



Presentation before JB Nagar CPE Study Circle of WIRC

**Practical Auditing Issues in Tax Audit & Companies Audit**

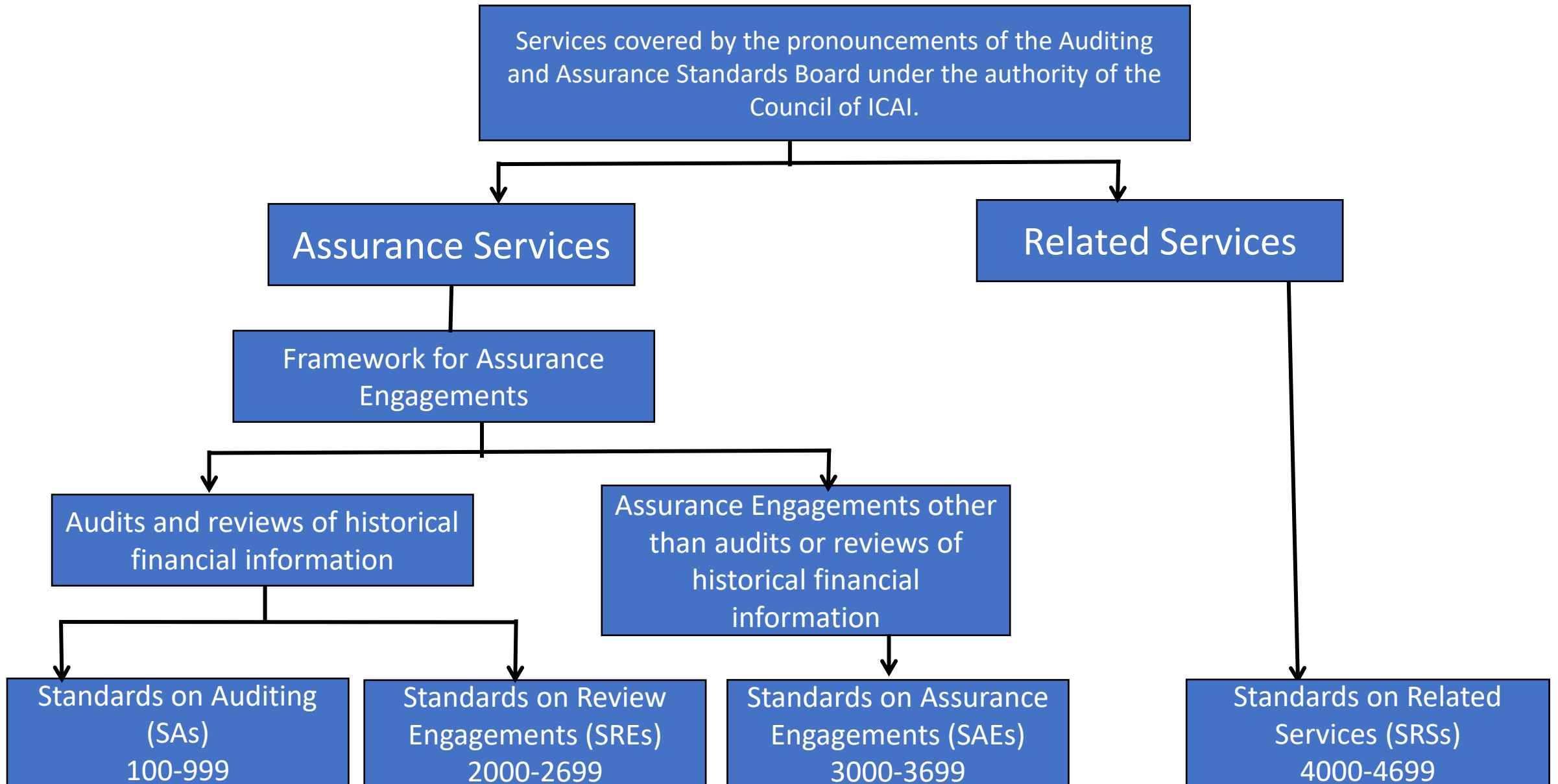
By CA. Manoj Fadnis  
Past President ICAI

# INDEPENDENT AUDITOR'S REPORT

## Basis for Opinion

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

# Standards on Quality Control (SQCs)



## **Standards on Auditing**

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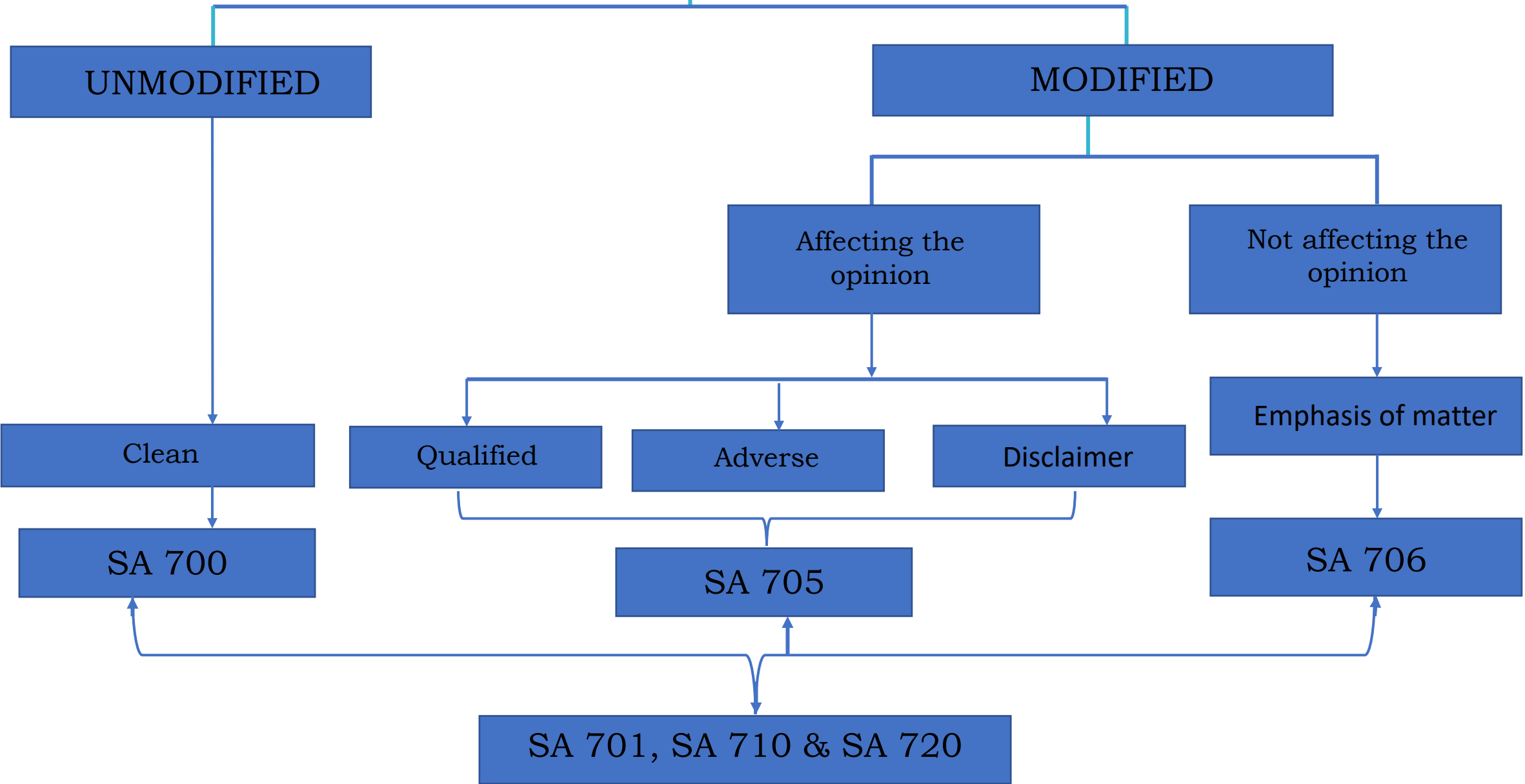
720 (Revised) The Auditor's Responsibilities Relating to Other Information

# Practitioner's Guide to Audit of Small Entities (Revised 2020)



**The Institute of Chartered Accountants of India**  
*(Set up by an Act of Parliament)*  
**New Delhi**

# AUDIT OPINION



# Types of Modified Opinions

<b>Nature of Matter Giving Rise to the Modifications</b>	<b>Auditor's Judgment about the pervasiveness of the Effects or Possible Effects on the Financial Statements</b>	
	<b>Material but Not Pervasive</b>	<b>Material and Pervasive</b>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of Opinion



## **SA 315**

### **Documentation**

32. The auditor shall document:

- (a) The discussion among the engagement team where required by paragraph 10, and the significant decisions reached;
- (b) Key elements of the understanding obtained regarding each of the aspects of the entity and its environment specified in paragraph 11 and of each of the internal control components specified in paragraphs 14-24; the sources of information from which the understanding was obtained; and the risk assessment procedures performed;
- (c) The identified and assessed risks of material misstatement at the financial statement level and at the assertion level as required by paragraph 25; and
- (d) The risks identified, and related controls about which the auditor has obtained an understanding, as a result of the requirements in paragraphs 27-30.

# **SA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements**

## **Discussion Among the Engagement Team**

15. SA 315 requires a discussion among the engagement team members and determination by the engagement partner of matters which are to be communicated to those team members not involved in the discussion. This discussion shall place particular emphasis on how and where the entity's financial statements may be susceptible to material misstatement due to fraud, including how fraud might occur. The discussion shall occur notwithstanding the engagement team members' beliefs that management and those charged with governance are honest and have integrity.

# General Risk Areas - Illustrative

- Recording of Revenue and items related thereto
- Physical Verification of Fixed Assets, title and checking of FAR with the GL balances
- Additions to Fixed Assets and Calculation of Depreciation under the Companies Act and Income Tax Act
- Physical Verification and Valuation of Inventory
- Confirmation of Balances of Debtors and Creditors
- TDS Compliances and Consequent Disallowances
- Capital raised and loans borrowed, Companies Acceptance of Deposit Rules
- Scrutiny of major expenses
- Other Legal and Regulatory Compliances, based on CARO, ICDS and Form 3CB

# SA 501 Audit Evidence – Specific Considerations for Selected Items

- Inventory
- Litigations
- Segment Information

## **SA 501 Audit Evidence – Specific Considerations for Selected Items**

### **Inventory**

4. When inventory is material to the financial statements, the auditor shall obtain sufficient appropriate audit evidence regarding the existence and condition of inventory by:

- (a) Attendance at physical inventory counting, unless impracticable, to: (Ref: Para. A1-A3)
  - (i) Evaluate management’s instructions and procedures for recording and controlling the results of the entity’s physical inventory counting; (Ref: Para. A4)
  - (ii) Observe the performance of management’s count procedures; (Ref: Para. A5)
  - (iii) Inspect the inventory; and (Ref: Para. A6)
  - (iv) Perform test counts; and (Ref: Para. A7-A8)
- (b) Performing audit procedures over the entity’s final inventory records to determine whether they accurately reflect actual inventory count results.

5. If physical inventory counting is conducted at a date other than the date of the financial statements, the auditor shall, in addition to the procedures required by paragraph 4, perform audit procedures to obtain audit evidence about whether changes in inventory between the count date and the date of the financial statements are properly recorded. (Ref: Para. A9-A11)

6. If the auditor is unable to attend physical inventory counting due to unforeseen circumstances, the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions.

7. If attendance at physical inventory counting is impracticable, the auditor shall perform alternative audit procedures to obtain sufficient appropriate audit evidence regarding the existence and condition of inventory. If it is not possible to do so, the auditor shall modify the opinion in the auditor’s report in accordance with SA 705(Revised)3 . (Ref: Para. A12-A14)

# Inventory Verification & Valuation

- Inventory if not verified, suitable disclosure to be made in Audit Report/Form 3CB
- CARO 2016 Clause (ii)
  - whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account;
- Valuation based on FIFO or Weighted Average
- Allocation of Production overheads based on normal level of production; actual level to be used if it approximates the normal level
- Standard cost method permissible under AS & Ind AS
- Cost or NRV which ever is lower to be considered; Estimates of NRV take into account the purpose for which the inventory is held; Events after the Balance Sheet date to be considered
- Write down of inventories to NRV & their reversal require disclosure as per AS 5
- ICDS II permits Standard Cost; Disclosure required of details of such inventories and a confirmation of the fact that standard cost approximates the actual cost;
- For shares held for trading Cost or NRV is to be determined individually and not category wise as per AS 13 whereas ICDS VIII requires comparison to be done category wise

# SA 501 Litigation

## Audit Procedure and Documentation

- (a) Inquiry of management and, where applicable, others within the entity, **including in-house legal counsel**;
- (b) Reviewing minutes of meetings of those charged with governance and correspondence between the entity and its external legal counsel; and
- (c) Reviewing legal expense accounts.
- (d) Written Representation from the Management

### **CARO 2016 Clause (vii) (a) and (b)**

(vii) (a) whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated;

(b) where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute)

## AS 29

### Illustration 8 :

#### A Court Case

After a wedding in 2004-05, ten people died, possibly as a result of food poisoning from products sold by the enterprise. Legal proceedings are started seeking damages from the enterprise but it disputes liability. Up to the date of approval of the financial statements for the year 31 March 2005, the enterprise's lawyers advise that it is probable that the enterprise will not be found liable. However, when the enterprise prepares the financial statements for the year 31 March 2006, its lawyers advise that, owing to developments in the case, it is probable that the enterprise will be found liable.

(a) At 31 March 2005 Present obligation as a result of a past obligating event - On the basis of the evidence available when the financial statements were approved, there is no present obligation as a result of past events. Conclusion - No provision is recognised (see definition of 'present obligation' and paragraph 15). The matter is disclosed as a contingent liability unless the probability of any outflow is regarded as remote (paragraph 68)

(b) At 31 March 2006 Present obligation as a result of a past obligating event - On the basis of the evidence available, there is a present obligation. An outflow of resources embodying economic benefits in settlement - Probable. Conclusion - A provision is recognised for the best estimate of the amount to settle the obligation (paragraphs 14-15)



# SA 502 External Confirmations

- Audit evidence is more reliable when it is obtained from independent sources outside the entity.
- Audit evidence obtained directly by the auditor is more reliable than audit evidence obtained indirectly or by inference.
- Audit evidence is more reliable when it exists in documentary form, whether paper, electronic or other medium.
- From whom to seek external confirmations depends on the Risk Assessment
  - Banks / Financial Institutions
  - Parties where outstanding are over due
  - Reconciliations are pending
  - Loans and Deposits and other Borrowings

**Debit and Credit balances subject to confirmation/ reconciliation in Notes is not appropriate/ adequate**

# SA 250 Considerations of Laws and Regulations in Audit of Financial Statements

- If the auditor concludes that the non-compliance has a material effect on the financial statements, and has not been adequately reflected in the financial statements, the auditor shall, in accordance with SA 705(Revised)6 , express a qualified or adverse opinion on the financial statements
- Non-compliance to be reported to Those Charged with Governance (TCWG)
- In case of Regulated entities; the Regulations often require direct reporting to the Regulator ( RBI directions in case of Banks & NBFCs)

## PRACTICAL APPLICATION OF SA 250

- Non compliance which affects the Going Concern – to be reported in the main body of the Report
- Non compliance with the Provisions of Companies Act
  - Provisions to be reported in CARO such as section 42,73, 185,186, 177 & 188, 192,197
  - Procedural non-compliances may be reported to TCWG, where impact on FS not material
- Non compliance with RBI directions in case of NBFC to RBI
- Penalty for contravention of Tax Laws not immediate and therefore provision not required in FS

**NOCLAR REPORTING UNDER CODE OF ETHICS FOR LISTED COMPANIES DEFERRED FOR THE TIME BEING**

# ISSUES IN TAX AUDIT

# Tax Audits & Engagement and Quality Control Standards

- ❖ Compliance with SAs is mandatory for an Auditor
- ❖ Financial Statements are General Purpose Financial Statements
- ❖ Without compliance with AS, the financial statements cannot be said to be giving true and fair view
- ❖ Taxation Audit Quality Review Board of ICAI reviewing the quality of the Tax Audit Reports

# SA 700 & Form 3 CB

- Requirements of SA 700
  - Opinion
  - Basis for Opinion
  - Responsibilities of Management and Those Charged with Governance for the Financial Statements
  - Auditor's Responsibilities for the Audit of the Financial Statements
- Form 3CB necessary information can be given in para 3 and 5 or else as attachments which should be referred to in the Form 3CB

FORM NO. 3CB [See rule 6G(1)(b)]

Audit report under section 44AB of the Income -tax Act 1961, in the case of a person referred to in clause (b) of sub - rule (1) of rule 6G 1.

\*I/we have examined the balance sheet as on, ....., and the \*profit and loss account/income and expenditure account for the period beginning from .....to ending on ....., attached herewith, of .....(Name), .....(Address), .....(Permanent Account Number).

2. \*I/we certify that the balance sheet and the \*profit and loss/income and expenditure account are in agreement with the books of account maintained at the head office at .....and \*\* .....branches.

**3.(a)\*I/we report the following observations/comments/discrepancies/inconsistencies; if any:**

(b) Subject to above, -

- (A) \*I/we have obtained all the information and explanations which, to the best of \*my/our knowledge and belief, were necessary for the purpose of the audit.
- (B) (B) In \*my/our opinion, proper books of account have been kept by the head office and branches of the assessee so far as appears from\*my/ our examination of the books.
- (C) In \*my/our opinion and to the best of \*my/our information and according to the explanations given to \*me/us, the said accounts, read with notes thereon, if any, give a true and fair view :-

- (i) in the case of the balance sheet, of the state of the affairs of the assessee as at 31st March; and
- (ii) in the case of the \*profit and loss account/income and expenditure account of the \*profit/loss or \*surplus/deficit of the assessee for the year ended on that date.

4. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No.3CD.

**5. In \*my/our opinion and to the best of \*my/our information and according to explanations given to \*me/us, the particulars given in the said Form No.3 CD are true and correct subject to following observations/qualifications, if any:**

- a. ....
- b. ....
- c. ....

(Signature and stamp/Seal of the Signatory)

Place: .....

Date: .....

# Mandatory Nature of AS for Tax Audits

It is hereby clarified that the mandatory accounting standards also apply in respect of financial statements audited under section 44AB of the Income-tax Act, 1961. Accordingly, members should examine compliance with the mandatory accounting standards when conducting such audit.

Published in 'The Chartered Accountant', August, 1994 (page 224)

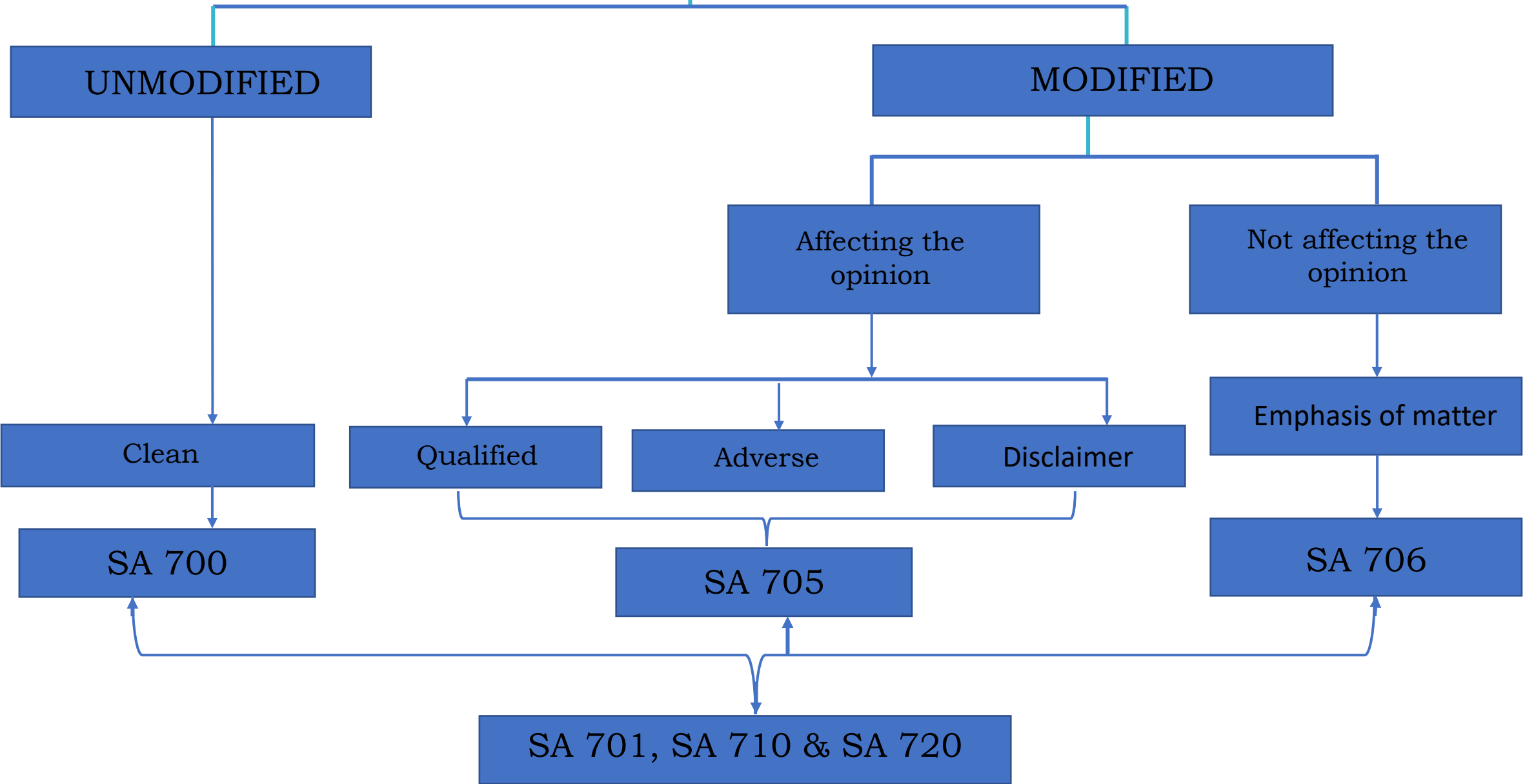


# EOM for Cash Method of Accounting

An example of a disclosure in the audit report of an enterprise which follows cash basis of accounting is given below:

“It is the policy of the enterprise to prepare its financial statements on the cash receipts and disbursements basis. On this basis revenue and the related assets are recognised when received rather than when earned, and expenses are recognised when paid rather than when the obligation is incurred. In our opinion, the financial statements give a true and fair view of the assets and liabilities arising from cash transactions of ..... at ..... and of the revenue collected and expenses paid during the year then ended on the cash receipts and disbursements basis as described in Note X.”

# AUDIT OPINION



# Types of Modified Opinions

<b>Nature of Matter Giving Rise to the Modifications</b>	<b>Auditor's Judgment about the pervasiveness of the Effects or Possible Effects on the Financial Statements</b>	
	<b>Material but Not Pervasive</b>	<b>Material and Pervasive</b>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of Opinion

# Audit Opinion wrt Tax Audit

## **Employees Contribution to PF beyond due date under PF Act**

- Gujrat HC in favour of Department  
CIT(A) v Gujarat State Road Transport Corporation [2014] 366ITR 170
- Bombay HC in favour of assessee  
Commissioner of Income-tax, (Central), Pune v. Ghatge Patil Transports Ltd [2014] 368 ITR 749 (Bombay HC) (2015)53 taxmann.com 141(Bombay)

## **Assessee following Bombay HC decision and if assessee is**

At Mumbai	Audit Report to be Unmodified
At Ahmedabad	Audit Report to be Qualified
At Indore	Audit Report to have EOM

**Presently Form 3CD requires only reporting and not Opinion**

# Different view from High Courts

## Accepting/ Repaying Loans/ Advances via Journal Entries:

- The provisions of Section 269SS of the Act does not get attracted merely for transfer of amount to a loan account in the form of book entry.

CIT Vs. Worldwide Township Projects Ltd., [2014] 367 ITR 433 (Delhi); CIT v Noida Toll Bridge Co Ltd (2003) 262 ITR (260)

- Where loan/ deposit has been repaid by debiting account through journal entries, 269T contravened. In absence of finding that the transaction was not bona fide, penalty under 271E cannot be imposed.

CIT Central IV v Triumph International (I) Limited 345 ITR 270 (Bom)

# ISSUES IN ICDS

- Accounting Policies for the purpose of ICDS accounting policies would mean the principles and methods of computation of total income. Different alternative methods may be prescribed by other specific ICDS – those methods adopted by an assessee would also be regarded as accounting policies for the purposes of this ICDS.

Para 5.3. of Technical Guide on ICDS issued by the DTC of the ICAI

- Adjustments will be required for
  - For Marked to Market Gains /Losses( other than Forward Contracts)
  - Unascertained liabilities/ provisions
- Disclosure w.r.t Accounting Policies for **Computation & NOT Accounts**
- MRL to be taken for the Computation policies as they are not as per the books of accounts audited
- Inclusive Method as per ICDS II read with sec 145A vs Exclusive Method under AS 2
- Revenue Neutral basis the Guidance Note on Tax Audit

# ISSUES IN ICDS

- Percentage completion method only recognised
- Contract revenue to be recognised when there is reasonable certainty of its ultimate collection
- Early stage of a contract not extend beyond 25 % of the stage of completion, revenue to be recognised only to the extent of cost incurred.
- Contract revenue to include the initial amount of revenue agreed in the contract, including retentions; and variations in contract work, claims and incentive payments
- The percentage of completion method s applied on a cumulative basis in each previous year to the current estimates of contract revenue and contract costs. Where there is change in estimates, the changed estimates shall be used in determination of the amount of revenue and expenses in the period in which the change is made and in subsequent periods.
- Foreseeable losses not to be allowed as deduction

# ISSUES IN ICDS

- Revenue from service transactions shall be recognised by the percentage completion method
- Service contracts with duration of not more than ninety days may be recognised when the rendering of services under that contract is completed or substantially completed
- Reasonable certainty doesnot apply for accrual of interest and it can be claimed only as a deduction u/s 36(1)(vii)
- Actual Cost of asset as per sec 43(1) of the IT Act; subsidy, if any, to be reduced from the cost.
- Depreciation as per the provisions of section 32. Date on which assets put to use based on MRL



# ISSUES ICDS

- Foreign exchange differences allowable as deduction except as provided under section 43A
- Section 43A is applicable only when the assets are acquired from a country outside India. FCL for assets acquired from India will not attract 43A
- Listed securities(quoted regularly) held as stock-in-trade shall be valued at actual cost initially recognised or net realisable value at the end of that previous year, whichever is lower. All other securities at Cost
- Comparison of actual cost initially recognised and net realisable value shall be done category wise and not for each individual security.

# ISSUES ICDS

- Borrowing cost to be capitalized when incurred upto the date the assets are put to use as against ready for use
- Tangible assets include land, building, plant & machinery, furniture, intangible assets and inventories requiring more than 12 months
- Temporary suspension not to cease capitalisation
- Income from surplus funds not to be netted against the borrowing costs.
- Definition of provision and liability in ICDS X same as in case of AS
- Judgements on unascertained liabilities may need a relook

# TDS

- Provisions of TDS to be extensively verified
- Decisions of High Courts and Tribunals can be relied on, preferred to make disclosures in the Other Reports
- Amount on which tax deductible to be matched with the amount in the P&L and the corresponding items in the Balance Sheet (where capitalised)
- Audit working papers for verification that the amount paid in advance has been subjected to TDS

# TDS

- Creation of various year end provisions for expenses, liability to deduct tax at source; else an unascertained liability
  - Inter Globe Aviation Ltd. v ACIT (2020) 207 TTJ (Del) 191
- Shortfall in TDS due to difference of opinion, assessee may be an assessee in default u/s 201, but not to be disallowed u/s 40(a)(ia)
  - CIT v S K Tekriwal (2013) 260 CTR (Cal.) 73
- Tax deductible under Chapter XVII B has to be understood as tax deductible as per appropriate provisions of Law. Wrong deduction will lead to disallowance
  - CIT v PV S Memorial Hospital Ltd. (2015) 60 taxmann.com 69

# Payments by A/c Payee Cheque/ Bank Drafts/ etc

- Payments in cash above the prescribed limits in 40A(3), 269 SS, 269T and 269ST to be reported
- Where the evidence is not available the disclaimer to be given (even by way of annexures to Form 3CD)
- Payments by Accounting Entries to be disclosed, differing views on the subject from different HC. Penalty proceedings, if any, can be contested by the assessee
- View of the auditor is not binding on the assessee
- Advance received against the agreement of sale of goods is not a loan or deposit- GN on Tax Audit



# PRACTICAL ISSUES IN COMPANY AUDIT

# Books of Account

Section 2(13) “books of account” to include records maintained in respect of—

- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- (ii) all sales and purchases of goods and services by the company;
- (iii) the assets and liabilities of the company; and
- (iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;

# Enquiry u/s 143(1)

- (a) whether loans and advances made by the company on the basis of security have been properly secured and whether the terms on which they have been made are prejudicial to the interests of the company or its members;
- (b) whether transactions of the company which are represented merely by book entries are prejudicial to the interests of the company;
- (c) where the company not being an investment company or a banking company, whether so much of the assets of the company as consist of shares, debentures and other securities have been sold at a price less than that at which they were purchased by the company;
- (d) whether loans and advances made by the company have been shown as deposits;
- (e) whether personal expenses have been charged to revenue account;
- (f) where it is stated in the books and documents of the company that any shares have been allotted for cash, whether cash has actually been received in respect of such allotment, and if no cash has actually been so received, whether the position as stated in the account books and the balance sheet is correct, regular and not misleading:



# Section 143(3)(f) and (h)

## Section 143(3)(f)

(f) the observations or comments of the auditors on financial transactions or matters which have any adverse effect on the functioning of the company;

## Guidance Note on Reporting under Section 143 (3)(f) and (h) of the Companies Act, 2013

- Scope of Audit not changed
- To apply professional judgement in considering matters of emphasis that may have an adverse effect on the functioning of the company.
- Ordinarily matters that are pervasive in nature such as going concern or matters that will significantly impact the operations of the company due to its size and nature will need to be reported
- Examples of emphasis of matter which may have an adverse effect on the functioning of the company include situations where:
  - the going concern assumption is appropriate but there are several factors leading to a material uncertainty that may cast a significant doubt about the Company's ability to continue as a going concern; or
  - a material uncertainty regarding the outcome of a litigation wherein an unfavourable decision could result in a significant outflow of resources for the company, etc. Examples of emphasis of matter which may not have an adverse effect on the functioning of the company include a situation where there is an emphasis of matter:

# Section 143(3)(f) and (h)

## Section 143(3)(h)

(h) any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith;

### Guidance Note on Reporting under Section 143 (3)(f) and (h) of the Companies Act, 2013

- Qualifications affecting the books of accounts need to be reported under this clause
- Emphasis of Matter is not qualification and need not be reported here
- Any material weakness in internal financial controls that is reported by the auditor under clause (i) of section 143(3) may not have an impact on the maintenance of books of account if such material weakness did not result in a modification to the opinion on the financial statements of the company.
- Where the material weakness in internal financial controls resulted in a modification to the audit opinion on the financial statements, then such modification may be covered for reporting under clause (h) of section 143(3)

# Preferential Allotment/ Private Placement of Shares- Section 42

- Private Placement to be offered to not more than 200 persons
- Offer to be in PAS 5; right of renunciation not available
- Share Application money to be received by cheque, DD or banking channel and **NOT IN CASH**
- Allotment to be made within 60 days
- Share application money to be kept in a separate bank account
- Section applied to allotment made by a subsidiary to a holding company
- Section applies to a Private Limited Company

# Companies Acceptance of Deposits

- Exemption to Private Companies from section 73
  - Deposits from members not exceeding 100% of paid up capital, free reserves and securities premium;
  - Start up for 5 years
  - Which is not an associate or subsidiary of another company
  - Borrowings from banks are less than twice of paid up capital, or 50 crores whichever is lower;
  - No default in repayment of borrowings
- Companies (Acceptance of Deposit) Rules, 2014 compliances to be verified
- Declaration from Directors/ Shareholders that money is from their own sources

# Section 185. Loans to Directors

- Company cannot give loans to
  - Directors of the Company or its Holding Company
  - Partner or relative of such a director
  - Firm in which such director is relative or partner
- Company can give loan subject to
  - Passing a special resolution
  - Borrowing company utilises the loan for its principal business activities
- Auditor to verify the parties based on the declarations given by the directors, preferable to retain a copy of the same as part of working papers

# Section 186 Loans & Investments

- Loans not to exceed 60% of paid up capital, free reserves and securities premium or 100% of free reserves & securities premium, whichever is more;
- Special resolution for loans and investments exceeding the above limits
- 186(4) disclosures of all loans and investments in the financial statements
- Loans to be given not below the prevailing yield of government securities

# Section 187 Investments in own name

- All investments in any property, security or other assets to be held in own name
- Auditor to verify the title of the investment/ property
- Common illustrations
  - Property not transferred in the name of the company; title deeds not clear etc..
  - Cars registered in the name of the directors
- Shares in the subsidiary can be held in the name of the nominees

# Related Party Transactions Sec 188

- Not applicable to a Private Company – Notification no GSR 464(E ) dated 5.6.2015
- Government companies exempted where transaction is with another government company or permission of the Govt is required
- Requirement for Audit Committee for all listed companies and public companies having turnover exceeding Rs 100 crores or borrowings exceeding Rs 50 crores.
- ‘Arms length transactions’ matter of professional opinion and auditor needs to document the basis



# Section 197 Managerial Remuneration

- Ceilings on Managerial Remuneration to be verified
- Sub-section (16) requires auditor to state u/s 143 whether the remuneration is in accordance with the provisions of the Act
- Reporting requirement u/ss (16) in addition to reporting requirement under CARO
- ICAI guidance on reporting under ss(16) – Other Matters

# Other Standards

# SA 701 Communicating Key Audit Matters

## Mandatory in case of Listed Entities

The auditor shall describe each key audit matter, using an appropriate subheading, in a separate section of the auditor's report under the heading "Key Audit Matters," unless the circumstances in paragraphs 14 or 15 apply. The introductory language in this section of the auditor's report shall state that:

- (a) Key audit matters are those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements [of the current period]; and
- (b) These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.

SA 710 Comparative Information-  
Corresponding Figures and Comparative  
Financial Information

# Audit Procedure

The auditor shall determine whether the financial statements include the comparative information required by the applicable financial reporting framework and whether such information is appropriately classified. For this purpose, the auditor shall evaluate whether:

- (a) The comparative information agrees with the amounts and other disclosures presented in the prior period; and
- (b) The accounting policies reflected in the comparative information are consistent with those applied in the current period or, if there have been changes in accounting policies, whether those changes have been properly accounted for and adequately presented and disclosed.

If the auditor becomes aware of a possible material misstatement in the comparative information while performing the current period audit, the auditor shall perform such additional audit procedures as are necessary in the circumstances to obtain sufficient appropriate audit evidence to determine whether a material misstatement exists.

- ❑ An item qualified last year but rectified during the current year need not refer to the previous years qualifications
- ❑ An item qualified last year but NOT rectified even during the current year should Qualified during the current year
- ❑ Previous Audit Report issued by other auditors'- Other Matters para to state that the audit report was issued by other auditors, the date and the type of opinion issued by them
- ❑ If previous years financial statements are unaudited the fact needs to be stated Other Matters

# SA 720 The Auditors Responsibilities Relating to Other Information

# Entities to which SA 720 applies

	<b>Listed Entities</b>	<b>Unlisted Corporate Entities</b>	<b>Unlisted Non-Corporate Entities</b>
All requirements except reporting requirements	Applicable	Applicable	Applicable
Reporting requirements	Applicable	Applicable	Not applicable



# Audit Procedure

- Obtain the Other Information
- Read and Consider the Other Information
- Respond when Material Inconsistency Appears to Exist
- Report

# Projected & Provisional Statements

- SAE 3400 Examination of Prospective Financial Information
- SRS 4410 Compilation Engagements

**UDIN**

A step in the right direction



**THANK YOU**

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