

**ISSUES ARISING OUT OF NEW AUDIT REPORT
FORMAT (SA-700)**

PRESENTATION

BY

CA. (Dr.) DEBASHIS MITRA

M.Com, LL.B, F.C.A, A.C.M.A, A.C.S, DISA (ICA), Ph.D.

INTRODUCTION

- ✓ **SA 700(Revised) applicable for Audit of Financial Statements for periods beginning on or after April 1, 2018.**
- ✓ **Audit Reports signed after 01-04-2018 pertaining to financial statements for periods beginning before April 1, 2018 will not be governed by SA 700 (Revised).**
- ✓ **SA 700 (Revised) applies to Audit of General Purpose Financial Statements.**
- ✓ **General Purpose Framework includes two sub Groups – a ‘ Fair Presentation Framework and a ‘ Compliance Framework’.**

CHANGE IN THE STRUCTURE OF THE INDEPENDENT AUDITOR'S REPORT

- **An overview of the key changes in the structure of the independent auditor's report is given below:**

Pre-revised SA 700	Revised SA 700
Report on the Financial Statements	Report on the Audit of the Financial Statements
<p>Title: Independent Auditor's Report</p> <ul style="list-style-type: none"> • Addressee: As per Engagement terms • Subtitle: Report on the Financial Statements • Introductory Paragraph: To mention <ul style="list-style-type: none"> - Whose Financial Statements are audited and period covered - Title of each statement in Financial Statements - Refer summary of significant accounting policies and explanatory Information 	<p>Title: Independent Auditor's Report</p> <ul style="list-style-type: none"> • Addressee: As per Engagement terms • Subtitle: Report on the Audit of the Financial Statements • Opinion: Including information to be mentioned in introductory paragraph before <ul style="list-style-type: none"> • Basis for Opinion • Emphasis of Matter • Key Audit Matters • Responsibilities of Management and Those Charged with Governance for the Financial Statements

CHANGE IN THE STRUCTURE OF THE INDEPENDENT AUDITOR'S REPORT (CONTD.)

Pre-revised SA 700	Revised SA 700
<ul style="list-style-type: none"> • Management's Responsibility for the Financial Statements • Auditor's Responsibility • Basis for modified opinion, if any • Auditor's Opinion • Emphasis of Matter • Other Matter • Subtitle: Report on Other Legal and Regulatory Requirements • Signature • Date • Place 	<ul style="list-style-type: none"> • Auditor's Responsibilities for the Audit of the Financial Statements • Other Matter • Subtitle: Report on Other Legal and Regulatory Requirements • Signature • Date • Place

RESPONSIBILITIES OF MANAGEMENT FOR THE FINANCIAL STATEMENTS

- **The Managements' responsibility section can not be qualified.**
- **Management is Responsible for assessing the Company's ability to continue as a going concern.**

KEY AUDIT MATTERS (SA 701)

- ✓ **Mandatorily required for listed Entities.**

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK

Independent Branch Auditor's Report

To,
The Statutory Central Auditors
_____ Bank

Report on the Audit of the Financial Statements

Opinion

1. We have audited the Financial Statements of _____ Branch of _____ (name of the Bank) which comprise the Balance Sheet as at 31st March 20XX, the Statement of Profit and Loss for the year then ended and other explanatory information [in which are included the Returns for the year ended on that date].
2. In our opinion, and to the best of our information and according to the explanations given to us, read with the Memorandum of Changes (mentioned in paragraph 7 below), the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, in the manner so required for bank and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs in case of the Balance Sheet of the branch as at March 31, 20XX and true balance of profit/loss for the year ended on that date.

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

BASIS FOR OPINION

- 3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with ethical requirements that are relevant to our audit of the financial statements in [jurisdiction], 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 opinion.*

MANAGEMENT'S RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

- 4. The Bank's management is responsible with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by ICAI, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time.*

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank 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.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

5. *Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.*

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

- *Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.*
- *Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.*
- *Report that the audit at branch level is not be able to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained at branch, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.*
- *Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.*

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

OTHER MATTER

6. No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central Office, including in respect of:

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

- (a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;*

- (b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 (Revised)–Employee Benefits' issued by the Institute of Chartered Accountants of India;*

- (c) Arrears of salary/wages/allowances, if any, payable to staff;*

- (d) Staff welfare contractual obligations;*

- (e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments;*

- (f) Interest on overdue term deposits;*

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK (CONTD.)

(g) Depreciation on fixed assets;

(h) Auditors' fees and expenses;

(i) Taxation (Current Tax and Deferred Tax);

(j) Any other provision made by Head Office.

7. The following is a summary of Memorandum of Changes submitted by us to the branch management.

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK (CONTD.)

Memorandum of Changes (summary)

	No.	Increase	Decrease
a) In respect of Income			
b) In respect of expenditure			
c) In respect of Assets			
d) In respect of Liabilities			
e) In respect of Gross NPAs			
f) In respect of Provision on NPAs			
g) In respect of Classification of Advances			
h) In respect of Risk Weighted Assets			
i) Other items (if any)			

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

8. *The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949;*

9. *Subject to the limitations of the audit indicated in paragraphs 4 to 6 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, we report that:*

- a. *We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;*
- b. *The transactions of the branch which have come to our notice have been within the powers of the Bank.*
- c. *the returns received from the branch have been found adequate for the purposes of our audit.*

ILLUSTRATIVE FORMAT OF REPORT OF BRANCH AUDITOR OF A NATIONALISED BANK(CONTD.)

10. We further report that:

- a. *in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;*
- b. *the Balance Sheet, and the Profit and Loss Account dealt with by this report are in agreement with the books of account;*
- c. *In our opinion, the Balance Sheet, and the Profit and Loss Account comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.*

For ABC and Co.
Chartered Accountants
Firm Registration No.

Place of Signature

Date

Signature
(Name of the Member Signing the Audit Report)
(Designation)
Membership Number

THANK
YOU!