

Auditor: Power, Right, Duties, Responsibilities, Scope

What is an audit report?

An audit report is the ultimate product of every audit. It is nothing but a statement that combines all the observations made by an auditor while reviewing a company's financial statements. Through the medium of an audit report, an auditor accumulates the results of his audit and conveys his opinion on the financial statements of the client. Thus, it's an indispensable part of audit without which the auditing process can't complete. Also, law via Section 143(2), (3), & (4) of the Companies Act, 2013 mandates that an audit report duly signed by the auditor must be furnished & laid down before the members at the annual general meeting of the company.

This audit report is a reflection of an auditor's viewpoint on the real state of affairs of the company whose accounts have been examined by him. Since it reads an auditor's opinion on a company's records, it is highly used by different stakeholders and investors as a reliable source of information to assess the financial conditions of the company.

The auditor's report must include a clear written opinion on the financial information. A clean report signifies the satisfaction of the auditor in all respects and where a [qualified, adverse, or disclaimer of opinion](#) is to be given or a reservation of opinion on any matter is to be made, then the auditor must state the reasons thereof.

As stated previously, an audit report is addressed to the company's members and is considered at the AGM of the company. This report must be so drafted that it remains simple and understandable to a common man. Moreover, it should be explicit so as to give greater information and protection to the interests of shareholders and other parties. In case, any qualifications or adverse comments on the functioning of the company are specified in the auditor's report, then such observations are read out before the company in its general meeting.

Elements of an audit report

The following essentially form the elements of an audit report.

- An appropriate title, such as “Auditor’s Report” so that readers can easily identify and distinguish it from other reports.
- An addressee, i.e., usually the shareholders or board of directors of a company. It should be appropriately addressed as required by the engagement letter and legal requirements.
- Proper identification of the financial statements that have been audited, the name of the entity, the period under review, etc. The report must clearly identify the financial statements including trading & profit and loss account, balance sheet, cash flow statement, & statement of changes in equity.
- A statement specifying that the financial statements are the responsibility of the entity’s management and a statement stating that the auditor’s job is to merely offer an opinion on the financial statements based on the conduct of the audit.
- A reference to auditing standards to indicate that appropriate auditing standards or practices were followed in conducting the audit. It gives an assurance that the audit has been conducted as per set standards.
- The auditor’s opinion on the entity’s financial position and the results of its operations. He should state in the report that whether the client’s records truly reflect its state of affairs or not, whether any discrepancies are found in the books, and whether proper policies are followed as per applicable accounting standards, rules, and regulations. He must also comment on the adequacy of disclosures made in financials.
- Signature in the name of the auditor, audit firm, or partner of the firm practicing in India, as appropriate.
- The address of the auditor
- The date of the report

Contents of an Audit Report

The basic structure of an audit report as prescribed by the Standards on Auditing is as follows:

Heading	Brief of contents
Title	Title should mention that it is an 'Independent Auditor's Report'.
Addressee	Should mention clearly as to whom the report is being given to. For Members oMentions that it is the Management's responsibility to P Financial Statements. f the company, Board of Directors
Management's Responsibility for Financial Statements	
Auditor's Responsibility	Mention that responsibility of the Auditor is to express an unbiased the financial statements and issue an audit report.
Opinion	Should mention the overall impression obtained from the audit of fi statements. For example Modified Opinion, Unmodified Opinion
Basis of the Opinion	State the basis on which the opinion as reported has been achieved. basis should be mentioned.
Other Reporting Responsibility	If any other reporting responsibility exists, the same should be ment example Report on Legal or Regulatory requirements

Signature of the Auditor	The engagement partner (auditor) shall sign the audit report.
Place of Signature	The city in which audit report is signed.
Date of Audit Report	Date on which the audit report is signed.

What is an audit certificate?

Sometimes besides the issuance of an audit report for general purposes, an auditor is often called upon to issue a certificate for a specific purpose.

The word certificate refers to a written affirmation of the truth of the facts mentioned in the document and does not include any estimate or opinion. In an auditing context, an audit certificate is a written confirmation given by a professional accountant as regards the accuracy of a specific matter stated therein. This is not an opinion on all of the books of account of a client pertaining to a full year, rather it's only an affirmation issued to verify a particular matter as desired by the client.

Auditors should ensure that such a certificate is issued on their letterhead or on stationary carrying their name and address to avoid any misunderstanding.

Further, an auditor should maintain that the certificate is issued in accordance with the company's request and is given only for a specific purpose or for submission to any particular/specific authority. The same should not be given to any other authority or used for any other purpose without prior permission in writing.

There are a few more things that an auditor should take care of. To avoid any confusion, the auditor should state in the certificate if he made any basic assumptions. He should make a note of the facts and explanations gathered. The auditor should also give it a clear title that specifies whether it is a report or a certificate.

In addition, the auditor should address the certificate to the client, the Public Authority, or the person who requires it, as the case may be. In suitable cases, it may be issued with the phrase “to whomsoever it may concern.”

Example of an audit certificate

An auditor may be called upon to issue a certificate in many circumstances. For example, to certify the claim of GST refunds in excess of Rs. 2 lacs, a certificate from a cost accountant/chartered accountant is to be submitted along with the application for refund in Form GST RFD 01. Similarly, when a company applies for obtaining the status of a dormant company in Form MSC-1, it needs to attach an auditor’s certificate along with the application and also a statement of affairs duly certified by a chartered accountant (or auditors) of the company. Therefore, there are numerous instances where a company might need a certification from an auditor be it to certify its annual turnover, or for capital infusion, or for any purpose whatsoever as may be prescribed in different laws.

Sample Audit Certificate

A certificate format for GST refund under Rule 89(2)(m) of the CGST Rules, 2017

This certificate is to confirm that in respect of the refund that is amounting to Rupees —— (in words) claimed by M/s —— (the Applicant’s Name), having GSTIN/ Temporary ID —— for the tax period (fiscal year) ——, the incidence of tax, interest, or any other amount as claimed as refund, has not been passed on to any other person. This attestation is based on the examination of the books of account and other relevant records, returns, and particulars maintained/ furnished by the applicant.

Signature of the Chartered Accountant/ Cost Accountant:

Name:

Membership Number:

Place:

Date:

Comparison table of differences

The table below jots down all the differences between an audit report and an audit certificate:

Basis of difference	Audit Report	Audit Certificate
Meaning	An audit report is a summary of information gathered and reviewed in order to provide a clear picture of the company's affairs to those who do not have all of the facts.	An audit certificate is a documented assurance of the correctness of the information stated therein.
Opinion	The auditor's opinion on the fairness of financial statements is included in the audit report.	An audit certificate expresses no opinion rather just validates the correctness of some particular facts and figures in the accounts.
Use of data	The auditor creates an audit report based on the information gathered and the books of account that have been checked.	An audit certificate is created on the basis of only some specific data that can be verified for accuracy.
Extent of guarantee	In absolute terms, an audit report cannot guarantee the accuracy of financial statements.	An audit certificate guarantees the absolute accuracy of the data and information contained in the certificate.
Coverage	An audit report covers the entire accounts of the business as well as all transactions made during the year.	The scope of an audit certificate is very specific. It covers only a particular part of the accounts of the concern.
Responsibility	An audit report does not hold the auditor accountable for any irregularities in the finances. Nevertheless, it is the duty of every auditor to bring such irregularities to the notice of the management.	An audit certificate holds an auditor liable if anything indicated in the certificate is subsequently discovered to be incorrect.

Suggestions	An auditor may give constructive advice to the company and certain suggestions for improvement.	An audit certificate does not contain any suggestions.
Characteristics	Subjective and opinion-oriented	Objective and fact-oriented
How to present?	An audit report is to be presented in a prescribed format.	Except in a few cases, there is no standard format for an audit certificate.
Addressed to	It is addressed to the shareholders of the company at large or appointing authority.	An audit certificate is addressed to a certain person who requires it or may also include the phrase “to whomsoever it may concern”.
Periodicity	At the close of each year, a report of a statutory audit is mandatory to be produced.	It is prepared as per requirements.
Basis for verifying	Based on facts, assumptions, and estimations. For instance, an auditor uses test checking to verify a whole bunch of data by relying on the outcomes of only a sample part.	Based on actual facts. While giving a certificate, an auditor guarantees the correctness of facts and figures.

Difference between Audit Report and Audit Certificate

<https://finlawportal.com/>

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Source : <https://www.geektonight.com>