



Sri Lanka Auditing Standard 700



The Auditors Report on Financial Statements

Effective for all audits commencing on or after 01
January 2010

15 October 2012

Introduction


The auditor should **review and assess** the conclusions drawn from **the audit evidence** obtained as the **basis** for the expression of an **opinion** on the financial statements.

✗ Financial Statements Prepared in accordance with an acceptable financial reporting framework - i.e. SLAS or relevant other standards or practices


✗ Financial Statements comply with Statutory requirements

The auditor's report should **contain a clear written expression of opinion** on the financial statements as a **whole**

Basic Elements of the Auditor's Report



CA
THE INSTITUTE OF
CHARTERED ACCOUNTANTS OF SRI LANKA



KPMG
Chartered Accountant Ltd
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Sri Lanka

SLAUS 700

INDEPENDENT AUDITORS' REPORT
TO THE SHAREHOLDERS OF [REDACTED]

Report on the Financial Statements

We have audited the accompanying financial statements of the "Company", which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. These standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.

[Signature]
Chartered Accountant
Colombo
25/05/2012



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INDEPENDENT AUDITORS' REPORT

Title

TO THE SHAREHOLDERS OF [REDACTED] (the "Company")

Addressee; Board of Directors

Report on the Financial Statements

We have audited the accompanying financial statements of [REDACTED] (the "Company"), which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.



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INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF [REDACTED] (the "Company")

Introductory para

Report on the Financial Statements

We have audited the accompanying financial statements of [REDACTED] (the "Company"), which comprise the balance sheet as at March 31, 2012, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Entity



Introductory Para
contd.

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An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.



Unless otherwise stated the auditing standards or practices followed are presumed to be those of the country indicated by the auditors address.

Scope of Audit and Basis of Opinion

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We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.



Opinion

In our opinion, so far as appears from our examination, the Company maintained proper accounting records for the year ended March 31, 2012 and the financial statements give a true and fair view of the Company's state of affairs as at March 31, 2012 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

or 'present fairly, in all material respects'

or other financial reporting

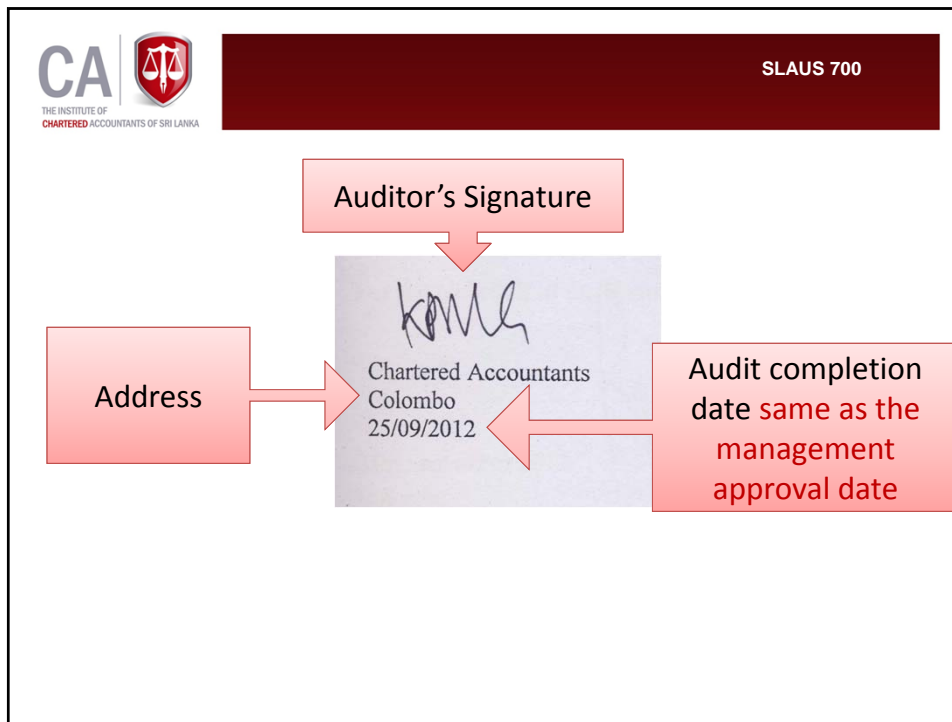
Unqualified opinion

Indicated implicitly that any changes in accounting principles or the method of their application, and the effects thereof, have been properly determined and disclosed in the financial statements.



Report on Other Legal and Regulatory Requirements

These financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007.



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Modified Reports


- Matters that do not affect the auditors opinion
 - **Emphasis of matter**
- Matters that do affect the auditors opinion
 - **Qualified opinion**
 - **Disclaimer of opinion**
 - **Adverse opinion**

Emphasis of matter


- Presented
 - **After** the opinion para.
- Used
 - to **highlight** a matter affecting the financial statements that is more extensively **discusses the matter s in a note.**
- When
 - **Significant uncertainty** the resolution of which is dependent upon future events
 - material matter regarding **Going concern**
 - Matters **other than those affecting financials**
E.g. amendment to an other information in a document and entity refuses to make the amendment

Matters that Do affect the Auditors Opinion


- Material matter
 - Limitation on the scope of the auditors work




Qualified
opinion
 - Disagreement with management re
 - acceptability of the accounting policies selected



Disclaimer
opinion
 - and the method of their application



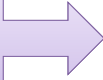
Qualified
opinion
 - or the adequacy of disclosures



Adverse
opinion



Qualified
opinion



A clear description of all the substantive reasons should be included in the report and unless impracticable, a **quantification of the** possible effect(s) on the financial statements- preceding the opinion. (if disclaimer reference to a more extensive discussion

- Auditor concludes that an unqualified opinion cannot be expressed but that the effect not so material and pervasive as to require an adverse or disclaimer of opinion.
- Expressed as being 'except for' the effects of the matter



Disclaimer
opinion



A clear description of all the substantive reasons should be included in the report and unless impracticable, a **quantification of the** possible effect(s) on the financial statements- preceding the opinion. (if disclaimer reference to a more extensive discussion

- Limitation of scope is so material and pervasive that the auditor has not been able to obtain sufficient appropriate audit evidence and accordingly unable to express an opinion.
- Significant multiple uncertainties

Adverse
opinion

- Effect of a disagreement is so material and pervasive that the auditor concludes that the qualification of the audit report is not adequate to disclose the misleading or incomplete nature of the financial statements.

A clear description of all the substantive reasons should be included in the report and unless impracticable, a **quantification of the** possible effect(s) on the financial statements- preceding the opinion. (if disclaimer reference to a more extensive discussion)

Limitation
of scope

Auditor should describe the limitation.

Imposed by the entity

- If the auditor believes that the terms of the proposed engagement results in a disclaimer opinion AUDITOR ordinarily NOT ACCEPT such an engagement.

Imposed by circumstance

e.g. timing of the auditor's appointment is such that the auditor is unable to observe inventory count
OR accounting records are inadequate (attempt **alternative procedures**)

Limitation
of scope

Qualified
opinion

Except as discussed in a following paragraph, we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our qualified opinion.

We did not observe the counting of the physical inventories as of March 31, 20X9, since that date was prior to the time we were initially engaged as auditors for the Company. Owing to the nature of the Company's records, we were unable to satisfy ourselves as to inventory quantities by other audit procedures.

In our opinion, so far as appears from our examination, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to physical inventory quantities, the Company maintained proper accounting records for the year ended March 31, 20X9 and the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph – paragraph 28 above)."

Limitation
of scope

Disclaimer
opinion

(Omit the sentence stating the responsibility of the auditor).

(The paragraphs discussing the scope of the audit and basis of opinion would either be omitted or amended according to the circumstances.)

We have not obtained adequate information and explanations as discussed in the following paragraph, for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our disclaimer of opinion.

(Add a paragraph discussing the scope limitation as follows:)

We were not able to observe all physical inventories and confirm accounts receivable due to limitations placed on the scope of our work by the Company.

*Because of the significance of the matters discussed in the preceding paragraph, **we do not express an opinion on the financial statements of the company.**"*

Disagreement

Acceptability of accounting
policies
Method
Adequacy of disclosures

Auditor should describe the
limitation.

Disagreement

Qualified
opinion

As discussed in Note X to the financial statements, no depreciation has been provided in the financial statements which practice, in our opinion, is not in accordance with Sri Lanka Accounting Standards. The provision for the year ended March 31, 20X9, should be xxx based on the straight-line method of depreciation using annual rates of 5% for the building and 20% for the equipment. Accordingly, the fixed assets should be reduced by accumulated depreciation of xxx and the loss for the year and accumulated deficit should be increased by xxx and xxx, respectively.

In our opinion, so far as appears from our examination, **except for the effect on the financial statements of the matter referred to in the preceding paragraph, the Company maintained proper accounting records for the year ended March 31, 20X9 and the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph – paragraph 28 above).**

Disagreement-
disclosure

*On January 15, 20X9, the Company issued debentures in the amount of xxx for the purpose of financing plant expansion. The debenture agreement restricts the payment of future cash dividends to earnings after March 31, 20X3. **In our opinion, disclosure of this information is required by ...***

Qualified
opinion

In our opinion, so far as appears from our **examination, except for the omission of the information included in the preceding paragraph**, the Company maintained proper accounting records for the year ended March 31, 20X9 and the financial statements give a true and ... (remaining words are the same as illustrated in the opinion paragraph – paragraph 28 above)."

Refer to the relevant statute or law.

Disagreement-
disclosure

(Paragraph(s) discussing the disagreement).

Adverse
opinion

In our opinion, so far as appears from our examination, **because of the effects of the matters discussed in the preceding paragraph(s), the financial statements do not give a true and fair view of the Company's state of affairs as at March 31, 20X9 and its profit and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.**"

Thank you.

