

FAQs based on Auditor's Opinion on financial statements

Q1. Is Auditor's Opinion on financial statements a compulsory field?

Ans. Yes, Auditor's Opinion on financial statements is a compulsory field for two categories only – 'GST & Tax Audit' and 'Audit & Assurance Functions'.

Q2. What details need to be entered in Auditor's Opinion on financial statements functionality?

Ans. The portal displays the question: *"Is Auditor's Opinion on financial statements applicable to this audit?"* Two options are available: Yes / No.

- **If "Yes":**

- Select **any one type of opinion** from the dropdown (Unmodified, Qualified, Adverse, or Disclaimer).
- Select **Yes/No** for one or more of the additional reporting in Auditor's Report — Key Audit Matter (KAM), Emphasis of Matter (EOM), Other Matter, and Material Uncertainty related to Going Concern.
- Select **Entity Type** from the dropdown — Listed or Non-Listed Entity.
- If **Listed Entity** is selected, proceed further.
- If **Non-Listed Entity** is selected, another dropdown will appear. Choose the appropriate type from the list, or select **"Others"** if not listed, and proceed further.

- **If "No":**

- No additional fields will appear, and the member can proceed further.

Q3. What would be a modified opinion?

Ans. In accordance with SA 705 (Revised) - Modifications to the Opinion in the Independent Auditor's Report, a modified opinion can be of three types – "Qualified Opinion", "Adverse Opinion", or "Disclaimer of Opinion" for giving a true and fair view on financial statements.

The following is an extract from SA 705 (Revised):

Types of Modified Opinions (Ref: Para. 2)

A1. The table below illustrates how the auditor's judgment about the nature of the matter giving rise to the modification, and the pervasiveness of its effects or possible effects on the financial statements, affects the type of opinion to be expressed.

<i>Nature of Matter Giving Rise to the Modification</i>	<i>Auditor's Judgement about the Pervasiveness of the Effects or Possible Effects on the Financial Statements</i>
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	<i>Material but Not Pervasive</i>	<i>Material and Pervasive</i>
Financial statements are materially misstated	Qualified opinion	Adverse opinion
Inability to obtain sufficient appropriate audit evidence	Qualified opinion	Disclaimer of opinion

Q4. While generating UDIN, the portal asks whether ‘Opinion is applicable to this audit.’ In which situation it is appropriate to select ‘No’?

Ans. The option “No” should be selected only where true and fair view of the financial statements is not required. SA 700 (Revised) – Forming an Opinion and Reporting on Financial Statements deals with the auditor’s responsibility to form an opinion on the financial statements. In order to form that opinion, the auditor shall conclude as to whether the auditor has obtained reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

Q5. Whether auditor’s opinion is required in case of concurrent audit/ stock audit/ revenue audit/ Internal audit/ valuation report/ system audit/ compilation engagements under SRS 4410?

Ans. No, auditor’s opinion is not required in case of above assignments.

Q6. Whether Auditor’s Opinion on financial statements is required for tax audit u/s 44AB of the Income Tax Act, 1961?

Ans. In case of tax audit, the auditor is required to give an opinion on the financial statements under Clause 3(b) of Form 3CB. Hence, in this case, the detail on Auditor’s Opinion on financial statements is required to be provided while generating UDIN.

Under Clause 3 of Form 3CA and Clause 5 of Form 3CB, the auditor expresses an opinion on the particulars given in Form 3CD. These clauses do not require an Auditor’s Opinion on the financial statements as is required under this functionality of UDIN.

Q7. Whether Auditor’s Opinion on financial statements is required for audits under Maharashtra Charitable Trust Act?

Ans. Yes, an auditor is required to frame his opinion on the financial statements under Maharashtra Charitable Trust Act.

Q8. How should the auditor comply with the requirements, where material uncertainty exists regarding the entity's ability to continue as a going concern?

Ans. The reporting on Material Uncertainty relating to Going Concern in the Auditor's Report shall be in accordance with SA 570 (Revised) – Going Concern and related technical literature of ICAI.

Q9. Whether a modification in reporting under audit trail is required to be reported under this functionality of UDIN?

Ans. Under Rule 11(g) of the Companies (Audit and Auditors) Rules, 2014, the auditor is required to report on certain aspects of audit trail by making specific assertion in the audit report under 'Report on Other Legal and Regulatory Requirements'. While reporting on audit trail, the auditor may modify his opinion under this clause. However, the same may not require modification under the main Auditor's Opinion on the financial statements and hence, would not be required to be reported under this functionality of UDIN.

Q10. Whether a modification in reporting under Internal Financial Controls over Financial Reporting is required to be reported under this functionality of UDIN?

Ans. Section 143(3)(i) requires the auditor's report to state whether the company has adequate internal financial controls system over financial reporting in place and the operating effectiveness of such controls. If there are deficiencies that, individually or in combination, result in one or more weaknesses, the auditor must evaluate the need to express a modified opinion on the company's internal financial controls over financial reporting. A modified report on internal financial controls over financial reporting does not in effect imply that the audit report on financial statements should also be modified and hence, would not be required to be reported under this functionality of UDIN.