International Stds on Audit

Auditor may be required to conduct audit in addition to SA issued by ICAI, International Standards on Auditing or auditing stds of any other jurisdiction.

In this case, auditor's report may refer to SA in addition to ISA or auditing standards of such other jurisdiction, but only if:

- There is no conflict between requirements in ISAs or auditing standards of other jurisdiction & SAs that would lead auditor
 - to form a different opinion, or
 - not to include an EOM or OM para that, in particular circumstances, is required by SAs and
- Auditor's report includes, at minimum, each of elements required by SA. Auditor's report shall thereby identify such Standards on Auditing.

When auditor's report refers to both ISAs or auditing standards of a specific jurisdiction & SA issued by ICAI, auditor's report shall clearly identify the same including jurisdiction of origin of other auditing stds.

No conflict >> minimum elements >> identify ISA + jurisdiction

Supplementary Info. Presented with FS

feel? Supplementary Sheet

If supplementary info that isn't required by applicable FRF is presented with audited F.S., auditor shall evaluate whether it's integral part of FS due to its nature or how its presented.



- When it is integral part of F.S → it shall be covered by auditor's opinion.
- If it isn't considered integral part of audited FS → evaluate whether it's presented in a way that differentiates it from audited FS.
- If not, ask mgt to change its presentation.
- If mgt refuses ,
 - auditor shall identify unaudited supplementary info &
 - explain in auditor's report that such supplementary info has not been audited.

Examples:

1. When notes to FS include expln or reconciliation to the extent to which F.S. comply with another FRF. Auditor's opinion will consider such this as supplementary info that can't be differentiated from F.S. His opinion will cover such notes or schedules cross referenced from F.S.
2. When additional p&l that discloses specific items of expenditure as separate schedule included as appendix to F.S. → Auditor shall consider it as supplementary info that can be differentiated from financial info.

SA 750 ADD

SA 701: Communicating Key Audit Matters (KAM) in the Independent Auditor's Report

- KAM are matters that in
 - auditor's professional judgment, ?
 - were of most significance in audit of FS of current period.
- KAM are selected from matters communicated with TCWG.

SA 260

Communicating KAM is not:

- a. A substitute for disclosures in F.S as per applicable FRF
- b. A substitute for auditor expressing a modified opinion as per SA 705
- c. A substitute for reporting as per SA 570 when a material uncertainty exists relating to events or conditions that may cast significant doubt on an entity's ability to continue as a GC
- d. A separate opinion on individual matters.

IRTA
TATA

KAM ✓

Factors → Determining Key Audit Matters

- a. Areas of higher assessed RoMM, or significant risks identified in accordance with SA 315
- b. Significant auditor judgments relating to areas in F.S. that involved significant mgt judgment, including accounting estimates that have been identified as having high estimation uncertainty.
- c. Effect on audit of significant events or transactions that occurred during the period.

Eg. of Key Audit Matters

Assessment of Impairment, Provision for losses and contingencies, Valuation of financial instruments, Revenue recognition, Taxation matters (multiple tax jurisdictions, uncertain tax position, deferred tax assets) *read*

Can matters other than disclosed in F.S. be **KAM**?

- There may be **other matters** communicated with TCWG that required **significant auditor attention** & therefore may be determined to be KAM.
- Such matters may include matters relevant to audit not required to be disclosed in FS.
- For eg, **implementation of new IT system** (or significant changes to existing IT system) during period may be an area of **significant auditor attention**, if such change had **significant effect on overall audit strategy** or related to a **significant risk** (e.g. changes to a system affecting revenue recognition).

Communicating Key Audit Matters

Introductory language in this section of auditor's report shall state that:

- a) KAM are those matters that, in **auditor's professional judgment**, were of **most significance** in audit of F.S. [of current period] and
- b) *These matters were **addressed in context of audit** of FS as a whole, & in forming auditor's opinion thereon, & **auditor doesn't provide separate opinion on these matters.*** **DB Addressed**

Placement of KAM section in auditor's report?

Generally,

- After Basis for Opinion paragraph & **before** Mgt's Responsibility para.
- In case, **MURG** section is required as per SA 570(Revised), then **KAM is placed after that.**

As per SA 706: **EOM para** may be **either directly before or after KAM section**, as per auditor's judgment as to relative significance of info. included in EOM para. Auditor may also add further context to heading "Emphasis of Matter", such as "Emphasis of Matter - Subsequent Event", to differentiate EOM para. from individual matters described in KAM.

Basis of opinion | **7.1** KAM/EOM | Mgt Responsibility

Reason → Disc. m. reqd

KAM when opinion is modified (Q/A)

5min DEL-21 Old

- ✓ **SA 700** establishes requirements and provides guidance on forming opinion on F.S. Communicating **KAM isn't a substitute for disclosures in FS** that applicable FRF requires mgt to make or otherwise necessary to achieve fair presentation.
- ✓ **SA 705** addresses circumstances in which auditor concludes that there is a **M.M.** relating to **appropriateness or adequacy of disclosures in F.S.**



✓ When auditor expresses Q/A opinion as per SA 705, presenting description of matter giving rise to modified opinion in Basis for Q/A Opinion section helps to promote intended users' understanding and to identify such circumstances when they occur.

✓ Separating communication of this matter from other KAM described in KAM section, therefore, gives it appropriate prominence in auditor's report.

When auditor expresses Q/A opinion, communicating other KAM would still be relevant to enhance intended users' understanding of audit & therefore requirements to determine KAM apply.

✓ Since adverse opinion is expressed when auditor concluded that misstatements, individually or in aggregate, are both material & pervasive to FS depending on significance of matter(s) giving rise to adverse opinion, auditor may determine that no other matters are KAM.

✓ In such case Auditor can communicate KAM in below manner:
Key Audit Matters: Except for the matter described in the Basis for Adverse Opinion section, we have determined that there are no other key audit matters to communicate in our report.

SA 700 >> 705 >> Basis Q/A >> Separate from KAM >> Relevant >> Adverse opinion → No KAM

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

Objective: To express modified opinion on FS when:

- a. Auditor concludes, based on audit evidence obtained, FS as a whole are not free from MM or
- b. Auditor is unable to obtain SAAE to conclude that FS as a whole are free from MM

Definition of Pervasive: Used in context of misstatements, describe effects/possible effects on FS of Misstatements undetected due to inability to obtain S.A.A.E

Pervasive effects on the financial statements are those that, in auditor's judgement:

- i. Are not confined to specific elements, accounts or items of FS { BS/PL
- ii. If so confined, represent or could represent a substantial proportion of FS or
- iii. In relation to disclosures, are fundamental to users' understanding of FS

Etc (change)
Plan ↓
mu ↑
X/X (Nees)

Qualified(Q) Opinion: Auditor shall express qualified opinion when:

- a. Obtained SAAE → concludes that misstatements, individually or in aggregate, are material, but not pervasive, to FS or
- b. Unable to obtain SAAE to base the opinion, but concludes that possible effects on F.S. of undetected misstatements, if any, could be material but not pervasive. (Material but not pervasive)

Spl. Considerations: When auditor expresses (Q) opinion due to MM in F.S, auditor shall state that, in auditor's opinion, **except for effects** of matter(s) described in Basis for (Q) Opinion section:

1. When reporting as per **fair presentation framework**, accompanying F.S. **present fairly**, in all **material respects** (or give a true and fair view of) [...] in accordance with [applicable FRF] or
2. When reporting as per **compliance framework**, accompanying F.S. have been **prepared**, in all **material respects**, in accordance with [applicable FRF].

When modification arises from inability to obtain SAAE, auditor shall use corresponding phrase "except for possible effects of matter(s) ..." for modified opinion.

Adverse(A) Opinion: **Obtained SAAE**, concludes misstatements, individually or in the aggregate, **both material and pervasive** to financial statements.

Spl. Considerations: When auditor expresses an (A) opinion, auditor shall state that, in auditor's opinion, **because of significance of matter(s)** described in Basis for (A) Opinion section:

1. When reporting as per a **fair presentation framework**, accompanying F.S. **do not present fairly** (or give a true and fair view of) [...] in accordance with [applicable FRF] or
2. When reporting as per **compliance framework**, accompanying F.S. have **not been prepared**, in all **material respects**, in accordance with [applicable FRF].

Disclaimer of Opinion: **Unable to obtain SAAE** to base the opinion, and concludes that **possible effects** on FS of undetected misstatements, if any, could be **both material and pervasive**.

Note: Unless required by law or regulation, when auditor disclaims opinion on F.S., auditor's report shall not include **KAM section** in accordance with SA 701.

Spl considerations: When auditor disclaims an opinion due to inability to obtain SAAE, auditor shall:

1. State that **auditor doesn't express opinion on** accompanying FS.
2. State that, **because of significance of matter(s)** described in Basis for Disclaimer of Opinion section, auditor has **not been able to obtain SAAE** to provide basis for audit opinion on FS and
3. **Amend the statement** required in SA 700 (Revised), which indicates that **F.S. have been audited**, to state that **auditor was engaged to audit the F.S.**

Mgt imposed limitation after acceptance of Audit Engagement → Unable to obtain SAAE

- If likely to result in Q/D opinion → request mgt to remove limitation
- If mgt refuses → communicate TCWG & determine whether **A.A.P** possible to obtain SAAE
- If still can't obtain SAAE & concludes:
 - ✓ Misstatement is **material** but not **pervasive** → **Qualified opinion**
 - ✓ Misstatement is **material & pervasive**



Compulsory choice
Book Baar ICAI MTP

i. Withdraw from engg (practicable & possible under law or regulation)

ii. Not practicable to withdraw → Disclaim opinion

- Before withdrawal communicate to TCWG, matters that gave rise to modification

Note: If Auditor expresses Adverse or Disclaimer of Opinion then audit report shall not contain unmodified opinion w.r.t any element of F.S.

Addendum

SEBI Provisions on Auditor Resignation (Listed entities)

If auditor propose to resign within 45 days from end of qtr → before resignation issue Limited Review (LR) Report for such qtr

If > 45 days from end of qtr → before resignation issue Audit/ LR Report for such qtr & next one

If issued LR report for 1st 3 qtrs → issue Audit Report for full year before resigning

Eg. If auditor resigns on 18.08.24, i.e. >45 days from end of Q1 → Issue LR Report for Q1 & Q2.

ICAI has made announcement that auditor of unlisted Co. shall not mention "professional pre-occupation" as a reason for resignation. Auditor shall mention reasons clearly for resignation in resignation letter issued to Co.

Auditor's inability to obtain SAAE (also referred to as limitation on scope of audit) may arise from:

a) Circumstances beyond control of entity

- ✓ Entity's accounting records have been destroyed.
- ✓ Accounting records of a significant component have been seized indefinitely by govt. authorities.

b) Circumstances relating to nature or timing of auditor's work or

- ✓ Entity uses equity method of accounting for associated entity, & auditor unable to obtain SAAE about latter's financial info. to evaluate whether equity method has been appropriately applied.
- ✓ Timing of auditor's appointment is such that auditor unable to observe physical inventory count.
- ✓ Auditor determines performing substantive procedures alone isn't sufficient, but entity's controls are not effective.

c) Limitations imposed by mgt

- ✓ Mgt prevents auditor from observing counting of physical inventory
- ✓ Mgt prevents auditor from requesting external confirmation of specific account balances.

Special Points:

i) SA 570 If M.U. exists & adequate disclosure isn't there:

- ✓ No disclosure: Adverse Opinion

✓ Incomplete disclosure: Qualified Opinion

ii) Non consolidation of subsidiary (material + pervasive) => Adverse Opinion

iii) Unable to obtain evidence about a JV investment (representing 90% of entity's net assets) → Disclaimer of Opinion

iv) No agreement of a Loan or Advance (material) → Qualified Opinion

SA 705
BDD

SA 706: Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

Emphasis of matter para

- Para included in Auditor's Report
- refers to matter appropriately presented or disclosed in F.S.
- that in, Auditor's judgment is of
- such importance that its fundamental to user's understanding of F.S.

SAs that contain specific requirements for auditor to include Emphasis of Matter paragraphs in auditor's report in certain circumstances. These circumstances include:

- When a FRF prescribed by law or regulation would be unacceptable but for the fact that it is prescribed by law or regulation (SA 210)
- To alert users that F.S. are prepared in accordance with a special purpose framework SABO
- When facts become known to auditor after date of auditor's report and auditor provides a new or amended auditor's report (i.e., subsequent events) (SA 560)

Examples of circumstances where auditor may consider it necessary to include an Emphasis of Matter paragraph are:

- An uncertainty relating to future outcome of exceptional litigation or regulatory action.
- A significant subsequent event that occurs between date of F.S and date of auditor's report.
- Early application (where permitted) of new a/c std that has material effect on F.S.
- A major catastrophe that has had, or continues to have, significant effect on entity's financial position.

When auditor includes EOM para in auditor's report, auditor shall:

- Include the paragraph within a separate section of auditor's report with appropriate heading that includes the term "Emphasis of Matter"
- Include in the paragraph clear reference to matter being emphasized and to where relevant disclosures that fully describe the matter can be found in F.S. The para shall refer only to info. presented or disclosed in F.S. and
- Indicate that auditor's opinion is not modified in respect of matter emphasized.



Note: EOM para is not substitute for KAM, if matter determined as KAM → represent as KAM

Other Matter Para

- Para included in Auditor's report
- Refers to a matter other than those Presented/Disclosed in F.S.
- relevant to user's understanding of
- Audit, auditor's responsibilities or Audit report

Auditor shall include an Other Matter paragraph in auditor's report, provided:

- Not prohibited by law or regulation; and
- When SA 701 applies, matter has not been determined to be KAM

EOM para. isn't a substitute for:

- A modified opinion as per SA 705 when required by circumstances of a specific audit engg.
- Disclosures in F.S. that applicable FRF requires mgt to make, or that are otherwise necessary to achieve fair presentation or

Reporting in accordance with SA 570 (Revised) when a material uncertainty... [माँ मुझे याद आ रहा है]

SA 706
DDPC

2 ques → @ B SAS 600 para 1

SA 710: Comparative Information—Corresponding Figures and Comparative FS

Comparative Info: SA 510

- Amounts and disclosures included in FS
- in respect of one or more prior periods as per applicable FRF.

Audit Procedures for Comparative Information:

Basic Procedures:

Auditor shall evaluate whether:

- Comparative info. agrees with amounts & other disclosures in prior period &
- A/c policies reflected in comparative info are consistent with current period or, if there have been changes, whether changes have been properly accounted, presented and disclosed.

A P D

Material Misstatement:

- If auditor becomes aware of possible material misstatement in comparative info while performing current period audit, perform additional audit procedures to obtain SAAE to determine whether material misstatement exists.
- If auditor audited prior period's FS, auditor shall also follow requirements of SA 560.

SA 580

Written Representations:

- ✓ As per SA 580, auditor shall request WR for all periods referred to in auditor's opinion.
- ✓ Auditor shall also obtain specific WR regarding any prior period item separately disclosed in current year's P&L.

Basic → M.M. → 560 & 580

Corresponding Figures

- Comparative info. where amts & other disclosures for prior period are included as an integral part of current period F.S. & are intended to be read only in relation to amounts and other disclosures relating to current period (referred to as "current period figures").
- Level of detail presented in corresponding amts & disclosures is dictated primarily by its relevance to current period figures.

Reporting for Corresponding Figures:

When corresponding fig. are presented, auditor's opinion shall not refer to corresponding figures except in following circumstances:

1. If auditor's report on prior period included modified opinion & matter which gave rise to modification is unresolved, modify auditor's opinion on current period's FS.

In Basis for Modification para in A/R, auditor shall either:

- a) Refer to both current period's fig. & corresponding fig. in description of matter giving rise to modification when effects or possible effects of matter on current period's figures are material or
 - b) In other cases, explain that audit opinion has been modified because of effects or possible effects of unresolved matter on comparability of current period & corresponding fig.
2. If auditor obtains audit evidence that a M.M. exists in prior period FS. on which unmodified opinion been previously issued, verify whether misstatement has been resolved & if not, express qualified or adverse opinion in auditor's report on current period FS.

Reporting for Comparative F.S.

- Auditor's opinion shall refer to each period for which the FS are presented.
 - When reporting on current period's audit, if auditor's opinion on such prior period FS differs from opinion previously issued on such FS, disclose substantive reason for different opinion in OM para.
 - If auditor concludes that material misstatement is present in previously audited figures of F.S, he should report it to mgt and request that predecessor auditor be informed.
- If then prior years statements are amended with new report by predecessor auditor, then auditor shall report only on current period.

Comparative



Reporting treatment common to both (for corresponding figures and comparative information)

- i) If F.S. of prior period were audited by predecessor auditor, auditor shall state in his audit report:
- That FS of prior period were audited by a predecessor auditor
 - Type of opinion expressed by predecessor auditor
 - Date of that audit report.
- ii) If prior period F.S. were not audited then he shall report the same in OM Para in his audit report that corresponding/comparative figures are unaudited.

However, disclosure doesn't relieve him from his responsibility of obtaining SAAE that opening balances do not contain misstatements that materially affect current period's FS.

SA 720: The Auditor's Responsibility in Relation to Other Information

Scope

- SA 720 deals with Auditor's responsibilities relating to other info., financial or non-financial contained in Annual Report.
- Auditor's opinion on FS doesn't cover other info. (Annual Report)
- He's just required to read & consider other info. for any materially inconsistent info. from FS that may indicate MM in either FS or Annual Report
- Auditor's responsibility apply whether other info. is received prior to or after auditor's report

Note: This SA doesn't apply to preliminary announcements of financial info. or prospectus.

Obtaining the Other Information

Auditor shall:

- a) Determine, through discussion with mgt, which document(s) comprises annual report & entity's planned manner & timing of issuance of such document(s)
- b) Make arrangements with mgt to obtain in timely manner &, if possible, prior to date of auditor's report, final version of document(s) comprising annual report &
- c) When annual report not available until after the date of auditor's report, request mgt to provide a WR that final version of document(s) will be provided to auditor when available & prior to its issuance by entity, auditor can complete procedures required by this SA.

Reading and Considering the Other Information

Auditor shall read the other info and, in doing so shall:

Consider whether there is material inconsistency between

- other info. and FS &
- other info. and auditor's knowledge obtained in audit, in context of audit evidence obtained & conclusions reached in audit.

While reading other info, remain alert for indications that other info may be materially misstated.

When other info. is materially misstated

If auditor concludes that MM of other info. exists, request mgt to correct other info.

If mgt:

- Agrees to make correction, determine that correction has been made or
- Refuses to make correction, communicate with TCWG & request that correction be made.

If auditor concludes MM exists in other info. obtained prior to date of auditor's report, & other info. isn't corrected after communicating with TCWG, take appropriate action, including:

- Considering implications for auditor's report & communicating with TCWG about how auditor plans to address the MM in auditor's report or
- Withdrawing from engg, where withdrawal possible under applicable L/R.

If auditor concludes that a MM exists in other info. obtained after date of auditor's report, auditor shall:

- If other info. is corrected, perform procedures necessary in circumstances or
- If other info. isn't corrected after communicating with TCWG, take appropriate action considering auditor's legal rights & obligations, to seek to have the uncorrected MM appropriately brought to attention of users for whom auditor's report is prepared.

When FS are materially misstated or Auditor's understanding needs to be updated → respond as per other SAs.

Reporting

Auditor's report shall include separate section with a heading "Other Information" when, at date of auditor's report:

- For an audit of F.S. of listed entity, auditor has obtained, or expects to obtain, other info or
- For an audit of F.S. of an unlisted corporate entity, auditor has obtained some or all of other info.

When auditor's report is required to include an Other Information section, it shall include:

- A statement that mgt is responsible for the other info. 😊
- An identification of:
 - Other info. obtained by auditor prior to date of auditor's report &



ii. For an audit of FS of listed entity, other info, if any, **expected to be obtained** after date of auditor's report

- c) **Statement** that auditor's **opinion doesn't cover other info.** & auditor doesn't express (or will not express) audit opinion or any form of assurance conclusion thereon **X**
- d) **Description of auditor's responsibilities** relating to reading, considering & reporting on other info. as required by this SA
- e) When other info. has been **obtained prior to date of auditor's report**, either:
 - i. A statement that auditor has **nothing to report** or
 - ii. If auditor has concluded that there is **uncorrected material misstatement** of other info, statement that describes the uncorrected material misstatement of other info.

Reporting Prescribed by Law or Regulation

If auditor is required by a relevant L/R to refer to other info. in auditor's report using a specific layout or wording, auditor's report shall refer to SA only if auditor's report includes, at a minimum:

- a. **Identification of other info.** obtained by auditor prior to date of auditor's report
- b. **A description of auditor's responsibilities** w.r.t other info &
- c. **An explicit statement** addressing outcome of auditor's work for this purpose.

Examples of Amounts or Other Items that May Be Included in Other Info.

Following are eg of amounts and other items that may be included in other info.

Amounts

- o **Items in a summary of key financial results**, such as net income, EPS, dividends, sales & other operating revenues, & purchases & operating expenses.
- o **Selected operating data**, such as income from continuing operations by major operating area, or sales by geographical segment or product line.
- o **Special items**, such as asset dispositions, litigation provisions, asset impairments, tax adjustments, environmental remediation provisions, and restructuring and reorganization expenses.
- o **Liquidity & capital resource info**, such as cash, cash equivalents & marketable securities dividends and debt, capital lease & minority interest obligations.
- o **Capital expenditures** by segment or division.
- o Amounts involved in, and related financial effects of, **off-balance sheet** arrangements.
- o Amounts involved in **guarantees**, contractual obligations, legal or environmental claims, and other contingencies.
- o **Financial measures or ratios**, such as gross margin, return on average capital employed, return on average shareholders' equity, current ratio, interest coverage ratio and debt ratio.

Other Items

- Explanations of critical **accounting estimates** and related assumptions.
- Identification of **related parties** and descriptions of transactions with them.
- Descriptions of the nature of **off-balance sheet** arrangements.
- Descriptions of **guarantees**, indemnifications, contractual obligations, litigation or environmental liability cases, and other contingencies, including management's qualitative assessments of the entity's related exposures.
- Descriptions of changes in **legal or regulatory requirements**, such as new tax or environmental regulations.
- General descriptions of **business environment & outlook**.
- Overview of **strategy**.

"Work hard in Silence,
let your Success be your Noise"

