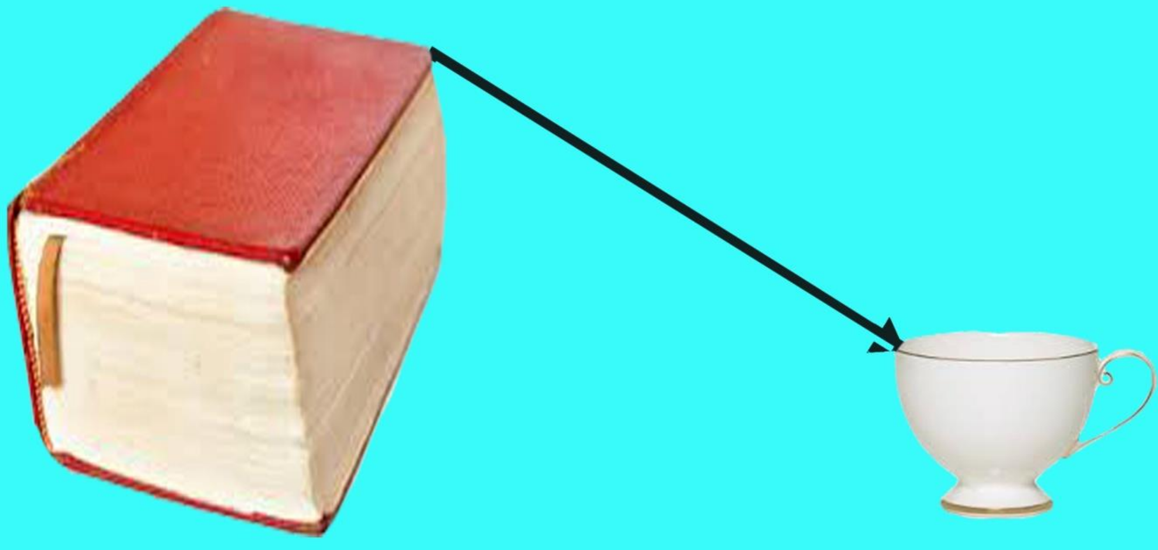
SA,SRE,SAE, my notes SRS &SQC

A book my MD IMRAN.
An author, translated the Sea in to just a cup of Tea.



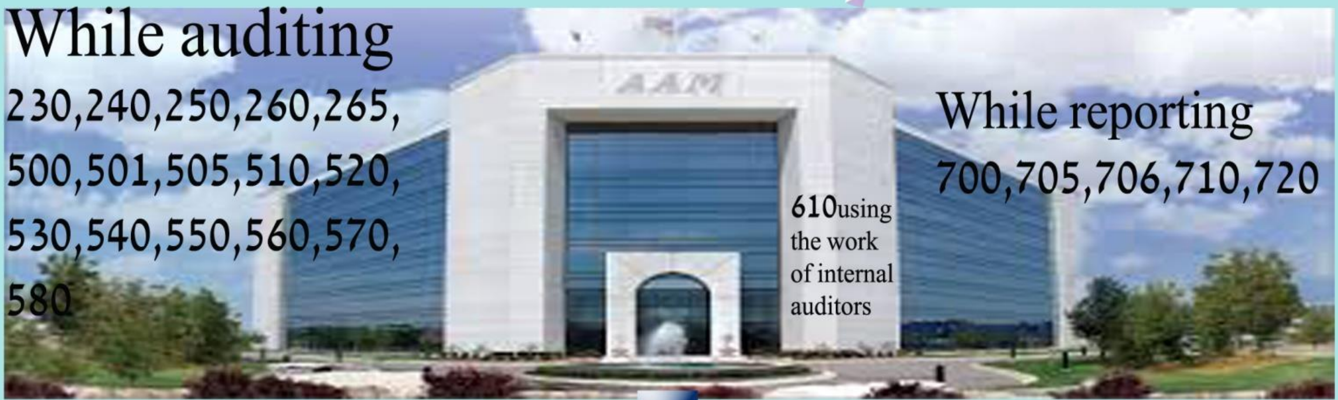
For, CA & CA Stundents.

Enjoy your study

620 Using the work of Auditor's expert

610 Using the work of Another auditor

402 if Outsourced to service organisation



While auditing

230,240,250,260,265,
500,501,505,510,520,
530,540,550,560,570,
580

610using the work of internal auditors

While reporting

700,705,706,710,720

After accepting audit315,330,300

Befor accepting audit200,210

SQC-1,220

299 joint auditor

Section 143(10) of Companies Act, 2013- An auditor will comply with Standards on auditing. Failure to comply.Penalty 25,000-5,00,000. If knowingly 1,00,000-25,00,000. Imprisonment may be extend to one year.

SA(standards on auditing)

Sl.No.	SA	Particular	Page no
1	200	Overall objective of Independent Auditor & Conduct of an audit in accordance with SA	8
2	210	Agreeing the Term of Audit Engagement.	9
3	220	Quality Control for Audit of Financial Statement	9
4	230	Audit Documentation.	9-10
5	240	The Auditor's responsibilities Relating to Fraud in as audit of FS	10-12
6	250	Consideration of Law and Regulations in an Audit of FS	12
7	260	Communication with Those Charged With Governance (TCWG)	12
8	265	Communicating Deficiencies in Internal Control to TCWG and management	13
9	299	Responsibility of JOINT AUDITORS	13
10	300	Planning an audit of financial statement	13
11	315	Identifying and Assessing the Risks of Material Misstatement (ROMM) through understanding the entity and its environment	14-15
12	320	Materiality in Planning and performing an audit	15
13	330	The Auditor's Responses to Assessed Risks	16
14	402	Audit Consideration relating to an Entity using a Service Organization	16
15	450	Evaluation of Misstatements identified during the Audits	16
16	500	AUDIT EVIDENCE	17
17	501	AUDIT EVIDENCE - Specific considerations for selected items (inventory/litigation & claim/ segment information)	18
18	505	External Confirmations	18
19	510	Initial Audit Engagements - Opening balances	19
20	520	Analytical Procedures	19
21	530	Audit Sampling	20
22	540	Auditing Accounting estimates, including Fair value accouting estimates,and related disclosures	21
23	550	Related Parties	21
24	560	Subsequent Events	22
25	570	Going Concern	22
26	580	Written Representations	23
27	600	using work of - Another Auditor	24
28	610	using work of - Internal Auditors	24
29	620	using work of - an Auditor's Expert	25
30	700	Forming an Opinion & Reporting on Financial Statement	26
31	705	Modifications to the opinion in Independent Auditor's Report	28
32	706	Emphasis of matter paragraphs and other matter paragraphs in Independent Auditor's Report	29
33	710	Comparative information - corresponding Figures & comparative FS	29
34	720	The Auditor's Responsibility in Relation to other information in documents containing audited FS	29
35	800	Special Consideration - Audits of Financial Statement prepared in accordance with Special purpose Framework	30
36	805	Special Consideration - Audits of Single purpose FS and specific Elements, Accounts or items of a FS	30
37	810	Engagements to Report on Summary Financial Statement	31
	SRE (Standards on review engagement)		
38	2400	Engagements to Review Financial Statements	31
39	2410	Review of Interim Financial information performed by the Independent Auditor of Entity	31
	SAE (Standards on assurance engagement)		

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40	3400	The Examination of Prospective Financial Information	32
41	3402	Assurance Reports on Controls at a Service Organisation	32
42	**3420**	Assurance engagement to report on compilation of pro forma financial information included in a prospectus.	33
	SRS (Standards on related services)		
43	4400	Engagements to Perform Agreed upon Procedures regarding Financial Information	33
44	4410	Engagements to Compile Financial Information	34
		STANDARD ON QUALITY CONTROL	
45	1	Quality Control for Firm that Perform Audits and Reviews of Historical Financial information, and other Assurance and Related Services Engagements.	35

Mnemonics used only for Remember purpose.		
SA(standards on auditing)		
Sl.No,	**SA**	Particular
1	200	***BPCSNR, IOPCP IA$_4$ORS,*** **PICK,FACT**
2	210	**RMC$_6$**
3	220	**HEAL ME**
4	230	1. ***Matter to be specifically documented DIDI*** 2. **Factor affecting amount of working paper ISCA N$_3$**
5	240	**FRAUD verification procedure *ONPDW*** **RAP *ATMOF(F-* Fraud risk factor- HOTEL TIPS)** **RESPONSES- (PAIE), Change in NTE** **UNABLE TO CONTINUE - 240/ 140(2)(3)/ CARO Clause 3(x)/ 143(12)**
6	250	**GO and follow procedure INQUIRY, INSPECTION, PROFESSIONAL SCEPTICISIM, WR & WP**
7	260	**IFRS**
8	265	Deficiency, significant deficiency
9	299	**JOINT AUDITOR DEVIDE WORK & COORDINATE** share **RESPONSIBILITIES and may DIFFERENCE OF OPINION** JOINTLY RESPONSIBLE FOR ***joint audior** got **NP** of **NBFC***
10	300	**TRAINING DAYS**
11	315	**RAP & Related activity-** ○ **RAP** ○ **Use obtained information** ○ **Consider change** ○ **Discussion of engagement partner** **Understand entity and its environment,** **Components of internal control *CRCIM IEAA TRIPS*** **Identify and assess ROMM,** **Risks that require special audit consideration DCR** of **TT** **Revision of risk assessment.**
12	320	**REFRENCE**
13	330	***D$_3$PSC***
14	402	1. **Understand how user entity uses the service of service organisation including *DN$_3$*** 2. **Source of information about nature of service provided by SO. *I M RUSTAM***
15	450	***Audit procedure – ACCECWD*** **Misstatement may result from -** IOWAI

16	500	***ICAI Obs Rep*** **Test MPCOVER for ABCD)** **CCO/Obtain understanding/Evaluate ASK**
17	501	Auditor should attend **inventory** counting unless impracticable to **EIPO** **E**valuate management's procedure to control and record results of the physical inventory counting. **I**nspect the inventory. **P**erform test counts. **O**bserve the performance of management's count procedure. ***Litigation and claim- IMLOL*** **Segment information - IAS** *is a segment* **UPSC**
18	505	*DSDSRR*
19	510	**O_2 C_2A** ***O**btain confirmation*
20	520	***SRED***
21	530	***HRSM***
22	540	1. ***TREAT MICRO***
23	550	1. ***IMIPS*** 2. *O related parties* ***U LOVE & RESPECT IPS***
24	560	***IMLOL*** ***ROAR*** About ***THE IAS SENA***
25	570	1. **SLICES**
26	580	***TOTAL RSS*** *in* ***UPLC***
27	600	1. ***ABSDJ*** 2. ***VIPCAPTAIN***
28	610	Internal audit function includes ***GIR*** • **I**nternal control process: ***I***am***CFO*** Using the work of internal auditor ***SATAI LOpsrd***
29	620	**Understand competency(cco) of Auditor expert &** enter in to an

		agreement then **evaluate relevance and reasonableness of Assumption, source data and knowledge.**
30	700	**TAIMAORS DPS**
31	705	QO/DOO/AO
32	706	EOMP/OMP
33	710	**PAAAW**
34	720	
35	800	**Procedure to be applied by auditor while** Accepting Engagement planning and performing the audit Forming an opinion
36	805	**Procedure to be applied by auditor while** Accepting Engagement planning and performing the audit Forming an opinion
37	810	
	SRE (Standards on review engagement)	
38	2400	*O W don't **IRRITATE** for 2400*
39	2410	
	SAE (Standards on assurance engagement)	
40	3400	1. ***AMU examine KMP Stablility***
41	3402	Type-1 and Type-2 report.
42	**3420**	1. ***IPMC$_3$S***
	SRS (Standards on related services)	
43	4400	***only CA & CA appointed to conduct agree upon procedure of ACCounts***
44	4410	------- **CP** ***hour is for*** **CP** **(Ca in Practice)** ***not for*** **IPC** ***students*** **MANAGEMENT RESPONSIBILITIES: CMPSE**

SA 200 - Overall objective of Independent Auditor & Conduct of an audit in accordance with SA.

1. **Overall objective:** Obtain reasonable assurance that financial statement free from ROMM whether due to fraud or error, thereby enabling an auditor to **express opinion** on whether financial prepared, all material respect and in accordance with applicable financial reporting framework.
2. Financial statement consist of : ***BPCSNR***
    - Balance sheet
    - Profit and loss accounts
    - Cash flow statement
    - Statement of change in equity
    - Notes to accounts
    - Receipt and payment accounts (in case of NPO)
3. Ethical requirement : ***IOPCP IA$_4$ORS***
    - **Integrity**
    - **Objectivity**
    - **Professional behaviour**
    - **Confidentiality**
    - **Professional competence**
    - **Independence**
    - **Audit documentation, Audit Planning, Audit evidence, Accounting system and internal control**
    - **Other auditor's work**
    - **Reporting requirement**
    - **Skill**
4. **Risk**

   ROMM (Risk of Material Misstatement)
    - **INHERENT RISK:** It is an integral part, do whatever you want to do that will remain therein. *The susceptibility of ABCD to misstatement that could be material either individual or aggregated with other statement, before consideration of an audit.*
    - **CONTROL RISK:** Management procedure failed to prevent, detect and correct misstatement. Although it could be prevented, detected and corrected by management. *The susceptibility of ABCD to misstatement that could be material either individual or aggregated with other statements will not be prevented, detected and corrected misstatement.*

   DETECTION RISK: it is the risk that auditor procedure to reduce the audit risk at acceptable law level will not detect a misstatement that exist and that could be material either individually or when aggregated with other misstatement.

   AUDIT RISK: It is risk of expressing inappropriate (unmodified) opinion on materially misstated financial statement. It is a function of ROMM and detection risk.

Risk at financial statement level : PICK	**Risk at assertion level (ABCD) : FACT$_2$** **Inherent audit risk at ABCD : FACT$_2$**
Professional judgment **Integrity of management** **Control** **Knowledge of the management.**	**Financial statement likely to be susceptible** **Amount of judgement involved in determining ABC** **Complex and unusual transaction** **Transaction ONCB.** **Transaction with related parties.**

5. **Professional skepticism:** Being alert and questioning mind with respect to FRF, CAE, Reliability of document, exception, unusual transaction, inappropriate assumption & estimate, keeping in mind that there may be any Circumstance may indicate the possible existence of fraud and error.

SA 210 - Agreeing the Term of Audit Engagement.

1. Precondition for an audit

- Providing the auditor with
  - ✓ Access to all information relevant to preparation and presentation of F.st.
  - ✓ Additional information as require by auditor.
  - ✓ Unrestricted access to those with in the entity .

2. ***Factor which make it appropriate to revise the term of the audit engagement:*** **RMC$_6$**

- Revision in the term of audit engagement
- Management misunderstood the objective of audit
- Change in the ownership
- Change in the operation
- Change in the Nature timing and extent of audit
- Change in the relevant industry
- Change in the AFRF.

3. Audit procedure when management request change in TOAE.

- Determine reason why management requested to change in TOAE.
- If there is reasonable justification, auditor may accept the change and record reason.
- If there is no reasonable justification and *the auditor decided to withdraws withdraw:*
  a. *Discuss with the appropriate level of management and TCWG, withdrawal from the engagement and the reason for the withdrawals.*
  b. *Determine whether there is a professional or legal requirement to report to person who made the audit appointment or in some case to regulatory authorities, the auditor withdraws from the engagement and the reason for such withdraw*.

SA 220 - Quality Control for Audit of Financial Statement

1. Requirement of sa 220 HEAL ME

- **Human Resources –** ensure right person are appointed to right job.
- **Engagement performance – EQCR** properly supervised and reviews the audit work.
- **Acceptance and continuation of client relationship –** consider integrity of client.
- **Leadership responsibilities –** assignment of accountability and responsibility for audit work.
- **Monitoring –** work are properly monitored.
- **Ethical requirement –** complies with **IOPCPI. (Integrity, Objectivity, Professional competence, Confidentiality, Professional behaviour, Independence)**

SA 230 - Audit Documentation.

Introduction

Audit documentation is record of audit procedure performed relevant audit evidence obtain and the conclusion audit reach. It is basis of conclusion and evidenced that the audit was conducted in accordance with SA, ALRR & GAAP applicable in the circumstances. Auditor should document to the extent of that is sufficient to enable experienced auditor having no previous connection with that audit, to understand – Nature timing extent of audit, result of audit procedure performed relevant audit evidence obtained and the conclusion the auditor reach and Significant matter arising during audit and conclusion reached thereon, **inconsistency** found and how it has been resolved, in case **departure from GAAP** how alternative audit procedure performed. Auditor should **assemble** audit files and working paper within 60 days, and it should be retained for not less than 7 year. This audit documentation is the property of auditor, auditor may make portion, extract to make available to client

1. **Purpose of audit documentation:** It **assists** the engagement team to plan and perform audit, made **accountable** to engagement team for their work, for **future** audit and for QCR.
2. **Matter to be specifically documented** ***DIDI***
   - **Discussion of significant matter with management and TCWG.**
   - **Inconsistency found and how it has been resolved**
   - **Departure from ALRR and alternative audit procedure performed**
   - **Inclusion of matter arising after the date of AR.**
3. **PERMANENT AUDIT FILE: MOA,AOA, Bye laws, Previous A.R, Communication with retiring auditor, notes regarding significant accounting policies, MR.**
4. **CURRENT AUDIT FILE: Minutes, Audit Programme, External confirmation, planning process & analysis of ABCD.**
5. **Factor affecting amount of working paper ISCA N_3**
   - Identified ROMM.
   - Significant of audit evidence obtained.
   - Complexity and size of entity.
   - Audit methodology and tools.
   - NTE of audit
   - Nature of audit procedure performed.
   - Need to document a conclusion.

SA 240 - The Auditor's responsibilities Relating to Fraud in as audit of FS

1. **FRAUD verification procedure** ***ONPDW***
   - **Obtain RA that Fst are FFROMM.**
   - **Risk of Not detecting the fraud high because executer concealed the way it is executed.**
   - **Maintain Professional scepticism.**
   - **Discussion with AET**
   - **Obtain WR.**
2. **RAP (Risk Assessment Procedure):** ***ATMOF***
   - **Analytical procedure:** Analysis of plausible relationship among financial and non-financial data. It may indicate unusual, abnormal, unexpected relationship among financial and non-financial data. Which would help to identify FRF,CAE & MM.
   - **TCWG:** How TCWG oversight management's process and inquire TCWG whether they have knowledge of any actual, suspected or alleged fraud.
   - **Management and other within the entity.**
     - Management assessment of ROMM.
     - Management process to identify and responds to FRF.
     - Management communication to TCWG.
     - Management communication to employee.
   - **Other information and observation:** Consider whether other information obtained indicates ROMM.

- **Fraud risk factor:** it is indicator of ROMM. The auditor should discuss with engagement team.

Fraud risk factor- HOTEL TIPS

- **High turnover of senior level management.**
- **Oversight of TCWG ineffective.**
- **Transaction with related parties.**
- **Excess pressure on management.**
- **Lack of ethical standards.**
- **Transaction outside normal course of business.**
- **Inappropriate transaction.**
- **Personnel financial situation of management and TCWG.**
- **Significant decline in customer demand**

3. Responses :

i. At financial statement level.

- ✓ **Professional scepticism, Assignment, Evaluate SAAE, Incorporate unpredictability. (PAIE)**

ii. At assertion level

- ✓ **Change in the nature timing and extent of audit. Change in NTE**

4. SPECIFIC SOLUTION, MENTIONED EVERYWHERE, WHEREVER FRAUD IS SUCH THAT AUDITOR UNABLE TO CONTINUE- 240/ 140(2)(3)/ CARO Clause 3(x)/ 143(12)

- *SA 240*

The auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain SAAE to determine whether material misstatement exists.

Circumstance may indicate the possible existence of fraud and error.

The auditor should perform such modified or additional procedure as he determined to be appropriate

*In exceptional circumstances that bring in to the question to the auditor ability to continue the engagement or **U TEA OOFS**, the auditor shall:*

i. Determine professional and legal responsibilities applicable in the circumstance.

ii. Consider whether it is appropriate to withdraws from the engagement if legally permitted.

iii. If the auditor withdraws:

a. Discuss with the appropriate level of management and TCWG, withdrawals from the engagement and the reason for the withdrawals.

b. *Determine whether there is a professional or legal requirement to report to person who made the audit appointment or in some case to regulatory authorities, the auditor withdraws from the engagement and the reason for such withdraw*.

- **140(2)(3): resignation of auditor-**An auditor is required to file ADT-3 on resignation within 30 days to Company, ROC , CAG (If govt, co). Failure to which auditor punishable with a fine which may extend to Rs. 50000 but shall not exceed Rs. 500000.

- **CARO Clause 3(x) Reporting of Fraud**

Whether any fraud **by** the company or any fraud **on** the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated.

- **143(12) : Reporting of fraud by auditor**

When an auditor comes to knowledge or reason to believe that fraud has been committed or is being committed against the company by any employee of officer, the auditor is required report immediately but not later than 2 days **to the board or audit committee**.

Board or audit committee will submit their reply or observation within 45 days to auditor. Then Auditor shall report **to central government** in form ADT-4 within 15 days of receipt of reply from board or audit committee, by speed post or Registered post with acknowledgment due.

However if fraud amount is **less than Rs. 1 crore** then report only it to Board/ Audit committee & disclosure require in board report.

Report consists of following particular: **NPA**

1. **N**ature of fraud with description
2. **P**arties involved.
3. **A**pproximate amount involved.

AND such disclosure would not amount breach of any of his duties.

SA 250 : Consideration of Law and Regulations in an Audit of FS

GO and follow procedure INQUIRY, INSPECTION, PROFESSIONAL SCEPTICISIM, WR & WP

- **General understanding of ALRR, LER & AFRF and how entity applies with it.**
- **Obtain SAAE w.r.t compliance with laws and regulation that directly affecting determination of material amount and disclosure made in financial statement.**
- **Inquiry with w.r.t to non- compliance with laws and regulation that may have affect on financial statement.**
- **Inspect**
- **Professional scepticisms.**
- **Working paper**
- **Written representation.**

SA 260: Communication with Those Charged With Governance (TCWG)

Matter to be communicated to TCWG. (I.F.R.S)

- **Independent:** Communicate that auditor is subject independence, Statement stating that engagement team complied with REL regarding independence, and steps taken to provide safeguard against elimination of independence.
- **Finding:** Both finding should be reported qualitative as well quantities, Significant difficulties encountered during audit.
- **Responsibilities:** Our responsibility is to express opinion on financial statement, our responsibilities doesn't relieve management or TCWG from their repondilities.
- **Scope:** here auditor communicate planned scope and timing of audit, the auditor should communicate such timing that it do not compromise in effectiveness of audit.

SA 265: Communicating Deficiencies in Internal Control to TCWG and management

DEFICIENCY – 1. Control is DIO in such a way that is unable to PDCM in the F.St.

2. Control necessary to PDCM in the F.st is missing.

SIGNIFICANT DEIFICIENCY: Deficiency of sufficient important that it is necessary to merit the attention of TCWG.

COMMUNICATION : if deficiency then reported to management. If significant deficiency then it is reported to TCWG.

SA 299: Responsibility of JOINT AUDITORS

JOINT AUDITOR DEVIDE WORK & COORDINATE share **RESPONSIBILITIES and may DIFFERENCE OF OPINION**

1. **JOINT AUDIT –** When two or more practice unit appointed to conduct an audit due to voluminous of work, is known as joint audit.
2. **Division of work –** They divide work among themselves on the basis of period, functional area, component of financial control, geographical location, identifiable unit, assets, liability, etc.
3. **Co-ordination –** each joint auditor should co-ordinate with each other, mater found relevant to other auditor should be immediately communicated before the date of audit report.
4. **Separate responsibilities in respect of work devide.**

   Responsibility of joint auditor when they are jointly and severally responsible in respect of audit conducted by them. ***joint audior* *got* *NP* *of* *NBFC***

   - *Each* **Joint auditor entitled to relies on the work of other joint audit that it is carried out in accordance with GAAP.NTE of audit procedure.**
   - **Not divided audit engagement among the joint auditor.**
   - **Prevailing system of internal control.**
   - *Information* **Brought to the notice of the joint auditors by any one of them.**
   - **Financial statements comply with disclosure requirement.**
   - **Compliance of** *Audit report* **with the requirement of relevant statute.**

5. **Difference of opinion:** generally all arrived at unanimous opinion, however they are not bound by majority of opinion, those disagree may provide their opinion through a separate report.

SA 300 - Planning an audit of financial statement

1. **Introduction**
   Plan enables to conduct effective and efficient audit in a timely manner. Here we determine nature, timing and extent of audit. It should be flexible in nature so that revision is possible as the audit progress if circumstances arise. Audit plan ensure work completed in a **timely** manner, **assistants are properly utilised**, there is proper **co-ordination** in this regard and **proper attention given to critical areas.**

2. **Following are the steps in planning**
   a. **Preliminary engagement activities- check compliance with AS 220,200,210. That is preparing and sending engagement letter, compliance with ethical requirement, ensure quality control as per 220 and communication with predecessor auditor.**
   b. **Planning activity.**
   - **Over all audit strategy- knowledge of entity and its environment, ascertain NTE of audit.**
   - **Audit plan- SA 315,330 and other planned audit procedures.**

c. **315 & 330**
d. **Revision**

3. Following factor should be consider in developing overall audit plan:- TRAINING DAYS

a. Terms of auditor's engagement and any statutory responsibilities.
b. RAP to be applied to understand and analyse the extent of risk.
c. ALRR and accounting policies adopted by client and changes thereto.
d. Identification of significant audit areas and setting the materiality level.
e. Nature timing of reports or other communication.
f. Involvement of other auditor in the audit component.
g. NTE of audit.
h. Get the previous audit report,
i. Degree of reliance of IC.
j. Allocation of work.
k. Yardstick to determine materiality.
l. Staff requirement and co-ordination.

SA 315 - Identifying and Assessing the Risks of Material Misstatement (ROMM) through understanding the entity and its environment

Audit procedure

RAP & Related activity, Understand entity and its environment, Components of internal control, Identify and assess ROMM, Risks that require special audit consideration, Revision of risk assessment.

1. **RAP and related activity.**

- **RAP: ATMOF**
- **Use obtained information to identify ROMM.**
- **Consider change on using last year audit working paper.**
- **Discussion of engagement partner among engagement team member and determine the matter to be communicated.**

2. **Understand entity and environment:- the auditor shall obtain and understanding of the following:**
   - **Relevant industry, regulatory and other external factor including AFRF.**
   - **The nature of entity, including:**
     - ✓ **It operation**
     - ✓ **Ownership and governance**
     - ✓ **Nature of investment made by entity, how it is structured and how it is finance**
   - ➢ **The entity's selection and application of accounting policies.**

3. **Component of INTERNAL CONTROL: *CRCIM***
   - ➢ **Control environment: entity has developed the culture of honesty, integrity and ethical behaviour. The strength in the control provides appropriate foundation for other component of control.**
   - ➢ **Risk assessment Process: evaluate entity has a process for *IEAA***
     - **Identifying business risk**
     - **Estimating the significant of the risks**
     - **Assess the likelihood of their occurrence.**
     - **Action to address to those risks.**

- **Control activity: understand how entity IRCPT (initiate, record, correct, process transaction). Identify those control activity which are related to significant ABCD.**
- **Information & communication: *TRIPS***
    - **Transaction significant to financial statement.**
    - **Related accounting record**
    - **Reporting process used to process entity F.st.**
    - **Information system capture event and condition**
    - **Procedure by which significant transaction are initiated, recorded, processed, corrected as necessary.**
    - **Surrounding journal entries.**
- **Monitoring**

4. **Risk that require special audit consideration. DCR of TT**
    - **Degree of subjectivity with regard to assumption and estimate.**
    - **Complexity of transaction**
    - **Risk of fraud**
    - **Transaction with related parties**
    - **Transaction outside normal course of business.**
5. **Revision of risk assessment.**

    If additional audit evidence obtain is inconsistent with the original audit evidence, then the auditor shall revise the assessment and modify the further planned audit procedure accordingly.

SA 320 - Materiality in Planning and performing an audit

1. **Introduction**

    Material item is the assertion of financial statement which affects decision of user of financial statement on either discloser is made or not made on financial statement. It is very subjective in nature; it depends on nature and size of entity & nature and size of item. Generally what amount would be material or not material is determined by management and TCWG of entity, auditor have to consider such materiality level while auditing. However there is another materiality level which is determined by auditor is known as **performance materiality**. Performance materiality level is set by auditor, lower than the actual materiality level to ensure, is there any misstatement which may be immaterial individually but if taken it as whole it would be material due its repetitive in nature. Determination of materiality is a matter of professional judgement; generally certain percentage is often applied on chosen benchmark.

2. **Audit procedure to determine performance materiality :- REFRENCE**
    - Relative volatility of benchmark
    - Entity's ownership structure and the way it is financed.
    - Focused and material item on which user give more attention for example profit.
    - Related AFRF & ALRR.
    - Elements of financial statement.
    - Nature of entity.
    - Common financial information needs.
    - Entity surrounding circumstance.

SA 330 - The Auditor's Responses to Assessed Risks

Factor that may warrant retest of control: ***D$_3$PSC***

- Deficient control environment
- Deficient monitoring of control
- Deficient general IT control
- Personnel changes that significantly affect the application of the control.
- Significant manual element to the relevant control.
- Changing circumstances that indicate the need for change in the control.

SA 402 - Audit Consideration relating to an Entity using a Service Organization

1. **Understand how user entity uses the service of service organisation including** ***DN$_3$***

- Degree of interaction between the activities.
- Nature of service provided by service organisation
- Nature and Materiality of transaction processed by the SO.
- Nature of relationship between them.

2. **Source of information about nature of service provided by SO.** ***I M RUSTAM***
    - Initiating, recording or processing transaction as agent of user entity.
    - Maintenance of the user entity's accounting record.
    - Report by service organisation's internal auditors or regulatory authorities on control at the service organisation.
    - User manual.
    - System overview.
    - Technical manual.
    - Auditor's report of Service organisation. Type I or type II Report as the case may be required by circumstances. Refer SAE 3402
    - Management of assets.

SA 450 - Evaluation of Misstatements identified during the Audits

1. **Introduction**

   While conducting an audit of financial statement, Auditor comes to knowledge of many misstatements, which is either material or not material, Auditor response to such misstatement in accordance with procedure prescribed under this SA.
   While dealing and discussing with the management/ TCWG some misstatement get resolved and some unresolved. Auditor has to consider the affects of uncorrected material misstatement in financial statement.

2. **Procedure to evaluate identified and uncorrected misstatement.** ***ACCECWD***

- Accumulation of identified misstatements
- Consideration of identified misstatement as the audit progresses.
- Communication and correction misstatement.
- Evaluating the effect of uncorrected misstatement.

- Communication with those charged with governance.
- Written representation.
- Documentation.

3. **Misstatement may result from -** IOWAI
   - Inaccuracy in gathering and collecting data.
   - Omission of an amount of disclosure.
   - Wrong estimate and judgement of management.
   - Application of accounting policies inappropriately.
   - Incorrect accounting estimate arising from overlooking or clear misinterpretation of fact.

SA 500: AUDIT EVIDENCE

1. **Auditor should obtain SAAE to draw conclusion on which his opinion is based. Audit evidence obtained by auditor is persuasive in nature rather than conclusive in nature.**
2. **Method to Obtain audit evidence:** ***ICAI Obs Rep***

Inspection, Computation, Analytical review procedure, Inquiry and confirmation, Observation and Reperformance.

3. **Audit procedure:**
   a. **Risk assessment procedure:**
   b. **Other procedure**
      i. **Compliance (I.C)- Test designed to obtained reasonable assurance that internal control on which audit reliance is to place are in affects. Here we check existence, effectiveness and continuity of internal control.**
      ii. **Substantive (Test MPCOVER for ABCD): test designed to obtained reasonable assurance as to completeness, accuracy and validity of data produced by accounting system. It also includes Analytical procedure.**
         a. **Measurement.**
         b. **Presentation**
         c. **Completeness / cut off procedure.**
         d. **Occurrence/ ownership**
         e. **Valuation**
         f. **Existence**
         g. **Right and obligation.**
4. **Evaluation of Management Expert work: CCO/Obtain understanding/Evaluate ASK**
   - Evaluate Competence, capabilities and objective of that expert.
   - Obtain understanding of work of mgt expert.
   - Evaluate Assumption, source data and knowledge use by that expert.
5. **Reliability of Audit evidence.**
   - **External more reliable that internal, written more reliable than oral, Directly obtained more reliable than indirectly, original is more reliable than Photocopy.**

SA 501- AUDIT EVIDENCE - Specific considerations for selected items (inventory/litigation & claim/ segment information)

INVENTORY – AUDIT PROCEDURE

Inventory is material assertion of financial statement. Physical verification is the responsibility of management; an auditor responsibility is examine EOV (Existence, ownership and valuation). Auditor should attend inventory counting unless impracticable to **EIPO**, if due to unavoidable circumstance unable to attend physical count, then request management to provide alternate days for attending physical counting on alternative date. Estimate the physical quantity and its value and satisfy with assertion made in financial statement and ensure management procedure is properly complied.

Auditor should attend inventory counting unless impracticable to **EIPO**
Evaluate management's procedure to control and record results of the physical inventory counting.
Inspect the inventory.
Perform test counts.
Observe the performance of management's count procedure.

If unable to obtain SAAE regarding inventory then QO or DO as the case may be.

LITIGATION AND CLAIM – AUDIT PROCEDURE

1. **Same as** HOW TO IDENTIFY SUBSEQUENT EVENT: ***IMLOL***
   - **Inquiry of management.**
   - **Minutes of board meeting.**
   - **Latest interim financial statement.**
   - **Obtain written representation**
   - **Latest position of pending legal cases.**

SEGMENT INFORMATION – AUDIT PROCEDURE : IAS *is a segment* **UPSC**

- **Identification of reportable segment.**
- **Accounting policy consistently applied.**
- **SAAE should be obtained.**
- **Understanding the method used by management in determining the segment.**
- **Performing analytical procedure.**
- **Sales, transfer and elimination of inter segment transfer.**
- **Compliance with AS-17, Comparing expected budget with actual.**

SA 505 : External Confirmations

INTRODUCTION

Obtaining direct confirmation from third party with respect to assertion made in financial statement to obtain more persuasive audit evidence because external evidence is more reliable then the internal evidence. Two types of confirmation request is used Positive confirmation request and negative confirmation request. It is after considering the level of inherent and control risk. Reply of positive confirmation request is necessary whereas reply of negative confirmation request is not necessary (reply only when disagree), to obtain SAAE.

External confirmation process: *DSDSRR*

- **Determining the item for which confirmation is to obtain**
- **Selecting the appropriate third party**
- **Designing the confirmation request**
- **Sending the confirmation request**
- **Receive confirmation response**
- **Reconciling the assertion as per confirmation and response by third party.**

SA 510 - Initial Audit Engagements - Opening balances

1. **Introduction-**

Whenever auditor accept new engagement wherein he was not an auditor of entity for previous year, either previous year financial statement would have not been audited, or audited by previous auditor. Auditor audits current year financial statement wherein opening balance is brought forward from previous year, So this standards provides guidance how to obtain SAAE regarding opening balance.

2. **audit procedure when previous year audit report unaudited -**

   O_2 C_2A O*btain confirmation*

   - Obtain confirmation from account receivable or debtor.
   - Obtain confirmation from account payable or creditor.
   - Check subsequent realisation of debtor.
   - Cheque subsequent payment made to creditor.
   - Accounting policies consistently applied.
   - Obtain confirmation in relation to bank balance.
3. **Audit procedure when previous year audit report audited by previous year auditor.**
   - Current year auditor can place reliance on previous year audit report, ensure that in current year opening balance correctly brought forward from previous year audited report.
   - Check type of opinion expressed in previous year audit report, if in previous year unmodified opinion then simply check balance correctly brought forward. However if in previous auditor report modified, then verify whether the qualification made in previous has been resolved or not. If resolved then unmodified opinion, if it is not resolved then modify current year audit report.

SA 520 - Analytical Procedures

1. **Introduction**
   Evaluation of financial information through analysis of plausible relationship among financial and non- financial data, is know as analytical procedure.
2. **Type of analytical review procedure-**
   - **Ratio analysis – evaluation of relationship among different assertion made in financial statement, for example Debt-equity ratio, Current assets ratio, etc.**
   - **Trend analysis- analyse trend of information keeping benchmark previous year information.**

- **Comparison method – compare current year information with the previous year**
- **Reasonableness – Ask a question whether is it reasonable or not.**

3. **Audit consideration while analytical procedure: *SRED***
   - **Suitability of SAP**
   - **Reliability of data**
   - **Expectation of auditor for such.**
   - **Determine the difference between expectation and actual. Investigate unusual item and significant fluctuation and corroborate such by inquiry of management and by other audit procedure.**

SA 530 - Audit Sampling

1. **Introduction**
   Sampling - Application of audit procedure on less than 100% of item with in a population, where in each item have equal chances of selection. Select audit sample from audit population in such a manner sample is representative of population. Perform audit procedure on selected audit sample to obtain SAAE.
2. **Steps in sampling**
   i. **Defined entire population**
   ii. **Choose Sample selection technique- *HRSM***
      - **Haphazard selection sampling technique –** Pick sample from population in a unstructured way.
      - **Random Selection sampling technique –** Use random number generator.
        - **Simple random sampling**
        - **Stratified sampling technique**
      - **Systematic sampling technique-** Define population and select sample in a very structured manner.
        - **Block Selection technique.**
        - **Cluster Sampling technique.**
      - **Monetary unit sampling technique –** value weighted selection technique is used.
3. **Sampling Risk**

   It is a risk of selecting wrong sample. It is a risk that auditor conclusion based on sample may vary if entire population is subjected same audit procedure. Following two risk

   - **Risk of incorrect acceptance:** Erroneous conclusion that control are more effective than actual and material misstatement doesn't exist when in fact it exist.
   - **Risk of incorrect Rejection:** Erroneous conclusion that controls are less effective than actual and material misstatement exist whereas in fact doesn't exist.
4. **Non- sampling risk**
   - **Anomaly: very rare and odd in nature.**

SA 540 - Auditing Accounting estimates, including Fair value accouting estimates,and related disclosures

1. **Introduction :** Any accounting estimate which require to calculate fair value or management estimate, Judgement, etc. Auditor is to evaluate reasonabless of such assumption and estimation and make there own judgement based on his experience and competence, compare it with mgt estimate. If difference arise then direct management to adjust.
2. **Procedure applied by auditor:** ***TREAT MICRO***
   - **To understand the methods adopted by management to calculate the accounting estimates.**
   - **Review and test the procedures followed by management in relation to accounting estimate.**
   - **Environment under which the estimate are made.**
   - **Assumption**
   - **Testing of calculation based on accounting estimate**
   - **Make independence estimate and compare it with the given accounting estimate.**
   - **Investigate unusual and abnormal variation**
   - **Complex accounting estimate then take help of expert**
   - **Review and consider the events occurring after the balance sheet date.**
   - **Obtain understanding of AFRF.**

SA 550 - Related Parties

1. **HOW TO IDENTIFY RELATED PARTIES:** ***IMIPS***
   - **Inquiry of management**
   - **MOA & AOA**
   - **Income tax return**
   - **Previous year audit report**
   - **Share holder record.**
2. **AUDIT PROCEDURE :** *O related parties* ***U LOVE & RESPECT IPS***
   - Understand RPRT
   - Life insurance policies acquired by entity
   - Obtain written representation that all RP identified and disclosed.
   - Verify minutes of meeting of board of directors or shareholders.
   - Entries made in the register maintained U/s 189 of CA 2013.
   - Relationship with the guarantors and guarantees given
   - Examine the contract and agreement with related party.
   - Statement of conflict of interest from mgt and TCWG.
   - Participation in unincorporated partnerships with other parties.
   - Examine the confirmation from bank, legal and third parties.
   - Check whether any fraud risk exists due to transaction with related party.
   - Transactions under contracts whose terms are changed before expiry.
   - Internal control ; whether such IC
     - Identify and disclose RPRT in accordance with AFRF.
     - AASTAA with related parties.
     - AASTAA which is ONCOB.
   - Professional scepticism

- Share information with in the engagement team.

3. if related parties transaction found to **biased** then Evaluate
    - Rational of transaction whether such suggest FRF or concealment of MOA.
    - Term of transaction consistent with management explanation.
    - Transaction accounted and disclosed in accordance AFRF.

SA 560 - Subsequent Events

1. **HOW TO IDENTIFY SUBSEQUENT EVENT: *IMLOL***
    - **Inquiry of management.**
    - **Minutes of board meeting.**
    - **Latest interim financial statement.**
    - **Obtain written representation**
    - **Latest position of pending legal cases.**
2. **AUDIT PROCEDURE: *ROAR***
    - Reading minutes of meeting of shareholder and BOD.
    - Obtaining an understanding of management procedure to identify subsequent event.
    - Ask mgt and TCWG. About ***THE IAS SENA***
        - There has been any development in contingency.
        - High and unusual accounting estimate.
        - Event occurred which are relevant to recoverability of assets.
        - Increase in capital or debt.
        - Any assets appropriated by government.
        - Situation which are relevant for measurement of accounting estimate or provision.
        - Sale or acquisition of assets.
        - Event occurred which question the appropriateness of accounting policies.
        - New commitment, borrowing and guarantee have been entered into?
        - Any assets have been destroyed.
    - Reading the entity latest subsequent interim financial statements.

SA 570 - Going Concern

1. **INTRODUCTION**

    Going concern is fundamental accounting assumption as to whether entity will continue in foreseeable future in the next *one* year. It has neither intention nor necessity to liquidate or curtail the majority of operation within in next one year, that is why depreciation is provided, assets is capitalised, etc. If it is not expected to continue for foreseeable future depreciation and provision not provided, assets is disclosed at realisable value and liabilities at payable value. It is management responsibilities to determine going concern assumption is appropriate or not. Auditor has to obtain SAAE regarding appropriateness of use of GCA to ensure whether is there any material uncertainties exist. However audit report is not a guarantee toward future viability.
2. **Indicator of inappropriateness of use of GOING CONCERN ASSUMPTION**

    I. **OPERATIONAL INDICATOR.**
    - **Labour difficulties.**

- **Mgt lock out.**
- **Loss major buyer.**
- **Lack of raw material.**
- **Emergence of new competitors.**
- **Sale of assets.**
- **Management intention to liquidate.**
- **Significant revision of operation.**

II. **FINANCIAL INDICATOR**

- **Adverse key financial ratio.**
- **Default in loan repayment.**
- **Non- compliance of loan agreement.**
- **Unable to pay creditor.**
- **Unable to pay dividend**
- **Short term borrowing used for long term purpose.**
- **Withdrawal of support by creditors.**
- **Negative operating cash flows.**

III. **Other indicator.**

- **Change in government policy.**
- **Natural calamities.**
- **Non- compliance of statutory requirement.**

3. ***PROCEDURE TO BE APPLIED BY AUDITOR:* SLICES**

- Subsequent events after the balance sheet date.
- Latest position of pending Legal cases.
- Interim financial statements.
- Cash flow statements.
- Examine Minutes of BOD & shareholder
- Status of Debt compliance and applying analytical procedure.

4. ***AUDITOR REPORT:***

- UNQUALIFIED: when GCA is appropriate.
- ADVERSE: If GCA is inappropriate.
- UNQUALIFIED WITH EOM PARA: GCA appropriate but resolved by mgt explanation.
- QUALIFIED: When mgt explanation found to be inadequate.

SA 580: Written Representations

OBTAIN WRITTEN REPRESNETATION FOR – *RSS* in *UPLC* & *TT*

1. *Related parties*
2. *Subsequent event*
3. *Selection and application of accounting policies,*
4. *Uncorrected misstatement either individually or in aggregate immaterial.*
5. *Preparation and presentation of financial statement.*
6. *Litigation claim.*
7. *Compliance with ALRR.*

8. *Transaction recorded is reflected in financial statement.*
9. *Title of Assets subject to lien and consignment.*

SA 600 - using work of - Another Auditor

1. ***COMPONENT CONSIST OF <u>ABSDJ</u>***

- Associate
- Branch
- Subsidiary companies
- Division
- Joint venture

2. **AUDIT PROCEDURE- *<u>VIPCAPTAIN</u>***

    - **Visit component if auditor thinks it is necessary.**
    - **Instruct reporting requirement**
    - **Principle auditor has right to examine books of account and other records of components.**
    - **Consider significant finding of other auditor.**
    - **Advising the other auditor about the use of his work and ensuring co-ordination.**
    - **Principle auditor will be responsible for his opinion on the entity as a whole and should indicate division of responsibility with the other auditor in the report.**
    - **The principle auditor should obtain SAAE to ensure adequacy of work of other auditor.**
    - **Advising significant account requirement reporting requirement.**
    - **In planning whether to use work of another auditor Professional competencies of other auditor should be consider if other auditor other than CA.**
    - **Nature, extent and timing of audit procedures to be understood.**

SA 610 **USING THE WORK OF INTERNAL AUDITOR**

- Internal audit function includes ***<u>GIR</u>***
    - Governance
    - Internal control process: ***<u>I</u>***am***CFO***
        - ✓ **Internal control:** *IAF may assigned to review control, evaluate operation and recommend improvement*
        - ✓ **Compliance with law and regulation:** *IAF may assigned to review compliance with L&R.*
        - ✓ **Financial and operating information:** *IAF may assigned to review the means to identity, recognise, measure, classify and report FAOI.*
        - ✓ **Operating activity:** *IAF may assigned to review economy, efficiency &effectiveness of operating activities*.
    - Risk management
- Using the work of internal auditor :

Determining the nature and extent of work of the internal audit function that can be used & audit procedure when using the work of internal audit function ***<u>SATAI LOpsrd</u>***

- ✓ Systematic and disciplined approach.
- ✓ Adequate and SAAE has been obtained.
- ✓ Technical training and proficiency of internal auditor.

- ✓ Appropriateness of conclusion reached in the circumstances.
- ✓ Inconsistency, exceptional or unusual matter disclosed by internal auditor has been resolved.
- ✓ Level of competencies of internal audit function.
- ✓ Objective of internal auditor w.r.t internal audit function's organisational status and relevant policies and procedure.
- ✓ Properly planned, supervised, reviewed and documented.

Determining the nature and extent of work that can be assigned to internal auditor providing direct assistance

The external auditor shall consider

- amount of judgment involved in Planning and performing audit & evaluating the audit evidence,
- assessed ROMM and
- threats to objectivity and level of competency of internal auditor

However, external auditor will not use internal auditors to provide direct assistance in following case:

- **Audit procedure involves making significant judgment.**
- **ROMM is high.**
- **Audit procedure related to work which has already been reported to TCWG/management.**

Audit procedure when using internal auditor to provide direct assistance

1. *Obtain written agreement from the entity that the internal auditors will allowed to follow external auditor instruction and entity will not intervene in the work of internal auditor.*
2. *Obtain written agreement from internal auditor that they will maintain confidentiality.*
3. *External auditor will direct, supervise and review to work performed by internal auditor*

SA 620 - using work of - an Auditor's Expert

Audit procedure for using the work or auditor expert.

Understand competency(cco) of Auditor expert & enter in to an **agreement** then **evaluate relevance and reasonableness of Assumption, source data and knowledge.**

1. **Understanding the field of expertise of the auditor's expert. Determine NSO of expert's work and evaluate adequacy of that expert's work.**
2. **Competence, capabilities and objective of that expert including inquiry regarding interest and relationship that may create a threat to that expert's objectivity.**
3. **Auditor expert: An individual having expertise in the field other than accounting and auditing.**
4. **Agreement with auditor's expert regarding NSO, Role and responsibilities, NTE Of communication and confidentiality.**
5. **Evaluating the relevance and reasonableness of expert's finding, Assumption, Source data and knowledge of that expert**

If the auditor determine that the work of the auditor's expert is not adequate for the auditor's purpose, the auditor shall agree to perform further audit procedure with that expert and perform further audit procedure.

SA 700 - Forming an Opinion & Reporting on Financial Statement

What is unmodified opinion?

When conclude that financial statement prepared in

- all material respect,
- in accordance with applicable financial reporting framework.
- free from risk of material misstatement.
- It doesn't contain any reservation and qualification.

Content of Audit report. (TAIMAORS DPS)

Title, Addressee, Introduction Para, Management's Responsibilities, Auditor's Responsibilities, Opinion Para, Report on other legal and regulatory requirement, Signature of the auditor, Date & Place of Signature(Specific location where the audit report is signed.

Title
Independent Auditor's Report
Addressee
To the Members of Xyz Ltd.
Introductory paragraph
Report on the Standalone Financial Statements We have audited the accompanying standalone financial statements of Xyz Ltd. ('the Company'), which comprise the balance sheet as at 31 March 2016, the statement of profit and loss and the cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.
Management's Responsibility
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 and presentation of these standalone financial statements that give a true and fair view of the financial position, financial performance 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, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding 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 statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
Auditor's Responsibility
Auditor's Responsibility Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and the disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the

assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal financial control relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

Opinion
In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2016 and its profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

Report on Other Legal and Regulatory Requirements
1. As required by the Companies (Auditor's Report) Order, 2016 (pp"the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure A, a statement on the matters specified in the paragraph 3 and 4 of the order.

2. As required by Section 143 (3) of the Act, we report that:

Duties to make report ------ I B_2A_3D MIS

Mnemonics	I	B	B	A	A	A	D	M	I	S
Clause	a	B	c	d	e	f	g	h	i	j

a) **Information and explanation-** whether he has sought and obtained all the information and explanation which to the best of his knowledge and belief were necessary for the purpose of audit and if not, the detail there of and affect of such information on the financial statement.
b) **Books of accounts-** whether in his opinion proper books of accounts as required by law have been kept by the company so far it appear from examination of those books and proper return adequate for the purpose of his audit have been received from branched not visited by him.
c) **Branch office-** Whether the report on the accounts of any branch office of the company audited by a person other than company's auditor has been sent to him and the manner in which he has dealt with it in preparing his report.
d) **Agreement-** Whether the company's balance sheet and profit and loss account dealt with in report are in agreement with the books of account and returns.
e) **Accounting Standards-** Whether in his opinion the financial statement comply with the accounting standards.
f) **Adverse affect-** the observation or comment of the auditors on financial transaction or matter which have any adverse affect on the functioning of the company.
g) **Disqualified –** Whether any director is disqualified from being appointed as a director under section 164(2).
h) **Maintenance of books of accounts-** any qualification, reservation or adverse remarks relating to the maintenance of accounts and other matters connected therewith.
i) **Internal financial control-** whether the company has adequate internal financial controls system in place and the operating effectiveness of such control.
j) **S**uch other matter as may be prescribed.

Signature

for **X Y Z & Co. LLP**
Chartered Accountants
Firm's registration number: 00000000

WWWWWW *Partner* Membership number: 000000	
	Date and place of signature

SA 705 - Modifications to the opinion in Independent Auditor's Report

1. **INTRODUCTION**

Modify opinion when financial statement not free from material misstatement or fails to obtain sufficient appropriate audit evidence. Three types of modification QO,AO,DOO

QO: Subject to reservation.

AO: Financial doesn't show true and fair view.

DOO: Unable to obtain SAAE.

2. **TYPES OF MODIFIED REPORT ON RESPECTIVE CIRCUMSTANCES**

Circumstances	Material but not pervasive	Material and Pervasive
Misstatement	**Qualified opinion**	**Adverse opinion**
Fails to obtain sufficient appropriate audit evidence	**Qualified opinion**	**Disclaimer of opinion**

First give basis of QO, AO & DOO then opinion paragraph as follows:

QO: Except for the effect of matter described in the basis for qualified opinion paragraph, financial statement prepared in all material respect and in accordance with AFRF.

AO: in the auditor's opinion because of significant of matters described in the basis of adverse opinion paragraph. Financial statement have not prepared in all material respect in accordance with AFRF when reporting in accordance with compliance framework.

DOO: Because of significant of the matter's described in the basis for disclaimer of opinion paragraph, the auditor's has not able to obtain SAAE to provide basis for auditor opinion. The auditor doesn't express opinion on the financial statement.

SA 706 - Emphasis of matter paragraphs and other matter paragraphs in Independent Auditor's Report

1. **INTRODUCTION**

EOM or OM Para given after the Opinion Para when some additional explanatory Para required, Although it doesn't affect unqualified opinion.

2. **EOM:** It is used for Matter adequately presented in financial statement but in auditor opinion it is of such importance that it specially requires attention of user of financial statement. It is fundamental to user understanding.
3. **OM:** It is used for assertion not made in financial statement but in auditor's opinion it is relevant to user understanding.

4. **EXAMPLE:**
   - EOM paragraph: We draw our attention to note no xxx to the financial statement which describe uncertainty related to outcome of law suit filed against the company by xyz ltd. Our opinion is not qualified in respect of this matter.
   - OM Paragraph: We didn't audit the financial statement of certain subsidiaries, whose financial statement reflect total assets (net) as on march/ 31/2016 total revenue (net) etc whose report furnished to us by management and our opinion is based solely on the report of other auditor. Our opinion in not qualified in respect of this matter.

SA 710 - Comparative information - corresponding Figures & comparative FS.

MEANING AND INTRODUCTION

Corresponding figure: Prior period report included as integral part, Intended to read only in relation to the amounts and other disclosure. Auditor Express opinion only for Current year.

Comparative Financial Statement: Prior period report is not included as integral part rather it is attached to current period financial statement for comparison. Auditor express opinion on both years if audited.

SCOPE AND OBJECTIVE

It describes auditor responsibilities with regard to comparative information in an audit of financial statement, when pervious financial statement audited by predecessor auditor or not audited.

AUDIT PROCEDURE TO BE FOLLOWED BY THE AUDITOR: PAAAW

1. Professional scepticism should be adopt where doubt about material misstatement.
2. Accounting policies consistently applied.
3. Agreement of comparative information with the amounts and other disclosures presented in the prior period.
4. Applicable financial reporting framework had been followed while preparing comparative information and such information is classified appropriately.
5. Written representation for all period should be obtained.

REPORTING RESPONSIBILITIES OF THE AUDITOR FOR CORRESPONDING FIGURES.

1. **When the prior period audit reports are clean:** Then do not refer in opinion Para.
2. **When the prior period audit reports are modified:** Then refer in opinion Para and also modify current year audit report. No need to refer when such matter has been resolved.
3. **When the prior period financial statements are materially misstated:** Then write in opinion Para that Prior period financial statement audited by predecessor auditor and corresponding opinion.
4. **When prior period financial statement not audited:** Write in OM Para that Corresponding figure unaudited.

REPORTING RESPONSIBILITIES OF THE AUDITOR FOR COMPARATIVE FINANCIAL STATEMENT.

1. **When the prior period audit reports are modified:** Auditor's opinion refer to each period.
2. **When auditor's has different opinion for prior period:** In OM Para write suitable reason.
3. **When the prior period financial statements audited by predecessor auditor :** Write in OM Para Predecessor auditor and their opinion.
4. **When prior period financial statement not audited :** Write in OM Para that comparative Financial Statement unaudited.

SA 720 - The Auditor's Responsibility in Relation to other information in documents containing audited FS.

INTRODUCTION AND BACKGROUND

Other information: Some time with audit report other information like director report, financial highlight, financial ratio, speech, etc are included.

REQUIREMENT OF THE STANDARDS

1. **Reading other information:** Read other information with a view to identify to any material inconsistency but auditor is not expected to verify other information.

2. **Identify the material inconsistency:** If it is found Prior to audit report then follow **SA 705.** If it is found subsequent to audit report Request management to make Revision of other information. If management deny then appropriate legal action should be taken or take advise from auditor legal council.

SA 800 - Special Consideration - Audits of Financial Statement prepared in accordance with Special purpose Framework

INTRODUCTION

Some time financial statements are prepared in accordance with Special Reporting Framework rather than General Reporting framework for Specific user.

Objective of the standards

Provide guidance as regard to acceptance, planning, performance of engagement and forming opinion.

Requirement to be followed by auditor

1. **Following point should be consider when accepting the engagement**

   SA 210, Purpose, Intended user, Management step to determine acceptability of AFRF, Financial Reporting established by authorised organisation and conflict between the financial reporting standards and the additional legislative requirement.

2. **Consideration when planning and performing the audit**

   Application of all SA relevant to audit, Entity selection and application of accounting policies and communication with previous auditor.

3. **Forming an opinion and reporting considerations**

   In addition to SA 700 refer description of AFRF, purpose of intended user, Management responsibilities regarding acceptability of AFRF, write in EOM Para that this audit report is not suitable for other purpose.

SA 805 - Special Consideration - Audits of Single purpose FS and specific Elements, Accounts or items of a FS.

Introduction

Single financial statement : for example Cash flow statement, Stock Statement, Etc.

Specific Elements: Cash and Bank balance, Account Receivable, Inventory, Provision for income tax.

Applicable on Single financial statement or specific element , when it is prepared in accordance with General Purpose Framework or Special Purpose Frameworks.

Requirement to be followed by auditor / Engagement acceptance consideration

1. **Following point should be consider when accepting the engagement**

   SA 210 require compliance of all AS, Relevant ethical requirement, Acceptability of FRF, Agreeing the term of audit engagement as per SA 210 and consider expected form of opinion in circumstances.

2. **Consideration when planning and performing the audit**

   Apply all SAs as necessary in the audit of FS, Obtain sufficient appropriate audit evidence, If Auditor of complete set of financial statement is same as auditor of single financial statement, then he can use evidence obtained during audit of complete set of financial statement, but separate opinion on each.

3. **Forming an opinion and reporting considerations**

   - Apply SA 700, as necessary.
   - If also engaged to report on full FS, express separate opinion on each engagement.

- If expressed Adverse or Disclaimer of opinion on complete set of financial statement then do not express unmodified opinion on single financial statement, however for Elements consider whether unmodified opinion is necessary if no then modify opinion if yes then express unmodified opinion but it should not published together with A.R. on whole financial statement.

SA 810- Engagements to Report on Summary Financial Statement.

1. WHAT IS ***SUMMARY FINANCIAL STATEMENTS***?

Financial statement derived from full set of financial statement, presented in considerable less than detail than complete financial statement.

2. **Special point to be mentioned by auditor in his audit report**

- **A.R on SFS always accompanied with AR on FS.**
- **Date on SFS should not earlier than AR on FS.**
- **Give reference to SA 810.**
- **A Caveat should be given that reading abridge FS is not a substitute of for reading the detail AFS.**
- **Reference to framework followed in preparing SFS.**
- **OPNION that the abridge financial statement which is derived from audited Financial statement are fair summary of AFS.**
- **If the AR on AFS contain QO,AO,DOO, EMP or OMP then the AR on SFS should also contain such.**

SA 2400 - Engagements to Review Financial Statements

& 2410 - Review of Interim Financial information performed by the Independent Auditor of Entity.

SRE 2400 Applicable when review is conducted by independent practitioner (Other than companies Statutory auditor).

SRE 2410 Applicable when review is conducted by Statutory auditor of companies.

Procedure applied under review of financial statement. ***O W*** *don't* ***IRRITATE*** *for 2400*

- **Opinion paragraph- negative assurance as follows**
  Based on our review nothing has come to our attention which causes us believe that the accompanying financial *information* do not give true and fair view of the statement of affairs of the entity and its CFS in accordance with AFRF.
- **Written representation for TOTAL RSS in UPLC.**
- **Inquiry related to the entity's business, transactions, Contingencies and commitments.**
- **Ratio analysis.**
- **Read report of other practitioner/ auditor of component.**
- **Inquiry about the procedure for accounting.**
- **To compare the financial statement with the anticipated result.**
- **Accounting policy followed.**
- **To compare the financial statement with the previous period.**
- **Enquiry concerning action taken in shareholder and BOD meeting.**

SAE 3400 - The Examination of Prospective Financial Information

1. **Consideration before accepting the engagement**
   - **Intended user**
   - **Distribution**
   - **Assumption realistic or not**
   - **Period cover**
2. **Audit procedure:** ***AMU examine KMP Stablility***
   - ✓ **Assumption**
   - ✓ **Method used for making the forecast**
   - ✓ **Underlying data**
   - ✓ **Knowledge of entity and environment.**
   - ✓ **Management judgement and experience**
   - ✓ **Previous audit report**
   - ✓ **Stability of business.**
   - ✓ **Maintain working paper: source of information, basis of forecast, assumption audit plan, NTE,WR.**
   - ✓ **OPINION (NEGATIVE ASSURANCE)**: *forecast* (**PROJECTION):** *Based upon our examination and explanation given to us, nothing has come to our observation that causes us to believe that best estimate assumption* (**HYPOTHETICAL ASSUMPTION)** *which are basis for preparation of forecasted financial statement* (**PROJECTED FINANCIAL STATEMENT)** *are not realistic in nature. The forecasted FS* (**PROJECTED FINANCIAL STATEMENT)** *have been prepared as per financial reporting framework which is consistently followed from the previous period.*
     This is neither audit nor review. Hence, no opinion or assurance is given on forecasted financial statement **(PROJECTED FINANCIAL STATEMENT)**. *We have only validated the best estimate assumption.*

SAE 3402 - Assurance Reports on Controls at a Service Organisation

1. Two types of report issued by Service organisation auditor on audit of service organisation , as per the client request.
   TYPE 1 AND TYPE 2 REPORT OF SERVICE ORGANSATION'S AUDITOR

TYPE 1 REPORT	TYPE 2 REPORT
Description of IC are designed properly	*Description of the IC are designed Properly and operating efficiently & effectively.*
Description of SO system prepared by mgt.	Description of SO system prepared by mgt.
Opinion of SO's auditor about the description of SO's system and suitability of design	Opinion of SO's auditor about the description of SO's system and suitability of design
At specified date.	Throughout the specified period
---------------------	*Description of operating effectiveness of IC.*
---------------------	*Description of TOC performed by SO's auditor.*

SAE 3420 - Assurance engagement to report on compilation of pro forma financial information included in a prospectus.

Assurance engagement to report on compilation of pro forma financial information included in a prospectus.

2. Proposed form of financial information shown together with the adjustments **to illustrate the impact of an event or transaction** on *unadjusted financial information* as if the event had occurred or the transaction had undertaken at earlier date.
3. Factor to be considered before accepting such assignment. ***IPMC$_3$S***
   i. Initially evaluate wording of ALRR & Relevant law or regulation to determine expected form of opinion.
   ii. Practitioner his own capabilities & competence to perform the engagement.
   iii. Management accept its responsibilities. ***CPT***
      - Compilation of proforma financial information
      - Providing the practitioner with
        - ✓ Access to all information
        - ✓ Additional information
        - ✓ Access to those with in the entity and entity's advisor.
      - To disclose and describe the applicable criteria.
   iv. Consideration of type of modified opinion expressed on AFS where UFI is extracted from AFS.
   v. Consider whether the sufficient understanding of **entity** and its accounting and financial reporting practice can be obtained if **entity's HFS** has never been audited.
   vi. Consider whether the sufficient understanding of **acquire** and its accounting and financial reporting practice can be obtain if **acquirer's HFS** has never been audited.
   vii. Suitability of applicable criteria.
4. HOW TO PLAN AND PERFORM SUCH ENGAGEMENT.

a. Assessing the suitability of applied criteria.
b. Materiality
c. Understanding the compilation of pro forma financial information
d. Obtaining evidence about appropriateness of source of information use to pre PFI.
e. Obtaining understanding about pro forma adjustment.
f. Source from which it has been extracted

SRS 4400 - Engagements to Perform Agreed upon Procedures regarding Financial Information

Here auditor called accountant/ practitioner. No any independency required.

AUDIT PROCEDURE: ***visualise following steps --- only CA & CA appointed to conduct agree upon procedure of ACCounts***

- **Client engages an auditor to perform agreed upon procedure on a particular area.**
- **Auditor sends engagement letter to confirm scope of work.**
- **Client approves engagement letter.**
- **Auditor performs agreed upon procedure.**

- **Auditor submits report on factual finding to client.**
- **Client makes rectification in case of required.**
- **Client then submits the financial statement to statutory auditor.**

Reporting some extract

Title: report on factual finding.

Auditor's responsibility: Our responsibility is to apply agreed upon procedure and give observation.

Disclaimer: this is neither audit nor review; hence no any opinion or assurance will be given

SRS 4410 - Engagements to Compile Financial Information

AUDIT PROCEDURE: ***visualise following steps-------*** **CP** ***hour is for*** **CP (Ca in Practice)** ***not for*** **IPC** ***students***

- **Client engages a practitioner to compile financial statement.**
- **Practitioner sends engagement letter to confirm scope of work.**
- **Client approves the engagement letter.**
- **Practitioner collects, classify, summarise & compiles the financial statements based on books and records as per AFRF & ALRR.**
- **Inquiry of management to assess the reliability and completeness of information provided, assess the internal control prevailing in the entity, verification,**
- **Practitioner submits report on unaudited financial statements to the client.**
- **Client submits the financial statement to statutory auditor for the audit purpose.**

If there is some non- compliance of ALRR, AS, Etc, then report to management to adjust, if management refused to adjust then report it to notes to account.

MANAGEMENT RESPONSIBILITIES: CMPSE

1. **Completeness and accuracy of underlying data and complete disclosure of all material and relevant information to the accountant.**
2. **Maintaining adequate accounting record and other record and internal control and selecting and applying appropriate accounting policies.**
3. **Preparation and presentation of financial statements in accordance with applicable law and regulation, in any.**
4. ***Establishing control to*** **Safeguard the assets of entity and preventing and detecting fraud or other irregularities.**
5. **Establishing control for ensuring that the activities of the entity are carried out in accordance with the applicable law and regulation and preventing and detecting and non-compliance.**

SQC -1: Quality Control for Firm that Perform Audits and Reviews of Historical Financial information, and other Assurance and Related Services Engagements.

INTRODUCTION

Applicable for all firms to ensure quality of A.R.

Elements of Quality Control (LRIAHEM)

1. **Leadership Responsibilities for Quality within the Firm:** Promote an internal culture based on established policy and procedure which ensure quality of audit report and Such culture should under firm leadership.
2. **Relevant Ethical Requirements:** Established policy and procedure that ensure firm's personnel comply with IOPCP.
3. **Independence:** Obtain annually in writing that firm's personnel are independent, unbiased and no relationship, interest exist with engagement.
4. **Acceptance and continuation of client relationship:** following point should be consider for Acceptance and continuation of client relationship.
   (i) Integrity of client.
   (ii) Competency of client.
   (iii) Compliance with Legal Ethical Requirement.
5. **Human Resources:** Firm should have sufficient personnel to perform the engagement and enable firm to issue report.
6. **Engagement Performance:** Engagement are consistently performed in accordance with Professional Standards and Regulatory legal requirement.
7. **Monitoring:** Ensure Policies and procedures relating to the system of Quality control are relevant, Adequate, Operating effectively, and complied with in practice.