



STANDARDS ON AUDITING

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- **SA 701**- Communicating Key Audit Matters in Independent Auditor's Report.

STARTING WITH EXUBERANCE!

1. Why do you think Auditing Standards were framed?
2. Expand IAASB.
3. What are the various standards issued by the AASB?

INTRODUCTION

- To ensure that information provided in the financial statements are of **HIGH QUALITY** and are **ACCEPTABLE** worldwide
- The auditing standards board under the council of Institute of Chartered Accountants of India have formulated the standards.
- These standards are in line with the International Standards issued by the **INTERNATIONAL AUDITING AND ASSURANCE BOARD (IAASB)**.

VARIOUS STANDARDS ISSUED BY AASB

SQC's- Standards on Quality Controls.

SA's- Standards on Auditing.

SRE's- Standards on Review Engagements.

SAE's- Standards on Assurance Engagements.

SRS'- Standards on Related Services.

Guess 😊



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF OZFOREX GROUP LIMITED



Independent auditor's report to the members of OzForex Group Limited

Report on the financial report

We have audited the accompanying financial report of OzForex Group Limited (the company), which comprises the statement of financial position as at 31 March 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for OzForex Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the consolidated entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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SA 705

MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITOR'S REPORT

SA 700- FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS

The objectives of an auditor include:

1. Forming an opinion on financial statements that are based on the evaluation of conclusions which are drawn from audit evidence obtained
2. Expressing clearly such opinion via a written audit report

How to Form an Opinion on Financial Statements?

1. An auditor should form his/her opinion on such whether financial statements are prepared and presented, keeping in mind **all the material respects**, as per **financial reporting frameworks** as applicable.
2. In forming his/her opinion, the auditor should determine as to whether he/she has gathered **reasonable assurance** whether financial statements overall are free of any material misstatement, whether due to error or fraud.

3. The evaluation of the auditor as to whether financial statements provide a **true and fair** presentation must include the consideration of:

i. The overall structure, presentation, and content of financial statements

AND

ii. Whether such financial statements, including related notes, exhibit underlying events and transactions in a manner which achieves a fair presentation.

4. Whether the financial statement refers to or describe **the applicable financial reporting framework.**

Contents of Auditor's Report

- Title
- Addressee
- Auditor's Opinion
- Basis of Opinion
- Going Concern
- Key Audit Matters
- Management responsibilities for the Financial Statements
- Responsibilities for the Financial Statements
- Responsibilities of the Auditor for Audit of the Financial Statements
- Other Reporting Responsibilities
- Signature of the Auditor
- Place of Signature
- Date of the Auditor's Report

SA 705- MODIFICATIONS TO THE OPINION IN THE INDEPENDENT AUDITORS REPORT

The **OBJECTIVE** of the auditor is to express clearly an appropriately modified opinion on the financial statements that is necessary when:

(a) The auditor concludes, based on the audit evidence obtained, that the financial statements as a whole are not free from material misstatement;

OR

(b) The auditor is unable to obtain sufficient appropriate audit evidence to conclude that

the financial statements as a whole are free from material misstatement.

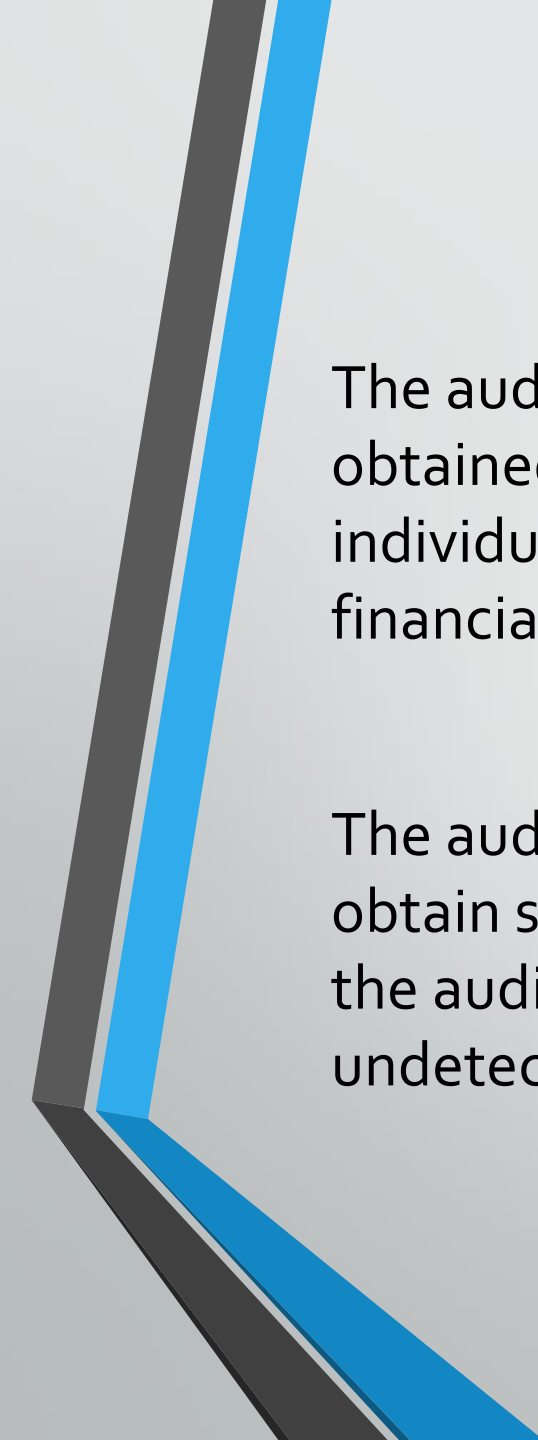
Determining the Type of Modification to the Auditor's Opinion

The auditor shall express a **QUALIFIED OPINION** when:

(a) The auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are **material, but not pervasive**, to the financial statements;

OR

(b) The auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be **material but not pervasive**.



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

The auditor shall **DISCLAIM AN OPINION** when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, **could be both material and pervasive**.

CAN YOU RELATE THESE IMAGES? 😊





SA 701

**COMMUNICATING KEY AUDIT
MATTERS IN THE INDEPENDENT
AUDITORS REPORT**

What does SA 701 say?

The **PURPOSE** of communicating key audit matters is:

- A). Enhancing the communicative value of the report of the auditor by offering better **transparency** about the audit which was executed.
- B). It offers **additional information** to users of such financial statements in assisting them to understand those matters which in the professional judgment of the auditor, were of critical importance in the audit of financial statements of the relevant period.
- C). It might also assist the users of such financial statements to understand the entity and also help in **understanding the areas of crucial management judgment** in such audited financial statements.

Communicating the **key audit matters** in auditor's report is:

- (a) Not a substitute for the **disclosures in financial statements** that relevant financial reporting framework necessitates management to make, or which are otherwise essential for achieving fair presentation
- (b) Not a substitute for an auditor **expressing his/her modified opinion** when circumstances of any specific audit engagement require such expression as per SA 705 (Revised)
- (c) Not a substitute to **report as per SA 570** (Revised) when any material uncertainty exists with respect to conditions or events which might bring substantial doubt on the ability of the entity in continuing as a going concern
- (d) Not a separate opinion on the individual matters

Guess this!!





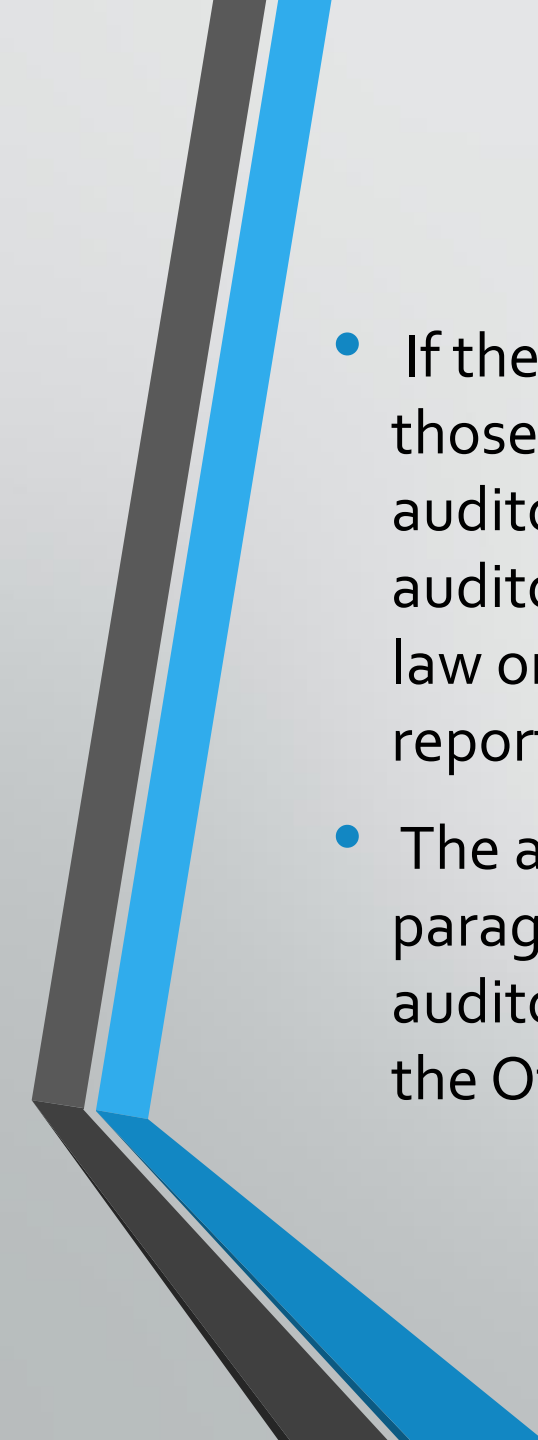
SINGAPORE

SA 706- EMPHASIS OF MATTER PARAGRAPHS AND OTHER MATTER PARAGRAPHS IN THE INDEPENDENT AUDITOR'S REPORT

The **OBJECTIVE** of the auditor, having formed an opinion on the financial statements, is to **draw users' attention**, when in the auditor's judgment it is necessary to do so, by way of clear additional communication in the auditor's report, to:

(a) A matter, although appropriately presented or disclosed in the financial statements, that is of such importance that it is **fundamental to users' understanding of the financial statements**; or

(b) As appropriate, any other matter that is relevant to **users' understanding of the audit**, the auditor's responsibilities or the auditor's report.

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- If the auditor considers it necessary to communicate a matter other than those that are presented or disclosed in the financial statements that, in the auditor's judgment, **is relevant to users' understanding of the audit**, the auditor's responsibilities or the auditor's report and this is not prohibited by law or regulation, the auditor shall do so in a paragraph in the auditor's report, with the heading "**Other Matter**", or other appropriate heading.
 - The auditor shall include this paragraph immediately after the Opinion paragraph and any Emphasis of Matter paragraph, or elsewhere in the auditor's report if the content of the Other Matter paragraph is relevant to the Other Reporting Responsibilities section



THANK YOU !