

ANNOUNCEMENT¹

Amendment to the “Auditor’s Responsibility” Paragraph Included in the Independent Auditor’s Report

1. The Council of the Institute of Chartered Accountants of India at its 329th Adjourned meeting held on 03rd and 04th January 2014, New Delhi noted that in the context of the “auditor’s responsibility”, paragraph 31(b) of the Standard on Auditing (SA) 700, *Forming An Opinion and Reporting on Financial Statements*, issued by the Institute, required the following to be mentioned in the auditor’s report:

“31. The auditor’s report shall describe an audit by stating that:

(b) The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements 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. In circumstances when the auditor also has a responsibility to express an opinion on the effectiveness of internal control in conjunction with the audit of the financial statements, the auditor shall omit the phrase that the auditor’s consideration of internal control is not for the purpose of expressing an opinion on the effectiveness of internal control; and”

(emphasis added)

2. The Council noted that the “Auditor’s Responsibility” paragraph as given in the illustrative formats of the independent auditor’s report, as given in the Appendix to SA 700 (and as a corollary, in the Appendices to SA 705² and SA 706³), however, did not contain such description that the auditor’s risk assessment and procedures were not designed for the purpose of expressing an opinion on the effectiveness of the entity’s internal controls.

3. The Council, accordingly, decided to amend the “Auditor’s Responsibility” paragraph in an independent auditor’s report as follows:

“An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of

¹ This announcement has been issued by Auditing and Assurance Standards Board under the authority of the Council of ICAI. (aasb@icai.in)

² SA 705, *Modifications to the Opinion in the Independent Auditors Report.*

³ SA 706, *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report.*

material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 management, as well as evaluating the overall presentation of the financial statements."

(the amendment is shown in the track changed mode)