

## REPORTING ON FINANCIAL STATEMENTS (ISA 700 series)

### Types of Financial Reporting Framework (“FRF”)

Fair presentation Framework	Compliance Framework
<p>A framework which is designed to meet the common financial information needs of wide range of users.</p> <p>Requires achieving fair presentation of financial statements.</p> <p>Gives permission either to go for additional disclosure or amend requirement of FRF. However, Such departures are expected to be necessary only in extremely rare circumstances.</p>	<p>The term “compliance framework” is used to refer to a financial reporting framework that requires compliance with the requirements of the framework.</p> <p>It does not contain such permissions as given by fair presentation.</p>

### Elements of Audit Report

- (a) A **title**.
- (b) An **addressee**, as required by the circumstances of the engagement.
- (c) An **Opinion section** containing an expression of opinion on the financial statements and a reference to the applicable financial reporting framework used to prepare the financial statements (including identifying the jurisdiction of origin of the financial reporting framework that is not International Financial Reporting Standards or International Public Sector Accounting Standards).
- (d) When expressing an unmodified opinion, one of the two phrases may be used:
  - (1) In our opinion, the accompanying financial statements present fairly, in all material respects, [...] in accordance with [the applicable financial reporting framework]; or
  - (2) In our opinion, the accompanying financial statements give a true and fair view of [...] in accordance with [the applicable financial reporting framework].
- (e) An **identification of the entity’s financial statements** that have been audited.
- (f) A statement that the auditor is independent of the entity within the meaning of the [relevant ethical requirements or applicable law or regulation] and has fulfilled the auditor’s other responsibilities under those **ethical requirements**. If the independence and other ethical responsibilities are established by

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different sources, then the second part of the statement shall also specify the source of the other relevant ethical requirements.

- (g) A section that addresses the reporting requirements in proposed ISA 570 (Revised) relating to **going concern**.
- (h) Where applicable, a section that includes the information required by proposed ISA 701 for **Key Audit Matters or additional information**.
- (i) A section that addresses the reporting requirements in **proposed ISA 720** (Revised).
- (j) A description of the **responsibilities** of those responsible for the preparation of the financial statements.
- (k) A reference to International Standards on Auditing and the law or regulation and a **description of the auditor's responsibilities** for an audit of the financial statements.
- (l) For audits of financial statements of **listed entities**, the name of the engagement partner unless, in rare circumstances, such disclosure is reasonably expected to lead to a significant security threat to the individual.
- (m) The auditor's signature and address.
- (n) The date of the auditor's report.

Description of some areas:

### **Basis of opinion**

The auditor's report shall include a section with the heading "Basis for Opinion" that:

- States that the audit was conducted in accordance with ISA.
- Refers to the Auditor's responsibility section.
- Includes a statement that Auditor is independent of the entity.
- States that auditor has obtained reliable and sufficient evidence to form an opinion.

### **Auditor's Responsibility**

The auditor's report shall state that:

- (a) The objectives of the audit are to: (i) Obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error; and (ii) Issue an auditor's report that includes an opinion.
- (b) It shall also states reasonable assurance and materiality.
- (c) The Auditor's report shall further states about:

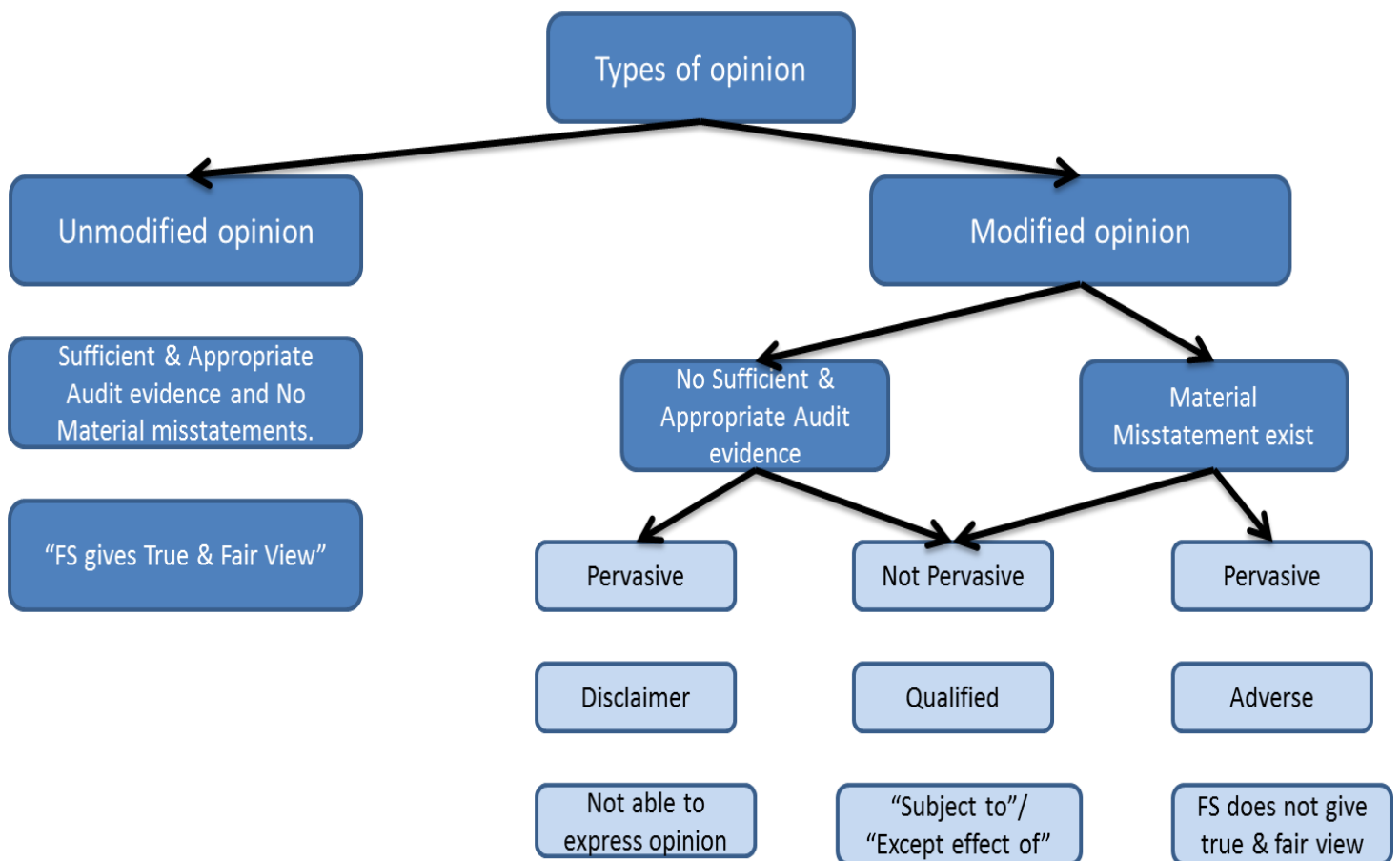
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- Risk of material misstatements.
- Understanding of Internal control.
- Appropriateness of accounting policies.
- Financial statements are prepared in accordance with a fair presentation framework.
- Further describes Auditor’s responsibility in group audit, if any.

### Other Reporting Responsibilities

If the auditor addresses other reporting responsibilities in the auditor’s report on the financial statements that are in addition to the auditor’s responsibilities under the ISAs, these other reporting responsibilities shall be clearly differentiated from reporting required by the ISAs.

### Modifications to the opinion in the Independent Auditor’s Report



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Some instances of modified opinion:

Qualified opinion	Adverse opinion	Disclaimer opinion
1. Depreciation is not charged.	1. Going concern assumption is inappropriate but still it is followed.	1. Multiple uncertainties exist and auditor is unable to determine possible effect on FS.
2. Interest wrongly capitalised with Fixed Assets.	2. Major subsidiary is not consolidated.	2. Books of accounts are seized by authority.
3. Long Term investments are not properly valued as per FRF.	3. Company prepares financial statements as per cash basis.	3. Going concern is doubtful and information is not specified in notes.
4. Auditor not allowed visiting.	4. Combination of points mentioned in qualified affecting major part of financial statements.	4. Limitation imposed by management has possible pervasive effect on FS.
5. Revenue expense shown as receivables.		

### Emphasis of matter paragraph and other matter paragraph to the Independent Auditor's Report

#### 1. Emphasis of Matter paragraph

A paragraph included in the auditor's report that refers to a matter which is appropriately disclosed and presented in the financial statements, that in his judgement is of such importance that is fundamental to users' understanding of financial statements.

Example:

- Major prior period items.
- Amalgamation during the year.
- Early application of new accounting standards.
- A significant subsequent event.
- An exceptional litigation or regulatory action.

Conditions:

- Auditor would not be required to modify the opinion.
- The matter has not been determined as a key audit matter.

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### 2. Other Matter Paragraph

A paragraph included in the Auditor's report that refers to a matter disclosed or presented in the financial statement, that, in the auditor's judgement, is relevant to the users' understanding of the Audit.

Circumstances:

- Audit was not conducted in the previous year.
- Someone else did audit in the previous year.
- Audit of branches, subsidiaries etc. are done by any other Auditor.
- Reporting on more than one set of financial statements.
- Reduction on distribution of use of Auditor's report.

Conditions:

- This is not prohibited by law and regulations.
- Has not determined to be key Audit Matter.

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