

SA(800/805/810) SRE SAE SRS

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SA 800 805 810- IMP POINTS

- The Standards on Auditing (SAs) in the 100-700 series apply to an audit of financial statements prepared for general purpose i.e balance sheet/P&L prepared as per generally accepted financial reporting framework.
- This set of SA deals with special considerations in the application of those SAs to an audit of financial statements prepared in accordance with a special purpose
- These standards do not over ride the requirements of other SAs i.e. other SAs are to be considered for preparing financial statements under special purpose framework or preparing summary of financial statements.

SA 800- Special Purpose Framework

- This SA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. Example: preparing financial statements as per provisions of contract or as required for complying with regulator.
 - Obtain understanding of the purpose for which financial statements have been prepared, intended users and steps taken by management that AFRF is acceptable
 - Obtain an understanding of the entity's selection and application of accounting policies

SA 800- Special Purpose Framework

- It is Management's responsibility to determine that the applicable financial reporting framework is acceptable in the circumstances.
- The auditor's report on special purpose financial statements shall include an **Emphasis of Matter paragraph** alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose.

SA 805- Single FS or Specific Element

- This SA deals with special considerations in the application of those SAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. Example, A schedule of net tangible assets, including related notes.
 - In the case of an audit of a single financial statement or of a specific element of a financial statement, other SAs shall be observed.
 - If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement along with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement.

SA 805- Single FS or Specific Element

- An audited single financial statement or an audited specific element of a financial statement may be published together with the entity's audited complete set of financial statements (For example, inventory schedule- "production statistics" is published along with financial statement in annual report). If the auditor concludes that such presentation **does not highlight the difference** from *complete set of financial statements*, he shall ask management to rectify the situation.
- Even when the **modified opinion on the entity's complete set of financial statements**, Emphasis of Matter paragraph or Other Matter paragraph **does not relate to the audited financial statement or the audited element**, the auditor may still deem it appropriate to **refer to the modification in an Other Matter paragraph in an auditor's report on the financial statement or on the element** because the auditor judges it to be relevant to the users' understanding of the audited financial statement or the audited element or the related auditor's report
- IF auditor has expressed and adverse or disclaimer of opinion on single FS or a specific element then he shall not express an unmodified opinion on complete set of FS because single FS or specific element of FS is presumed to be a significant part of complete set of FS

SA 810- Summary FS

- This Standard on Auditing (SA) deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs by that same auditor. Example of Summary of financial statements- Summaries published in annual report or press notifications.
- The auditor shall, ordinarily, accept an engagement to report on summary financial statements in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the financial statements from which the summary financial statements are derived. (IT MEANS STATUTORY AUDITOR SHOULD BE INVOLVED IN PREPARING THE SUMMARY)

SA 810- Summary FS

- Obtain agreement from the management for its responsibility of preparing and presenting summary financial statements
- Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements.
- Evaluate whether the summary financial statements adequately disclose the applied criteria (APPLIED CRITERIA MEANS ON WHAT BASIS SUMMARY HAS BEEN PREPARED. FOR EXAMPLE, INCOME FROM OPERATIONS AND OTHER INCOME HAS BEEN CLUBBED AND SHOWN AS “INCOME” IN SUMMARY)
- Compare the summary financial statements with the related information in the audited financial statements for inconsistency, if any.
- Phrases for reporting
 - The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]
 - The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria]

SAE 3400- Prospective Financial Information (FORECAST)

- Before accepting an engagement to examine prospective financial information, the auditor would consider, amongst other things:
 - the intended use of the information;
 - whether the information will be for general or limited distribution;
 - the nature of the assumptions, that is, whether they are best-estimates or hypothetical assumptions;
 - the elements to be included in the information;
 - the period covered by the information.

SAE 3400- Prospective Financial Information (FORECAST)

- The auditor should not accept, or should withdraw from, an engagement when the assumptions are clearly unrealistic or when the auditor believes that the prospective financial information will be inappropriate for its intended use (or else guilty under clause 3 Part I of second schedule to CA ACT, 1949)
- The auditor should consider the extent to which reliance on the entity's historical financial information is justified
- If the audit or review report on prior period historical financial information was other than a clean report or if the entity is in a start-up/expansion phase, the auditor would consider the relevant facts and the effect on the examination of the prospective financial information.

SAE 3400- Prospective Financial Information (FORECAST)

- Following are some of the factors that are relevant to the auditor's consideration of the period of time covered by the prospective financial information:
 - The operating cycle, for example, in the case of a major construction project undertaken by a construction company, the time required to complete the project.
 - The degree of reliability of assumptions, for example, if the entity is introducing a new product, the prospective period covered could be short and broken into small segments, such as weeks or months
 - The needs of users, for example, prospective financial information may be prepared in connection with an application for a loan for the period of time required to generate sufficient funds for repayment.

SAE 3400- Prospective Financial Information (FORECAST)

- the auditor should consider matters such as:
 - the knowledge obtained during any previous engagements;
 - management's competence regarding the preparation of prospective financial information;
 - the likelihood of material misstatement;
 - the extent to which the prospective financial information is affected by the management's judgment;
 - the sources of information considered by the management for the purpose, their adequacy, reliability of the underlying data, including data derived from third parties, such as industry statistics, to support the assumptions;
 - the stability of entity's business;
 - the engagement team's experience with the business and the industry in which the entity operates and with reporting on prospective financial information.

SAE 3402- Assurance on Controls at Service Organisation

- It complements SA 402 (Refer SA 402 notes)
- This standard is meant for service auditor for factors to be considered while verifying controls of service organisation
- Description on internal controls will be prepared by service organisation and service auditor shall only provide assurance

SAE 3402- Assurance on Controls at Service Organisation

- Before agreeing to accept or continue, service auditor shall consider the following
 - Service Organisation has accepted its responsibility for implementation of internal controls and preparing its description and to provide all necessary information
 - Skills and competence of service auditor are adequate for the assignment
 - Restrictions on scope of assignment, if any.

SAE 3402- Assurance on Controls at Service Organisation- Audit Procedures

- Check whether description given by service organisation is adequate or not
- Method to be used- Carve out method (assurance on Service organisation controls)- Inclusive method (assurance on Service and subservice organisation controls)
- Report to be issued – Type A (design + description of controls) or Type B report (design + description + operating effectiveness of controls)
- Consider using the work of Internal Auditor, if any.
- Check whether
 - How control was applied
 - The consistency with which control was applied
 - By whom or by what means the control was applied

SRE 2400- Engagements to Review Financial Statements

- A practitioner, who is not the auditor of an entity, undertakes an engagement to review financial statements and on the form and content of the report that the practitioner issues in connection with such a review.
- A review engagement provides a moderate level of assurance that the information subject to review is free of material misstatement, this is expressed in the form of negative assurance
- To check whether anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework (negative assurance)
- Report format- Textbook

SRE 2400- Engagements to Review Financial Statements

- Procedures for the review of financial statements
- Obtaining an understanding of the entity's business and the industry in which it operates.
- Inquiries concerning the entity's accounting principles and practices.
- Inquiries concerning the entity's procedures for recording, classifying and summarising transactions, accumulating information for disclosure in the financial statements and preparing financial statements.
- Inquiries concerning all material assertions in the financial statements.
- Analytical procedures designed to identify relationships and individual items that appear unusual. Such procedures would include:
 - Comparison of the financial statements with statements for prior periods.
 - Comparison of the financial statements with anticipated results and financial position.
 - Study of the relationships of the elements of the financial statements that would be expected to conform to a predictable pattern based on the entity's experience or industry norm.

SRE 2410- Review of Interim Financial Information

- Provide guidance on the auditor's professional responsibilities when the auditor undertakes an engagement to review interim financial information of an audit client, and on the form and content of the report.
- Concept same as SRE 2400

SRS 4400- Agreed upon Procedures

- An engagement to perform agreed-upon procedures may require the auditor to perform certain procedures concerning individual items of financial data, say, accounts payable, accounts receivable, purchases from related parties and sales and profits of a segment of an entity, or a financial statement, say, a balance sheet or even a complete set of financial statements.
- The principles laid down in the other SAs, issued by the Institute of Chartered Accountants of India, may be used by the auditor, to the extent practicable, in applying this SRS.
- As the auditor simply provides a report of the factual findings of agreed-upon procedures, no assurance is expressed by him in his report.

SRS 4400- Agreed Upon Procedures

- Matters to be agreed include the following:
 - Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed.
 - Stated purpose for the engagement.
 - Identification of the financial information to which the agreed-upon procedures will be applied.
 - Nature, timing and extent of the specific procedures to be applied.
 - Limitations on distribution of the report of factual findings.

SRS 4400- Agreed Upon Procedures

- Independence is not a requirement for agreed-upon procedures engagement
- Where the auditor is not independent, a statement to that effect should be made in the report of factual findings.
- Report Format- Textbook

SRS 4410- Compile Financial Information

- to establish standards on professional responsibilities of an accountant when an engagement to compile financial statements or other financial information is undertaken
- The objective of a compilation engagement is for an accountant to use accounting expertise, as opposed to auditing expertise
- The scope of a compilation engagement would, normally, be defined by the instructions of the client

SRS 4410- Compile Financial Information

- Contents of letter of engagement
 - neither an audit nor a review will be carried out and that accordingly no assurance will be expressed.
 - engagement cannot be relied upon to disclose fraud or defalcations
 - Nature of the information to be supplied by the client.
 - Intended use and distribution of the information, once compiled.
 - Basis of accounting on which financial information is to be compiled
 - management is responsible to the users for the information to be compiled by the accountant.

SRS 4410- Compile Financial Information

- If the accountant becomes aware that the information is incorrect or unsatisfactory, the accountant should consider performing additional procedures
- The identified financial reporting framework and any known departures, should be disclosed within the financial information
- If the accountant becomes aware of material misstatements, he should persuade the management to carry out necessary amendments. If it is not done and the financial statements are still considered to be misleading, the accountant should withdraw from the engagement.
- The financial statements or other financial information compiled by the accountant should contain a reference such as “Unaudited,” “Compiled without Audit or Review” and also “Refer to Compilation Report” on each page of the financial information or on the front of the complete set of financial statements.