SA 700–799: Audit Conclusion and Reporting

Wednesday, 17th June 2026 | Renai Cochin, Palarivattom, Ernakulam

Session Overview — Standards Covered

This session covers SAs 700–799, the final and most consequential stage of any audit engagement — Audit Conclusions and Reporting.

Standard	Title	Applicability
SA 700 (Revised)	Forming Opinion & Reporting on Financial Statements	All audits
SA 701 (New)	Communicating Key Audit Matters (KAM)	Listed entities + others by law
SA 705 (Revised)	Modifications to the Opinion	All audits
SA 706 (Revised)	Emphasis of Matter & Other Matter Paragraphs	All audits
SA 710	Comparative Information	All audits
SA 720 (Revised)	Auditor's Responsibilities Relating to Other Information	Annual reports

MODULE 1 — SA 700 (REVISED)

The Foundation of Audit Reporting

SA 700 is the bedrock standard — every audit report you sign is governed by it. The revised version (effective April 1, 2018) completely restructured the auditor's report, making it more transparent, informative, and globally aligned.

Forming the Opinion

Evaluate whether sufficient appropriate audit evidence has been obtained to conclude the financial statements are free from material misstatement.

Reporting the Opinion

Communicate that conclusion in a prescribed, structured written report — the sole public-facing product of the entire audit process.

SA 700 — Opinion Formation Checklist

Before signing the report, the auditor must conclude on **ALL** of the following. A deficiency does not automatically mean modification – it first requires professional judgment as to its materiality and pervasiveness.

Acceptable Framework

The financial reporting framework is acceptable for the entity's circumstances.

Appropriate Accounting Policies

Policies adopted are consistent with the applicable financial reporting framework.

Reasonable Estimates

Accounting estimates made by management are reasonable.

Quality of Information

Information is relevant, reliable, comparable, and understandable with adequate disclosures.

Appropriate Presentation

Overall presentation, structure, and terminology – including titles of each financial statement – are appropriate.

⚠ The auditor CANNOT form a valid opinion if ANY of the above is deficient.

SA 700 — Structure of the Revised Auditor's Report

The revised SA 700 prescribes a specific sequence. Deviation without legal justification is a non-compliance with the SA.

Mandatory Sections (1–7)

1. Title – 'Independent Auditor's Report' (word 'Independent' is mandatory)
2. Addressee – as required by law or regulation
3. Opinion Section – appears FIRST in the body
4. Basis for Opinion – independence statement + SA 700 para 28
5. Going Concern (if applicable) – per SA 570
6. Key Audit Matters (if applicable) – SA 701, listed entities only
7. Other Information (if applicable) – SA 720

Mandatory Sections (8–13)

1. Responsibilities of Management – preparation, internal controls, going concern
2. Auditor's Responsibilities – professional judgment, materiality
3. Report on Other Legal/Regulatory Requirements – CARO, IFC – placed AFTER main report
4. Signature – personal name + membership number + firm name + FRN
5. Place of Signature – city of signing
6. Date – not earlier than date of obtaining sufficient

⚠ Report dated before the Board Meeting is incorrect – the date must be on or after the Board resolution date.

SA 700 (REVISED) PRACTICAL CHECKLIST

What Every Auditor *Must* Get Right

Beyond structure, SA 700 mandates specific substantive requirements. Quality Review Board inspections repeatedly flag omissions in these areas – treat each item below as a non-negotiable obligation before signing any report.

Going Concern Evaluation

- Evaluate management's assessment for **12+ months** from reporting date
- Explicitly disclose material uncertainty if it exists
- Positively state 'no material uncertainty' if none is found
- Link conclusions to SA 570 going concern procedures

Basis for Opinion Paragraph

- State compliance with SAs – explicitly and unambiguously
- Refer to ethical requirements and the ICAI Code of Ethics
- Confirm sufficient appropriate audit evidence was obtained
- For PIEs: disclose PIE independence standards applied

QRB-Observed Non-Compliances

Missing UDIN in the physically signed report copy

Incorrect period reference in the introductory paragraph

Omitting CARO 2020 Clause (xxi) aggregation in consolidated reports

Using old, pre-Ind AS report format and non-Ind AS language

4. The auditors have qualified their report in respect of the following matters -

a) The Company had evaluated its claims in respect of on-going, completed and/or terminated contracts in the earlier periods which amount to Rs. 10.00 crore as at March 31, 2026 with the help of an independent expert in the field of claims and arbitration who had assessed the likely amount of claims being settled in favour of the Company. The management contends that there is no change in position during the year and the same are due to them and they have a very good chance of realisation.

b) Penal Interest Levy by Lenders- During the year ended March 31, 2026 some of the lenders have continued levying penal interest and charges amounting to Rs. 107.90 Crores (based on availability of Loan statements). Cumulative amount of such penal interest and charges amounts to Rs. 391.76 Crores (based on availability of Loan statements) up to March 31, 2026. The management is disputing the same and has not accepted the debit of penal interest and charges in its books. They have also requested the lenders to reverse the same.

In addition to above, an amount of Rs. 519.78 Crores towards penal interest and charges is levied by Asset Reconstruction company namely CFM Assets Reconstruction Company Private Limited (ARC). The said ARC has purchased the aforesaid debt from the company's lenders. On the request of the Company for settlement of debt, ARC has considered the request of settling the debt on the basis of outstanding principal amount and waiving off interest and penal charges which is in the process of approval senior management of ARC. The management of the Company believes that this is a high possibility and is actively working for settling the same.

Further the Company believes that the other lenders will accept similar settlement terms in the overall resolution plan. The resolution plan was approved by some of the lenders in

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verdict from the courts.

6. **Material Uncertainty Relating to Going Concern:**

The Company's operations have been affected in the last few years by various factors including liquidity crunch, unavailability of resources on timely basis, delays in execution of projects, delays in land acquisition, operational issues etc. The Company's overseas operations are characterized due to weak order booking, paucity of working capital and uncertain business environment. Also, the Company's current liabilities exceed the current assets by Rs 12,701.41 Crore as at March 31, 2026. The liquidity crunch is affecting the Company's operation with increasing severity. The Secured lenders have recalled the various Loans, initiated recovery suits in the Debt Recovery Tribunals as well as filing a winding up petition with the National Company Law Tribunal, Mumbai bench under the Insolvency and Bankruptcy code.

It only increased further in the quarter. The facilities of the Company with the Secured lenders are presently marked as NPA since June 2017. The liquidity crunch has resulted in several winding up petitions being filed against the Company by various stakeholders for recovery of the debts which the Company has been settling as per the mutually agreed repayment terms.

More than 50% of the debt has been assigned to two Asset reconstruction companies by the lenders. The Company is negotiating a proposal for waiver of interest and penal charges and a haircut on the principal outstanding. This is being done on the basis of a potential investor. The Company expects the remaining bankers to follow suit on similar lines. The Company has had positive discussions with the ARC companies and is hopeful of a resolution fructifying with them.

Therefore, the management continues to believe that going concern assumption is intact albeit with uncertainty in the area of acceptance by the lenders.

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MODULE 2 – SA 701

Key Audit Matters (KAM) — Who, What & How

SA 701 is a **new** standard that shifts the audit report from a pass/fail certificate to a meaningful communication document. KAMs are matters of **most significance** in the audit, selected from matters communicated to Those Charged with Governance (TCWG).

Filter 1: Significant Risk

Is this an area of significant risk of material misstatement (SA 315)

Filter 2: Auditor Attention

Did this require significant auditor judgment or attention during the audit?

Filter 3: Significance

Is this among the MOST significant matters in the overall audit? → Communicate as KAM.

SA 701 — KAM Applicability & Communication Structure

Who Must Report KAMs?

Category	Required?
Listed entities on Indian stock exchanges	YES – Mandatory
Unlisted companies – law requires it	YES – Mandatory
Unlisted companies – voluntary	YES – If auditor chooses

⚠ A KAM paragraph CANNOT substitute for a required disclosure. If the entity has not made a required disclosure, the auditor must modify the opinion – NOT merely include it as a KAM.

Three Mandatory Elements of Each KAM

01

Why it was a KAM

Explain why it required significant auditor attention and was of most significance.

02

How it was addressed

Describe audit procedures performed, results obtained, and key observations.

03

Cross-reference

Reference the relevant financial statement note(s) where the matter is disclosed.

SA 701 HIGH IMPACT

Communicating Key Audit Matters (KAMs)

SA 701 applies **mandatorily to listed entities** and may be applied voluntarily to others. KAMs are the matters that, in the auditor's professional judgement, were of most significance in the audit — not a modification, but a powerful communication of depth and rigour.

What Triggers a KAM?

- High estimation uncertainty (goodwill, provisions, fair values)
- Complex or significant transactions in the period
- Areas with high risk of material misstatement
- Matters requiring significant auditor judgement
- Impact of new accounting standards first applied
- Revenue recognition disputes or complex arrangements
- IT systems — cybersecurity & audit trail concerns
- Litigation and contingent liabilities assessment

3-Step KAM Determination Process

⚠ KAM is **NOT** a modification — it does not replace an Emphasis of Matter or a Qualification.

SA 701 EXAMPLES

How Leading Companies Draft KAMs

Examining actual audit reports of Indian listed companies provides invaluable insight into how KAMs are identified, described, and responded to in practice. These are not hypotheticals — these are live disclosures from major Indian corporates.

Tata Motors Ltd — AR 2023-24

KAM: Impairment Testing of Passenger Vehicle CGU. History of losses in the PV segment required rigorous impairment assessment. Management's judgements on recoverable value (VIU and FVLCD) involved highly sensitive assumptions. Auditors challenged CGU assumptions, engaged valuation experts, independently tested discount rates, growth projections, and assessed sensitivity analysis.

Reliance Industries Ltd — AR 2024-25

KAM: Litigation Matters. Complex tax litigation involving high management judgement on provisions and disclosures per Ind AS 37. **KAM: IT Systems Controls.** Cybersecurity and data transmission controls across multiple IT systems. Auditors engaged IT specialists; tested design, implementation, and operating effectiveness of controls.

SA 701 LIVE EXAMPLES – IT SECTOR

Revenue Recognition as KAM — A Sector Classic

For Indian IT companies, revenue recognition on fixed-price contracts is consistently the most significant audit matter. The examples below also highlight a critical emerging compliance area – the **Audit Trail Rule 11(g)** – where partial-year non-enablement must be specifically reported.

Infosys Ltd — AR 2023-24

KAM: Revenue Recognition – Fixed-Price Contracts

Why KAM: Estimation of total efforts and costs for fixed-price contracts requires significant management judgement. Complex IT delivery arrangements involve multiple performance obligations under Ind AS 115.
Auditor's Response: Selected samples of fixed-price contracts; independently assessed completion percentage and efforts-to-complete; tested controls over time-booking and billing systems.

TCS — AR 2024-25

Other Matters: Audit Trail (Rule 11(g))

Reporting: Audit trail (edit log) for payroll accounting software was **NOT enabled** for part of the year for certain master data – enabled in phased manner from May 2024 to March 2025.
Key lesson: Partial-year non-compliance must be specifically reported. A blanket statement that 'audit trail was enabled' without a caveat is a QRB non-compliance risk.

MODULE 3 – SA 706 (REVISED)

Emphasis of Matter & Other Matter Paragraphs

SA 706 provides two tools to highlight important matters **without modifying the opinion**.

Emphasis of Matter (EOM)

Draws attention to a matter **already properly disclosed in the FS** that is fundamental to users' understanding. Placed immediately after the Opinion paragraph. **Common uses:**

- Significant litigation uncertainty, early adoption of Going concern – material uncertainty properly disclosed
- First-year adoption of Ind AS
- Restatement of prior period financial statements
- Significant subsequent event post balance-sheet date
- Litigation with significant uncertainty but disclosed

Template: "We draw attention to Note [X]... Our opinion is not modified in respect of this matter."

Other Matter (OM)

Communicates a matter relevant to users' understanding of the audit or auditor's report – **not disclosed in the FS**. Placed after Opinion and any EOM paragraph. **Common uses:**

- Prior period FS audited by predecessor auditor
- Component auditors' reports relied upon (group audits)
- Restriction on distribution or use of audit report
- Voluntary reporting under SA 701 for non-listed entities
- Audit trail partial-year non-compliance (Rule 11(g))

Template: "The financial statements for the year ended 31st March 20XX were audited by another firm... Our opinion is not modified in respect of this matter."

SA 706

DRAFTING GUIDE

How to Draft EOM & OM — Right vs. Wrong

✓ Correct — EOM Paragraph (Going Concern)

> **Emphasis of Matter**
>
> We draw attention to Note 42 to the financial statements which describes the material uncertainty related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Note the specific cross-reference to Note 42, the precise language on 'material uncertainty', and the explicit statement that the opinion is not modified.

✗ Common Errors to Avoid

- Using EOM for matters **NOT disclosed** in FS – use OM instead
- Using EOM when the opinion should actually be **modified** (SA 705)
- Including EOM **without a specific note reference** – vague language
- Adding EOM for going concern when **NO material uncertainty** exists
- Heading as 'Note' or 'Important' instead of **'Emphasis of Matter'**
- Placing EOM **before** the opinion paragraph – wrong sequence

KAM vs. Emphasis of Matter — The Critical Distinction

This distinction trips up many practitioners. **KAM** is 'what kept the auditor up at night during the audit'; **EOM** is 'what the reader must absolutely focus on in the financial statements'.

Aspect	KAM (SA 701)	Emphasis of Matter (SA 706)
Purpose	Communicate most significant audit matters	Draw attention to a fundamental matter
Applicability	Listed entities only (mandatory)	All audits
Subject matter	Any significant audit matter (even if no misstatement)	Disclosed matter fundamental to users
Source	Matters communicated to TCWG	Matters properly presented/disclosed in FS
Placement in report	After Basis for Opinion section	After Opinion section (or after KAM)
Impact on opinion	Does NOT modify the opinion	Does NOT modify the opinion

For listed entities, if a matter qualifies as BOTH a KAM and an EOM, it must be reported as a KAM only. SA 706 specifically prohibits reporting the same matter as an EOM if it is already a KAM.

MODULE 4 — SA 705 (REVISED)

Modified Opinions — When Clean Is Not Possible

SA 705 governs the most consequential decision an auditor makes — whether to depart from an unmodified opinion. ICAI released a Practitioner's Guide on SA 705 in **February 2026**, underscoring its continuing importance.

Cause 1: Material Misstatement

Auditor has sufficient evidence but concludes the FS contains material misstatements — due to inappropriate policies, misapplication, or inadequate disclosures.

Outcomes: Qualified Opinion OR Adverse Opinion

Cause 2: Inability to Obtain Evidence

Auditor cannot obtain the evidence needed — due to management-imposed limitations, destroyed records, or inherent uncertainty about future events.

Outcomes: Qualified Opinion OR Disclaimer of Opinion

🛡️ Rajesh Exports Fraud (2026) – Audit Reporting Lessons

Key Failures by Auditors

- Ignored mismatch between **15.15 lakh crore turnover vs weak cash flows**.
- Did not challenge **receivables outstanding >2 years**.
- Blindly accepted **subsidiary consolidation (Switzerland, Singapore)** without verification.
- Failed to escalate **denial of access to records** → should have issued disclaimer of opinion.
- Overlooked **fund routing through promoter-linked entities**.

Why Early Detection Failed

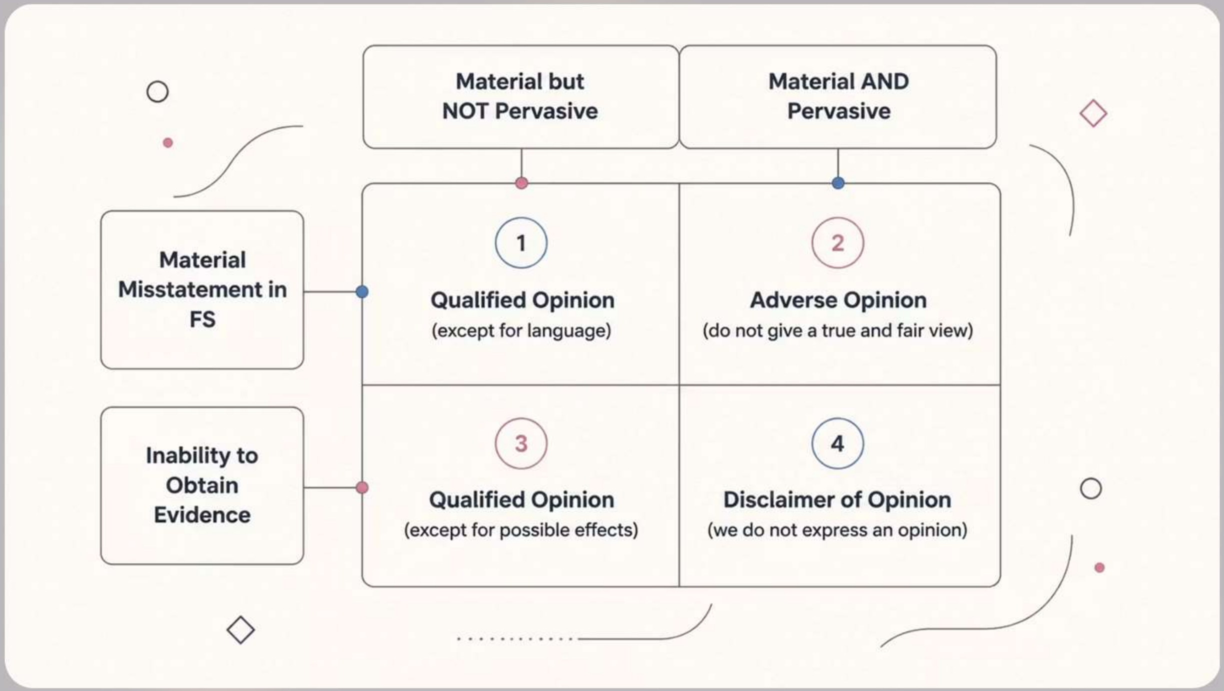
- Over-reliance on management representations.
- Weak analytical procedures & lack of industry benchmarking.
- Insufficient forensic tools (data analytics, confirmations).
- Failure to escalate scope limitations.

Precautions for Auditors

- Apply **professional skepticism** to unusual growth & receivables.
- Insist on access or issue disclaimer.
- Strengthen **related party testing** & bank confirmations.
- Benchmark revenues against industry peers.
- Use emphasis-of-matter for liquidity/going concern risks.
- Escalate concerns to **audit committees & regulators**.

SA 705 — The Modification Decision Matrix

The type of modification depends on the **severity** of the matter. 'Pervasive' is the dividing line between a Qualified and an Adverse or Disclaimer – it is a professional judgment, not a mathematical test.



⚠ The phrase 'subject to' or 'with the foregoing explanation' is PROHIBITED under SA 705. Always use 'except for' in a qualified opinion. When issuing a Disclaimer, you CANNOT include the standard 'Auditor's Responsibilities' paragraph – this would be contradictory.

SA 705 — Practical Scenarios Classification

Scenario	Classification	Reason
Management refuses to provide management representation letter	Disclaimer of Opinion	Scope limitation – SA 580 requires MRL
Depreciation not charged on all assets – material amount	Qualified Opinion	Material misstatement, isolated – not pervasive
Going concern assumption inappropriate; affects almost all balances	Adverse Opinion	Material and pervasive – affects all asset/liability values
Branch auditor's report not received for a 40% revenue branch	Disclaimer of Opinion	Inability to obtain evidence – potentially pervasive
Related party transactions not disclosed per Ind AS 24 – material	Qualified Opinion	Material disclosure omission – isolated to RP disclosures
Accounting policy changed mid-year without justification or disclosure	Qualified or Adverse	Depends on pervasiveness of impact on the FS

Going concern: If material uncertainty exists and adequate disclosure is made, use an UNMODIFIED opinion with a dedicated 'Material Uncertainty Related to Going Concern' section – NOT an EOM paragraph. This is a separate, mandatory section with its own specific heading.

MODULE 5 – SA 710

Comparative Information — Two Approaches

Corresponding Figures Approach

Prior period figures are included as part of current period statements. The auditor's opinion refers to the **current period only**. Standard practice for Indian companies under Companies Act, 2013.

Comparative Financial Statements Approach

Prior period FS are presented alongside current period – each set is independent. Opinion covers **both current AND prior period**. Less common in India; used in some regulatory filings.

⚠ If the auditor discovers that comparative figures in the prior year's report contained a material misstatement, steps must be taken to have the prior year FS corrected. If management refuses, the auditor must modify the current year report accordingly. If prior year was audited by a predecessor auditor, include an Other Matter paragraph under SA 706.

SA 720 (REVISED)

The Auditor's Duty Beyond the Financial Statements

SA 720 is one of the most under-appreciated standards in practice. It requires the auditor to **read and consider the entire annual report** — not just the audited FS. Failure to include the SA 720 section is a QRB-documented non-compliance.

What is 'Other Information'?

Annual reports, Directors' Report, MD&A, Sustainability Report, Corporate Governance Report, Chairman's Statement — anything in the annual report **beyond** the audited FS and the auditor's report itself.

Auditor's 3-Stage Obligation

01

Read Other Information

Review the entire annual report

02

Check Consistency

Compare other info with audited FS

03

Report Response

Describe findings in auditor's report

How to Respond When Inconsistency Is Found

Material Inconsistency with FS

Request management to correct FS or Other Information. If not corrected — MODIFY opinion (SA 705) if FS are misstated, OR include OM paragraph if Other Information is wrong.

Material Misstatement in Other Info Only

Discuss with management. Describe the material misstatement in the 'Other Information' section of the auditor's report.

No Material Inconsistency Found

State in the auditor's report: "We have read the other information... we have nothing to report in this regard."

MODULE 6 — SA 720 (REVISED)

Other Information in Annual Reports

SA 720 creates a mandatory obligation to **READ and ACT UPON** information in the annual report beyond the financial statements — including Directors' Report, MD&A, Corporate Governance Report, Chairman's Letter, ESG/BRSR, and CSR Report.

READ

Read all other information obtained or expected to be obtained before or after the date of the audit report.

COMPARE

Consider whether any material inconsistency exists between other information and the audited financial statements.

ASSESS

Determine if other information contains a material misstatement of fact during reading.

ACT & REPORT

Discuss with management, request correction, and include a dedicated 'Other Information' section in the auditor's report.

⚠ BRSR is now part of the Annual Report for top 1,000 listed companies. Auditors must READ the BRSR and check for material inconsistencies. Ignoring the BRSR is a non-compliance with SA 720. The 'Other Information' section is one of the most commonly missing sections flagged in peer review.

MODULE 7 – CASE STUDIES

Case Studies — Applying SA 700–799 in Practice

Case 1: The Silent Branch — ABC Limited

Branch contributing 35% revenue and 40% assets; branch auditor's report not received; inventory records incomplete. **Conclusion:** Disclaimer of Opinion – inability to obtain evidence is pervasive (35% revenue + 40% assets). Relevant CARO 2020 clauses on inventory and branch audit must be mentioned.

Case 2: The Going Concern Dilemma — XYZ Ltd (Listed)

Accumulated losses exceeding 50% of net worth; renegotiated loans; parent group support letter; 18-month cash flow projections; going concern uncertainty disclosed in Note 35. **Conclusion:** Unmodified opinion + 'Material Uncertainty Related to Going Concern' section. Going concern is likely a KAM. NOT an EOM – use the dedicated section.

Case 3: The MD&A Mismatch — PQR Ltd

Audited revenue ₽50 crore; MD&A states 'Revenue grew 25% to ₽60 crore'; Directors' Report mentions ₽5 crore export incentives not in FS. **Conclusion:** Material inconsistency under SA 720 – discuss with management, request correction. If management refuses, report the inconsistency in the 'Other Information' section. If FS itself is correct, main opinion need not change.

EMERGING LANDSCAPE

Developments Every Indian Auditor Must Watch

Global standard changes and their impact on SA 700–799 reporting

ISA 570 (Revised 2024) — Going Concern

IAASB approved in 2024. Effective for periods beginning **15 Dec 2026**. Significantly enhanced auditor evaluation requirements. Once adopted in India, will materially impact SA 570 and all going concern reporting under SA 700 and SA 706.

Narrow-Scope Amendment to ISA 700 (2023)

Requires auditors to publicly disclose when PIE (Public Interest Entity) independence requirements have been applied. New disclosure in 'Basis for Opinion' paragraph – directly relevant to all listed entity audits in India.

ICAI QRB: Non-Compliance Volumes 1, 2 & 3 (2024–25)

Three volumes documenting systemic audit report failures: UDIN omissions, wrong CARO clauses, boilerplate KAMs, missing Rule 11(g) disclosures, and incorrect treatment of EOM versus modified opinions.

Audit Trail Rule 11(g) — Phased Compliance Issues

As seen in TCS and other companies, partial-year enablement of audit trail must be specifically and precisely reported. Companies Act digital record requirements continue to evolve – auditors must upgrade testing procedures accordingly.

FUTURE OF AUDIT REPORTING

WHAT'S COMING NEXT

Sustainability, AI & Technology — The Next Frontier for SA 700–799

The audit reporting landscape is being reshaped by sustainability assurance mandates, artificial intelligence, and simplified standards for smaller entities. Indian CAs must proactively understand these developments now — not after they become mandatory.

ISSA 5000 — Sustainability Assurance (2024)

IAASB issued International Standard on Sustainability Assurance 5000 in 2024, creating a framework for assurance on ESG/BRSR reports. Indian CAs providing BRSR assurance under SEBI requirements must understand the interaction with SA 700 reporting — the standards are complementary but distinct.

BRSR Core — SEBI Mandatory Assurance (India)

SEBI mandates 'reasonable assurance' on BRSR Core metrics for **top-1,000 listed companies** from FY 2024-25. Auditors must report separately on BRSR. The format, opinion language, and limitations differ significantly from a standard SA 700 audit report.

AI & Technology — Impact on Audit Report Language

Increasing use of AI in audits (data analytics, automated confirmations, risk scoring) does NOT change SA 700 opinion language, but does impact the 'Auditor's Responsibility' description. ICAI is developing guidance on AI tool disclosures in audit reports.

ISA for Less Complex Entities (ISA for LCE) — 2023

IAASB issued a simplified standard for smaller entities. ICAI is studying adaptation for India. This may eventually create a simplified audit report format for non-PIE, smaller companies — a potentially significant development for practice across India.

PRACTICAL TOOL

BEFORE YOU SIGN

SA 700–799 Final Review Checklist

Use this master checklist as your final quality gate before signing any audit report. Each item corresponds to a specific standard obligation — and a documented QRB observation when missed.

- SA 700: Correct format used? Ind AS or AS? Listed or non-listed? All mandatory elements present?
- SA 700: Going concern — stated 'no material uncertainty' OR disclosed material uncertainty with EOM?
- SA 701: Listed entity? KAMs identified from TCWG matters? Each KAM has description + auditor response?
- SA 701: KAMs are entity-specific, NOT boilerplate? Documentation for 'no KAM' decisions maintained?
- SA 705: Modification warranted? Qualified / Adverse / Disclaimer — correct type chosen per pervasiveness test?
- SA 705: 'Basis for [X] Opinion' paragraph present and placed before the Opinion paragraph?
- SA 706: EOM — matter properly disclosed in FS? OM — relevant to understanding of audit, not in FS?
- SA 706: EOM/OM paragraphs placed AFTER Opinion paragraph (and after KAM section if applicable)?
- SA 710: Prior year comparative — OM paragraph included if predecessor auditor or unaudited? Restatement disclosed?
- SA 720: Entire annual report read? Material inconsistencies with FS identified and addressed in report?
- CARO 2020: All applicable clauses reported? Clause (xxi) group reporting completed correctly?
- Rule 11(g): Audit trail enabled for full year? Partial-year non-enablement specifically disclosed if not?

2026 UPDATE QUICK REFERENCE

2026 Audit Reporting Developments — At a Glance

A rapid-reference summary of the five developments that will define audit reporting practice in India over the next 24 months. Every practitioner should monitor each of these closely and update engagement templates accordingly.

ISA 570 (Revised 2024) — Enhanced Going Concern Reporting

Significantly expanded auditor evaluation obligations for going concern. Effective for periods beginning **15 December 2026**. Indian adoption will require updates to SA 570 and consequential changes to SA 700 and SA 706 report language. Auditors should review exposure drafts now.

PIE Independence Disclosure Developments

The IAASB narrow-scope amendment to ISA 700 mandates explicit disclosure of PIE independence standard compliance in the Basis for Opinion paragraph. This is an emerging requirement for all listed entity audits and must be factored into standard report templates immediately.

QRB Focus Areas — Boilerplate KAMs, Rule 11(g), CARO xxi, SA 720

ICAI QRB Volumes 1–3 (2024–25) identify these as the four highest-frequency non-compliances in SA 700–799 reporting. Audit firms should conduct internal file reviews specifically targeting these areas and update engagement quality control checklists.

ISSA 5000 — Sustainability Assurance & BRSR Core

IAASB's new sustainability assurance standard, combined with SEBI's mandatory BRSR Core assurance for top-1,000 listed companies, creates a new assurance reporting obligation distinct from SA 700. Practitioners must develop competency in sustainability reporting frameworks.

AI Governance & Audit Documentation

AI-driven audit tools (data analytics, automated sampling, risk scoring) are increasingly embedded in audit methodologies. While they do not change the SA 700 opinion language, they require updated Auditor's Responsibility descriptions and robust documentation of AI tool usage. ICAI guidance is forthcoming.

MODULE 8 — INTEGRATED FRAMEWORK

CARO 2020 & Audit Trail Reporting

CARO 2020 — Key Facts

Placed in 'Report on Other Legal and Regulatory Requirements' — **after** the main audit report. Applies to all companies except banking, insurance, Section 8 companies, and private limited companies with paid-up capital + reserves below ₽1 crore, or turnover below ₽10 crore, or total loans below ₽1 crore.

CARO requires the auditor to state **facts** — not express opinion. However, facts reported in CARO must be consistent with the main audit opinion. Material adverse CARO findings (unreported fraud, significant non-payment of statutory dues) may trigger a modification under SA 705.

Audit Trail — Rule 11(g)

From FY 2023-24 onwards, auditors must report on Audit Trail under Rule 11(g):

- Whether audit trail feature is enabled in accounting software throughout the year
- Whether audit trail was not tampered with
- Whether audit trail is preserved as per statutory requirements

⚠ If the audit trail feature was NOT enabled throughout the year, or was tampered with, the auditor CANNOT give a clean statement. This may impact the overall audit opinion.

MODULE 9 — UDIN

UDIN Updates — Opinion Disclosure from June 2025

From **June 20, 2025**, ICAI has made it mandatory to disclose the type of audit opinion when generating UDIN for statutory audits and tax audits.

Opinion Type Field

Unmodified / Qualified / Adverse / Disclaimer of Opinion — mandatory for all relevant audit functions.

Optional Flags

KAM reported (Y/N), EOM included (Y/N), Going Concern paragraph (Y/N), Other Matter paragraph (Y/N).

Confidentiality

Information remains confidential within ICAI's database — not visible to clients or third parties. Enables ICAI to track audit quality trends.

⚠ Compliance Risk

False information in UDIN can trigger disciplinary action under the CA Act, 1949. Always verify the signed report against the UDIN entry.

MODULE 10 — PEER REVIEW FINDINGS

Top Deficiencies in Audit Reporting

#	Deficiency	SA Violated	Risk
1	Missing or incomplete independence statement in Basis for Opinion	SA 700 para 28(e)	**HIGH**
2	Using outdated pre-2018 audit report format	SA 700 (Revised)	**HIGH**
3	Report dated before Board resolution date	SA 700 para 41	**HIGH**
4	'Other Information' section missing for listed/corporate entities	SA 720	**HIGH**
5	Using 'subject to' or 'with the foregoing' instead of 'except for'	SA 705 para A22	**HIGH**
6	Going concern uncertainty reported as EOM instead of dedicated section	SA 570 / SA 706	**HIGH**
7	KAM section missing in listed entity reports	SA 701	**HIGH**
8	Audit trail paragraph absent or generic without specific verification	Rule 11(g)	**HIGH**
9	CARO 2020 placed before main audit opinion instead of after	SA 700 structure	MEDIUM
10	Opinion paragraph not placed first in the body of the report	SA 700 (Revised)	MEDIUM

Key Takeaways — The Golden Rules of SA 700–799

SA 700 is the Mother Standard

Every audit report must comply with its structure, sequence, and content requirements.

Opinion First

The Opinion paragraph must come before Basis for Opinion — a fundamental structural change from the old format.

Independence is Mandatory

The independence statement must appear in every report in the exact manner prescribed.

Modification Trigger

Material misstatement or inability to obtain evidence. Pervasiveness determines type. Never use 'subject to'.

EOM ≠ Going Concern Section

Going concern uncertainty must be reported in a dedicated section, not as an EOM paragraph.

Read the Annual Report

SA 720 requires reading ALL content including BRSR. CARO and IFC come last — after the main audit report.

The audit report is the only product of the entire audit process that the public sees. Getting it right is not optional — it is the professional duty of every Chartered Accountant.