

J.K. SHAH[®]
CLASSES
CAFC → INTER CA → FINAL CA7

FINAL CA
MAY '19
REVISION NOTES

**Advanced Auditing and
Professional Ethics**

Part - I

AUDITING AND ASSURANCE STANDARDS

S.No	AAS	Title
1	SA 200	Overall Objectives of Independent Auditor and conduct of audit in accordance with Standards on Auditing
2	SA 210	Agreeing to the terms of audit engagement
3	SA 220	Quality Control for an Audit of Financial Statements
4	SA 230	Audit Documentation
5	SA 240	The Auditor's responsibilities Relating to Fraud in an Audit of Financial Statements
6	SA 250	Consideration of Laws and Regulations in an Audit of Financial Statements
7	SA 260	Communication with Those Charged with Governance
8	SA 265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
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10	SA 300	Planning an Audit of Financial Statements
11	SA 315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment
12	SA 320	Materiality in Planning and Performing an Audit
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38	SA 810	Engagements to Report on Summary Financial Statements
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40	SRE 2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity
41	SAE 3400	The Examination of Prospective Financial Information
42	SAE 3402	Assurance Reports on Controls At a Service Organisation
43	SAE 3420	Assurance Engagements to Report on Compilation of Pro forma financial information included in a prospectus
44	SRS 4400	Engagements to Perform Agreed Upon Procedures Regarding Financial Information
45	SRS 4410	Engagements to Compile Financial Information
46	SQC 1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements

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AUDITING AND ASSURANCE STANDARDS

1) Audit Report

Independent Auditor’s Report

To the Members of XYZ Ltd
Report on Standalone/Consolidated Financial Statements
Audit Opinion

Basis for opinion

Going Concern Paragraph

Key Matters Paragraph

Emphasis of Matter Paragraph

Other Matter Paragraph

Management’s Responsibility

Auditor’s Responsibility

Report on other Legal and Regulatory Requirements/ Statutory Reporting Requirement

Signature

Date:

Name

Place:

Membership Number

Firm Name

Firm Registration Number

Annexure A: Report on Internal Financial controls, if applicable u/s 143(3)(i) of Companies Act, 2013

Annexure B: Statement on CARO 2016, if applicable

Annexure C: Key audit Matters, if applicable and if required.

2) Audit Opinion

Opinion	Clean/Unqualified Opinion	Qualified Opinion	Adverse Opinion	Disclaimer of Opinion
Situation	Sufficient and Appropriate Audit Evidence has been obtained	Sufficient and Appropriate Audit Evidence has been obtained/ not obtained	Sufficient and Appropriate Audit Evidence has been obtained	Sufficient and Appropriate Audit Evidence is not available
Materiality effect	There are no material Misstatements	There are material Misstatements but not pervasive	There are material and pervasive Misstatements	Possible effect of undetected misstatements could be material and pervasive
Drafting	In our opinion and to the best of our information and according to the explanations given to us the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2XXX and profit/loss, (changes in equity) and its cash flows for the year ended on that date	In our opinion and to the best of our information and according to the explanations given to us, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the aforesaid financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31st, 2XXX and profit/loss, (changes in equity) and its cash flows for the year ended on that date	In our opinion and to the best of our information and according to the explanations given to us, because of the significance of the matter discussed in the Basis for Adverse Opinion section of our report, the accompanying financial statements do not give a true and fair view in conformity with the accounting principles generally accepted in India, of their consolidated state of affairs of the Group, its associates and jointly controlled entities, as at March 31, 20XX, of its consolidated profit/loss, (consolidated position of changes in equity)20 and the consolidated cash flows for the year then ended.	We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

3) Matters apart from Audit Opinion

<u>Paragraph</u>	<u>Emphasis of Matter</u>	<u>Other Matter</u>	<u>Going Concern</u>	<u>Key audit Matter</u>	<u>Report on other legal and regulatory requirements</u>
<u>Matter related to</u>	Financial Items/ Notes to accounts	Audit Procedures/ Scope of audit	Material uncertainty over going concern	Matters of utmost significance communicated with Those charged With Governance as per SA 260	Statutory Reporting Requirements- Matters prescribed by law
<u>Purpose</u>	To increase fundamental understanding of users of financial statements regarding financial items disclosed in financial statements	To increase understanding of the users of financial statements regarding the audit that was performed.	To increase understanding of the users of financial statements regarding the material uncertainty over going concern.	To bring transparency in the audit report and communicate matters of utmost significance for the users of financial statements	To comply with regulatory requirements and give comments on matters required by law
<u>Drafting</u>	We draw attention to Note X of the financial statements, which describes the effects of a fire in the Company’s production facilities. Our opinion is not modified in respect of this matter.	The financial statements of ABC Company for the year ended March 31, 20X0, were audited by another auditor who expressed an unmodified opinion on those statements on March 31, 20X1	We draw attention to Note XX in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company’s current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note XX, indicate that a material uncertainty exists 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.	Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.	Section 143(1) of Companies Act, 2013 + CARO 2016 + Sec 143(3) of Companies Act, 2013

4) Examples

Sr. No	Situation	Reporting requirements
1	There are Material Misstatements in the opening balances which have not been rectified	
2	Auditor was not allowed to attend physical verification of inventory without any reasonable justification	
3	X Ltd has adopted IND AS framework for the first time and accounting policies seem to be appropriate	
4	Subsequent events led to revision of audit report and auditor wants to describe the procedures which led to identification of such events and how report was revised	
5	There are Material uncertainties over going concern which have been adequately disclosed in financial statements	

CARO 2016

Applicability

It shall apply to every company including a foreign company as defined in clause (42) of section 2 of the Companies Act, 2013 (18 of 2013) [hereinafter referred to as the Companies Act], **except–**

- (i) A banking company as defined in clause (c) of section 5 of the Banking Regulation Act, 1949 (10 of 1949);
- (ii) An insurance company as defined under the Insurance Act,1938 (4 of 1938);
- (iii) A company licensed to operate under section 8 of the Companies Act;
- (iv) a One Person Company as defined under clause (62) of section 2 of the Companies Act and a small company as defined under clause (85) of section 2 of the Companies Act; and
- (v) A private limited company, not being a subsidiary or holding company of a public company, having
 - A) A paid up capital and reserves and surplus not more than rupees one crore as on the balance sheet date and
 - B) Which does not have total borrowings exceeding rupees one crore from any bank or financial institution at any point of time during the financial year and
 - C) which does not have a total revenue as disclosed in Scheduled III to the Companies Act, 2013 (including revenue from discontinuing operations) exceeding rupees ten crore during the financial year as per the financial statements.

Clauses

CI	Deals with	Bare Clause	Summarised Clause
i	Fixed Asset	(a) whether the company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets; (b) whether these fixed assets have been physically verified by the management at reasonable intervals; whether any material discrepancies were noticed on such verification and if so, whether the same have been properly dealt with in the books of account; (c) Whether the title deeds of immovable properties are held in the name of the company. If not, provide the details thereof	a) Records b) Physical Verification by management at reasonable intervals (atleast once in 3 years) c) Ownership of immovable properties
ii	Inventory	whether physical verification of inventory has been conducted at reasonable intervals by the management and whether any material discrepancies were noticed and if so, whether they have been properly dealt with in the books of account	Physical verification of inventory by management at reasonable intervals (atleast once in a year)
iii	Loans given to Related Parties	Whether the company has granted any loans, secured or unsecured to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under section 189 of the Companies Act, 2013. If so, (a) whether the terms and conditions of the grant of	IF loans are given then, a) whether terms are prejudicial to the interest of the company b) whether receipts are regular c) details of amount

		such loans are not prejudicial to the company's interest; (b) whether the schedule of repayment of principal and payment of interest has been stipulated and whether the repayments or receipts are regular; (c) if the amount is overdue, state the total amount overdue for more than ninety days, and whether reasonable steps have been taken by the company for recovery of the principal and interest	overdue for more than 90 days
iv	Compliance with Sec 185/186 of Companies Act, 2013	in respect of loans, investments, guarantees, and security whether provisions of section 185 and 186 of the Companies Act, 2013 have been complied with. If not, provide the details thereof.	Verify compliance with such laws
v	Acceptance of Public Deposits	in case, the company has accepted deposits, whether the directives issued by the Reserve Bank of India and the provisions of sections 73 to 76 or any other relevant provisions of the Companies Act, 2013 and the rules framed thereunder, where applicable, have been complied with? If not, the nature of such contraventions be stated; If an order has been passed by Company Law Board or National Company Law Tribunal or Reserve Bank of India or any court or any other tribunal, whether the same has been complied with or not?	a) Verify compliance with sec 73-76 of companies act, 2013 b) Verify compliance with any other regulatory orders
vi	Cost Records	whether maintenance of cost records has been specified by the Central Government under subsection (1) of section 148 of the Companies Act, 2013 and whether such accounts and records have been so made and maintained.	Maintenance u/s 148 of Companies Act, 2013
vii	Statutory Dues	(a) whether the company is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, income-tax, sales-tax, service tax, duty of customs, duty of excise, value added tax, cess and any other statutory dues to the appropriate authorities and if not, the extent of the arrears of outstanding statutory dues as on the last day of the financial year concerned for a period of more than six months from the date they became payable, shall be indicated; (b) where dues of income tax or sales tax or service tax or duty of customs or duty of excise or value added tax have not been deposited on account of any dispute, then the amounts involved and the forum where dispute is pending shall be mentioned. (A mere representation to the concerned Department shall not be treated as a dispute).	a) whether company is regular in depositing undisputed dues(details of amount overdue for more than 6months) b) details of legal dispute in case of disputed dues
viii	Default in Repayment Dues	whether the company has defaulted in repayment of loans or borrowing to a financial institution, bank, Government or dues to debenture holders? If yes, the period and the amount of default to be reported (in case of defaults to banks, financial institutions, and Government, lender wise details to be provided)	default in repayment of dues belonging to govt, banks, financial institution and debentureholders

ix	Utilisation of funds (IPO/FPO/TERM LOANS)	whether moneys raised by way of initial public offer or further public offer (including debt instruments) and term loans were applied for the purposes for which those are raised. If not, the details together with delays or default and subsequent rectification, if any, as may be applicable, be reported	whether funds are utilised for specified purposes
x	Fraud	whether any fraud by the company or any fraud on the Company by its officers or employees has been noticed or reported during the year; If yes, the nature and the amount involved is to be indicated	fraud by the company or on the company by its employees or officers noticed/reported during the year
xi	Managerial Remuneration	whether managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V to the Companies Act? If not, state the amount involved and steps taken by the company for securing refund of the same	As per Sec 197 of companies act, 2013
xii	Nidhi Company	whether the Nidhi Company has complied with the Net Owned Funds to Deposits in the ratio of 1: 20 to meet out the liability and whether the Nidhi Company is maintaining ten per cent unencumbered term deposits as specified in the Nidhi Rules, 2014 to meet out the liability	Nidhi rules, 2014 a) ten percent of total deposits should be kept as FD b) 1(owned funds):20(total deposits)
xiii	Related Party Transactions	whether all transactions with the related parties are in compliance with sections 177 and 188 of Companies Act, 2013 where applicable and the details have been disclosed in the Financial Statements etc., as required by the applicable accounting standards	a) Sec 177 and Sec 188 of companies act,2013 b) AS 18
xiv	Private Placement and Preferential Allotment	whether the company has made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review and if so, as to whether the requirement of section 42 of the Companies Act, 2013 have been complied with and the amount raised have been used for the purposes for which the funds were raised. If not, provide the details in respect of the amount involved and nature of non-compliance	Whether funds utilised for specified purposes
xv	Non Cash Transactions u/s 192 of Companies Act, 2013	whether the company has entered into any non-cash transactions with directors or persons connected with him and if so, whether the provisions of section 192 of Companies Act, 2013 have been complied with	Compliance with Sec 192
xvi	Registration Under RBI ACT, 1934	whether the company is required to be registered under section 45-IA of the Reserve Bank of India Act, 1934 and if so, whether the registration has been obtained	In case of NBFC, whether RBI registration obtained?

IFC-FR- Report upon adequacy and operating effectiveness about internal financial controls over financial reporting u/s 143(3)(i) of Companies Act,2013.**Applicability**

This requirement shall not apply to a Private company-

- a) Which is one Person Company or a small company.
- b) Which has turnover less than Rs. 50 crores as per latest audited financial statements **and** which has aggregate borrowings from banks or financial institutions or any body corporate at any point of time during the financial year less than Rs. 25 crores.

Requirement:

Sec 143(3)(i) of Companies Act, 2013 as amended by Companies Amendment Act, 2017

“whether the company is maintaining adequate “internal financial controls with reference to financial statements” in place and whether such controls are operating effectively.

SA 200 OVERALL OBJECTIVES OF THE INDEPENDENT AUDITOR AND THE CONDUCT OF AN AUDIT IN ACCORDANCE WITH STANDARDS ON AUDITING

1	<p>Objective:</p> <p>a) To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, enabling the auditor to express an opinion thereon</p> <p>b) To report on the financial statements, and communicate as required by the SAs, in accordance with the auditor’s findings</p>
2	Components of Audit Risk
a	Audit Risk- risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated.
b	Risk of Material Misstatement- risk that the financial statements are materially misstated prior to audit. It consists of the following
b-i	Inherent Risk: The susceptibility of an assertion to a misstatement before consideration of any related controls.
b-ii	Control Risk: risk that a misstatement that could occur will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control.
c	Detection Risk: The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists
3	<p>Premise related to Management’s responsibility regarding financial statements: Management and, where appropriate, those charged with governance have the following responsibilities that are fundamental to the conduct of an audit in accordance with SAs.</p> <p>a) For the preparation and presentation of the financial statements in accordance with the applicable financial reporting framework; this includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, whether due to fraud or error; and</p> <p>b) To provide the auditor with:</p> <p>(i) All information, such as records and documentation, and other matters that are relevant to the preparation and presentation of the financial statements;</p> <p>(ii) Any additional information that the auditor may request from management and, where appropriate, those charged with governance; and</p> <p>(iii) Unrestricted access to those within the entity from whom the auditor determines it necessary to obtain audit evidence</p>
4	Basic Principles Governing an audit and Compliance with ethical requirements is fundamental to achieve the objective as per SA 200
5	Compliance with SAs: In order to achieve overall objective, auditor needs to achieve objective of individual SA that is applicable to the engagement. In exceptional circumstances, he may perform alternate audit procedures to achieve the objective.
6	Failure to achieve an objective due to limitation on scope of audit will lead to modification to the opinion or withdrawal from the engagement.

SA 210 AGREEING TO THE TERMS OF ENGAGEMENT

1	Preconditions: If the preconditions for an audit are not present, the auditor shall discuss the matter with management. Unless required by law or regulation to do so, the auditor shall not accept the proposed audit engagement
a	Determine <i>whether the financial reporting framework</i> to be applied in the preparation of the financial statements is acceptable.
b	<i>Obtain the agreement of management</i> that it acknowledges and understands its responsibility as discussed in SA 200.
2	Letter of Engagement: The agreed terms of the audit engagement shall be recorded in an audit engagement letter
a	Contents (a) The objective and scope of the audit of the financial statements; (b) The responsibilities of the auditor; (c) The responsibilities of management; (d) Identification of the applicable financial reporting framework for the preparation of the financial statements; and (e) Reference to the expected form and content of any reports to be issued by the auditor
b	Reference to applicable law: If law or regulation prescribes in sufficient detail the terms of the audit engagement, the auditor need not record them in a written agreement, except for the fact that such law or regulation applies.
c	Recurring audits: On recurring audits, the auditor shall assess whether circumstances require the terms of the audit engagement to be revised and whether there is a need to remind the entity of the existing terms of the audit engagement.
3	Changes Prior to acceptance of audit: If management or those charged with governance impose a limitation on the scope of the auditor's work in the terms of a proposed audit engagement such that the auditor believes the limitation will result in the auditor disclaiming an opinion on the financial statements, the auditor shall not accept such a limited engagement.
4	Changes after acceptance of audit:
a	shall not agree to a change in the terms of the audit engagement where there is no reasonable justification
b	If the terms of the audit engagement are changed, record the new terms of the engagement in an engagement letter or other suitable form of written agreement.
c	If the auditor is unable to agree to a change of the terms of the audit engagement and is not permitted by management to continue the original audit engagement, the auditor shall: (a) Withdraw from the audit engagement where possible under applicable law or regulation; and (b) Determine whether there is any obligation either contractual or otherwise, to report the circumstances to other parties

SA 220 QUALITY CONTROL FOR AN AUDIT OF FINANCIAL STATEMENTS

1	<p>Objective: To implement quality control procedures at the engagement level that provide the auditor with reasonable assurance that:</p> <p>(a) The audit complies with professional standards and regulatory and legal requirements; and (b) The auditor's report issued is appropriate in the circumstances</p>
2	Compliance with ethical requirements
a	If matters come to the engagement partner's attention that the engagement team members have not complied with relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action
b	The engagement partner shall take appropriate action to eliminate such threats to independence or reduce them to an acceptable level or, if considered appropriate, to withdraw from the audit engagement.
3	Client acceptance and continuance procedure
a	Information such as the following assists the engagement partner in determining whether the conclusions reached regarding the acceptance and continuance of client relationships and audit engagements are appropriate: <ul style="list-style-type: none"> - The integrity of the principal owners, key management and those charged with governance of the entity; - Whether the engagement team is competent to perform the audit engagement and has the necessary capabilities, including time and resources; - Whether the firm and the engagement team can comply with relevant ethical requirements; and - Significant matters that have arisen during the current or previous audit engagement, and their implications for continuing the relationship.
4	Quality control Measures
a	Direction and Supervision
b	Review b Engagement Partner
c	Consultation
d	In case of Differences of opinion, engagement team shall follow the firm's policies and procedures for dealing with and resolving differences of opinion.
5	Engagement Quality control Review (EQCR): a process designed to provide an evaluation, before the report is issued, of the significant judgments the engagement team made and the conclusions they reached in formulating the report.
a	Applicability: <i>For audits of financial statements of listed entities,</i> and those other audit engagements, if any, for which the firm has determined.
b	Who can conduct EQCR: <ol style="list-style-type: none"> 1. a partner other than engagement partner 2. suitably qualified external person 3. team made up of individuals headed by a member of the Institute
c	Reviewer shall: <ol style="list-style-type: none"> 1. Discuss significant matters with the engagement partner. 2. Review of the financial statements and the proposed auditor's report 3. Review of selected audit documentation 4. Evaluation of the conclusions reached in formulating the auditor's report

SA 230 AUDIT DOCUMENTATION (WORKING PAPERS)

1	Definition: The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached.
2	Form Content and Extent of Documentation
a	The nature, timing, and extent of the audit procedures performed to comply with the SAs and applicable legal and regulatory requirements.
b	The results of the audit procedures performed, and the audit evidence obtained.
c	Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgments made in reaching those conclusions.
3	Factors affecting form content and extent of documentation
a	The size and complexity of the entity
b	The identified risks of material misstatement
c	The need to document a conclusion
d	The audit methodology and tools used
4	Ownership of Working Papers: Further, Standard on Quality Control (SQC) 1, "Quality Control", provides that, unless otherwise specified by law or regulation, audit documentation is the property of the auditor. He may at his discretion, make portions of, or extracts from, audit documentation available to clients.
5	Retention period: The auditor shall assemble the audit documentation within not more than 60 days after the date of the auditor's report. After the assembly of the final audit file has been completed, the auditor shall not delete or discard audit documentation of any nature before the end of its retention period- 7 Years from the date of Principal Auditor's report.
6	Purpose of Maintaining Working papers: (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; (b) Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements. (c) Assisting the engagement team to plan and perform the audit. (d) Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with SA 220. (e) Enabling the engagement team to be accountable for its work. (f) Retaining a record of matters of continuing significance to future audits. (g) Enabling the conduct of quality control reviews and inspections in accordance with SQC (h) Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.

SA 240 AUDITOR'S RESPONSIBILITIES IN RELATION TO FRAUD IN AN AUDIT OF FINANCIAL STATEMENTS

1	Primary responsibility of fraud: The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
2	Auditor's responsibility
a	Two types of intentional misstatements are relevant to the auditor– misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets.
b	Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the SAs.
c	The risk of the auditor not detecting a material misstatement resulting from management fraud is greater than for employee fraud, because management is frequently in a position to directly or indirectly manipulate accounting records.
3	Fraud Risk factors Events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. A) Incentives/Pressures- Example- High degree of competition or market saturation, accompanied by declining margins B) Opportunities- Example- Minimal laws and regulation over taxation and audit requirements C) Attitudes/Rationalizations- Example- Known history of violations of securities laws or other laws and regulations
4	Risk Assessment Procedures
a	Make inquiries of management regarding: i. Management's assessment of the risk of fraudulent financial reporting and misappropriation of assets ii. Management's process for identifying and responding to the risks of fraud in the entity iii. Management's communication, if any, to employees regarding its views on business practices and ethical behaviour iv. Whether they have knowledge of any actual, suspected or alleged fraud affecting the entity
b	Make inquiries of those charged with governance regarding: i. their knowledge of any actual, suspected or alleged fraud affecting the entity. ii. understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity.
c	Evaluate whether the information obtained from the other risk assessment procedures as per SA 315 and related activities performed indicates that one or more fraud risk factors are present.
5	Further audit procedures
a	Assign and supervise personnel taking account of the knowledge, skill and ability of the individuals to be given significant engagement responsibilities.
b	Test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements especially select journal entries and other adjustments made at the end of a reporting period.
c	For significant transactions that are outside the normal course of business for the entity, the auditor shall evaluate whether the business rationale (or the lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.
d	When the auditor identifies a misstatement, the auditor shall evaluate whether such a misstatement is indicative of fraud. If there is such an indication, the auditor shall evaluate the implications of the misstatement in relation to other aspects of the audit
6	Withdrawal from the engagement:

	<p>If the auditor withdraws:</p> <p>(i) Discuss with the appropriate level of management and those charged with governance, the auditor's withdrawal from the engagement and the reasons for the withdrawal; and</p> <p>(ii) Determine whether there is a professional or legal requirement to report to the person or persons who made the audit appointment or, in some cases, to regulatory authorities, the auditor's withdrawal from the engagement and the reasons for the withdrawal</p>
7	Reporting responsibility as per Companies Act, 2013
a	as per section 143(12) of the Companies Act, 2013 , if an auditor of a company, in the course of the performance of his duties as auditor, has reason to believe that an offence involving fraud is being or has been committed against the company by officers or employees of the company, he shall immediately report the matter to the Central Government within 60 days of his knowledge and after following the prescribed procedure.
b	to report as per Clause (x) of Paragraph 3 of CARO, 2016, if there is any fraud on or by the company has been noticed or reported during the year. The nature and the amount involved are to be indicated.

SA 250 CONSIDERATIONS OF LAWS AND REGULATIONS

1	Auditor is concerned with
a	AFRF- Applicable Financial Reporting Framework
b	Other laws materially affecting financial statements
b-i	Direct effect- on the determination of material amounts and disclosures in the financial statements such as tax and labour laws.
b-ii	Indirect effect- Other laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements.
2	Audit procedures to verify compliance
a	Risk assessment procedures as per SA 315: The auditor shall obtain a general understanding of: (1) The legal and regulatory framework applicable to the entity and the industry or sector in which the entity operates; and (2) How the entity is complying with that framework
b	Shall obtain sufficient appropriate audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial statements.
c	Procedures for laws having indirect effect: (a) Inquiring of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations; and (b) Inspecting correspondence, if any, with the relevant licensing or regulatory authorities
d	Shall request management and, where appropriate, those charged with governance to provide written representations that all known instances of non-compliance or suspected non-compliance with laws and regulations have been disclosed to the auditor.
3	Audit procedures when non-compliance is identified/suspected
a	If the auditor becomes aware of information concerning an instance of noncompliance or suspected non-compliance with laws and regulations, the auditor shall obtain: (a) An understanding of the nature of the act and the circumstances in which it has occurred; and (b) Further information to evaluate the possible effect on the financial statements
b	If management or, as appropriate, those charged with governance do not provide sufficient information that supports that the entity is in compliance with laws and regulations and, in the auditor's judgment, the effect of the suspected non-compliance may be material to the financial statements, the auditor shall consider the need to obtain legal advice.
4	Reporting Responsibilities
a	Reporting Non-Compliance to Those Charged with Governance: 1. Shall communicate with those charged with governance matters involving noncompliance. 2. If the auditor suspects that management or those charged with governance are involved in non-compliance, the auditor shall communicate the matter to the next higher level of authority at the entity, if it exists. 3. Where no higher authority exists, the auditor shall consider the need to obtain legal advice.
b	Reporting Non-Compliance in the Auditor's Report on the Financial Statements: 1. Non-Compliance has not been properly accounted- Either Qualified or Adverse Opinion 2. Auditor has not been given sufficient information to verify compliance with such laws- Qualified or Disclaimer of opinion.
c	Reporting Non-Compliance to Regulatory and Enforcement Authorities: determine whether the auditor has a responsibility to report the identified or suspected non-compliance to parties outside the entity (because auditor is not expected to perform duties beyond his scope)
5	Relationship with Clause vii of CARO 2016: Clause vii deals with Statutory dues which is required under applicable laws and regulations.

SA 260 COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

1	<u>Matters to be communicated</u>
a	The Auditor's Responsibilities in Relation to the Financial Statement Audit
b	Planned Scope and Timing of the Audit- How the auditor plans to address the significant risks of material misstatement, Auditor's approach to internal control relevant to the audit.
c	Significant Findings from the Audit
c-i	The auditor's views about significant qualitative aspects of the entity's accounting practices, including accounting policies, accounting estimates and financial statement disclosures
c-ii	Significant difficulties, if any, encountered during the audit. Example: Significant delays, unwillingness by management to provide information necessary, unavailability of expected information.
d	Auditor's Independence: A statement that the engagement team and others in the firm as appropriate, the firm and, when applicable, network firms have complied with relevant ethical requirements regarding independence.
2	Factors governing Mode of Communication
a	Significance of the matter
b	Requirements of applicable laws and regulations
c	Expectations of those charged with Governance.
3	Relationship with SA 701: SA 701 deals with Key audit matters: These matters are selected from matters communicated with those charged with Governance as per SA 260.

**SA 265 COMMUNICATING DEFICIENCIES IN INTERNAL CONTROL TO THOSE
CHARGED WITH GOVERNANCE AND MANAGEMENT**

1	Deficiency in internal control – This exists when: (i) A control is designed, implemented or operated in such a way that it is unable to prevent, or detect and correct, misstatements in the financial statements on a timely basis; or (ii) A control necessary to prevent, or detect and correct, misstatements in the financial statements on a timely basis is missing
2	Contents of Communication
a	A description of the deficiencies and an explanation of their potential effects
b	Sufficient information to enable those charged with governance and management to understand the context of the communication. In particular, the auditor shall explain that: 1. Purpose of the audit was for the auditor to express an opinion on the financial statements. 2. Matters being reported are limited to those deficiencies that the auditor has identified during the audit.
c	Recommendations for improvement in the internal control system.
3	Examples of Significant deficiency- Factors to be considered
a	The susceptibility to loss or fraud of the related asset or liability
b	The financial statement amounts exposed to the deficiencies
c	The importance of the controls to the financial reporting process

SA 299 RESPONSIBILITIES OF JOINT AUDITORS

1	<p>Joint audit Plan:</p> <p>The joint auditors shall jointly establish an overall audit strategy that sets the scope, timing and direction of the audit, and that guides the development of the audit plan.</p> <p>After identification and allocation of work among the joint auditors, the work allocation document shall be signed by all the joint auditors and the same shall be communicated to those charged with governance of the entity.</p>
2	Responsibility division
a	<p>In respect of audit work divided among the joint auditors, each joint auditor shall be responsible only for the work allocated to such joint auditor including proper execution of the audit procedures.</p> <p>Each joint auditor is entitled to assume that the other joint auditors have carried out their part of the audit work.</p>
b	All the joint auditors shall be jointly and severally responsible for:
b-i	the audit work which is not divided among the joint auditors and is carried out by all joint auditors
b-ii	decisions taken by all the joint auditors under audit planning in respect of common audit areas concerning the nature, timing and extent of the audit procedures to be performed by each of the joint auditors
b-iii	matters which are brought to the notice of the joint auditors by any one of them and on which there is an agreement among the joint auditors
b-iv	examining that the financial statements of the entity comply with the requirements of the relevant statutes
b-v	presentation and disclosure of the financial statements as required by the applicable financial reporting framework
b-vi	ensuring that the audit report complies with the requirements of the relevant statutes, the applicable Standards on Auditing and the other relevant pronouncements issued by ICAI
3	Reporting Requirements
a	Before finalizing their audit report, the joint auditors shall discuss and communicate with each other their respective conclusions that would form the content of the audit report. They need to draft a joint audit report.
b	In case of difference of opinion, joint auditor shall issue a separate report.

SA 300 PLANNING AN AUDIT OF FINANCIAL STATEMENTS

1	Auditor shall develop an audit plan in order to determine nature, timing and extent of audit procedures.
2	Preliminary Engagement Activities: The auditor shall undertake the following activities at the beginning of the current audit engagement
a	Performing procedures required by SA 220, “Quality Control for an Audit of Financial Statements” regarding the continuance of the client relationship and the specific audit engagement- <i>There are no issues with management integrity that may affect the auditor’s willingness to continue the engagement</i>
b	Evaluating compliance with ethical requirements, including independence, as required by SA 220- <i>The auditor maintains the necessary independence and ability to perform the engagement</i>
c	Establishing an understanding of the terms of the engagement, as required by SA 210- <i>There is no misunderstanding with the client as to the terms of the engagement.</i>
3	Planning activities
a	Audit Strategy: The auditor shall establish an overall audit strategy that sets the scope, timing and direction of the audit. In establishing the overall audit strategy, the auditor shall consider following factors:
a-i	Identify the characteristics of the engagement that define its scope
a-ii	Ascertain the reporting objectives of the engagement to plan the timing of the audit and the nature of the communications required
a-iii	Consider the factors that, in the auditor’s professional judgment, are significant in directing the engagement team’s efforts
a-iv	Consider the results of preliminary engagement activities and, where applicable
a-v	Ascertain the nature, timing and extent of resources necessary to perform the engagement
b	Audit Plan- The auditor shall develop an audit plan that shall include a description of:
b-i	The nature, timing and extent of planned risk assessment procedures, as determined under SA 315 “Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
b-ii	The nature, timing and extent of planned further audit procedures at the assertion level, as determined under SA 330 “The Auditor’s Responses to Assessed Risks”.
b-iii	Other planned audit procedures that are required to be carried out so that the engagement complies with SAs.

**SA 315 IDENTIFYING AND ASSESSING RISK OF MATERIAL MISSTATEMENT
THROUGH UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT**

1	<p>Risk Assessment Procedures: The audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels.</p>
2	<p>Understand the entity and its environment The auditor shall obtain an understanding of the following:</p>
a	Relevant industry, regulatory, and other external factors including the applicable financial reporting framework.
b	The nature of the entity, including: (i) its operations; (ii) its ownership and governance structures (iii) the way that the entity is structured and how it is financed
c	The entity's selection and application of accounting policies, including the reasons for changes thereto and whether the entity's accounting policies are appropriate for its business.
d	The entity's objectives and strategies, and those related business risks that may result in risks of material misstatement
e	The measurement and review of the entity's financial performance
3	<p>Evaluate Components of Internal Control The division of internal control into the following five components provides a useful framework for auditors to consider how different aspects of an entity's internal control may affect the audit:</p>
a	<p><u>The control environment:</u> The control environment includes: (i) the governance and management functions and (ii) the attitudes, awareness, and actions of those charged with governance and management</p>
b	<p><u>The entity's risk assessment process:</u> The auditor shall obtain an understanding of whether the entity has a process for: (a) Identifying business risks relevant to financial reporting objectives; (b) Estimating the significance of the risks; (c) Assessing the likelihood of their occurrence; and (d) Deciding about actions to address those risks</p>
c	<p><u>The information system, including the related business processes, relevant to financial reporting, and communication:</u> (a) The classes of transactions in the entity's operations that are significant to the financial statements; (b) The procedures by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements; (c) The related accounting records, supporting information and specific accounts in the financial statements that are used to initiate, record, process and report transactions;</p>
d	<p><u>Control activities:</u> These are the techniques used for implementing internal control. It can be either manual or automated. An audit requires an understanding of only those control activities related to significant class of transactions, account balance, and disclosure in the financial statements</p>
e	<p><u>Monitoring of controls:</u> Management accomplishes monitoring of controls through ongoing activities, separate</p>

	evaluations, or a combination of the two to test the operating effectiveness.
4	Risks that require Special Audit Considerations
(a)	Whether the risk is a risk of fraud;
(b)	Whether the risk is related to recent significant economic, accounting, or other developments like changes in regulatory environment, etc., and, therefore, requires specific attention;
(c)	The complexity of transactions;
(d)	Whether the risk involves significant transactions with related parties;
(e)	The degree of subjectivity in the measurement of financial information related to the risk, especially those measurements involving a wide range of measurement uncertainty; and
(f)	Whether the risk involves significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.

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SA 320 MATERIALITY IN PLANNING AND PERFORMING AUDIT

1	Material items are relatively important items i.e the knowledge of which would influence the decisions of the users of financial statements
2	Materiality of an item depends upon particular circumstances & facts of each case. It is not possible to lay down precisely as to what amount or what account may be material in all circumstances. Materiality is a relative term & what may be material in one circumstance may not be material in another
3	Application of the concept of materiality: a. Determining which items require a separate disclosure b. Selection of transactions c. Evaluating Misstatements while forming an opinion
4	Identification of appropriate benchmark A percentage is often applied to a chosen benchmark as a starting point in determining materiality for the financial statements as a whole. Factors that may affect the identification of an appropriate benchmark include the following:
a	The elements of the financial statements (for example, assets, liabilities, equity, revenue, expenses);
b	Whether there are items on which the attention of the users of the particular entity's financial statements tends to be focused (for example, for the purpose of evaluating financial performance users may tend to focus on profit, revenue or net assets);
c	The nature of the entity, where the entity is at in its life cycle, and the industry and economic environment in which the entity operates
d	The entity's ownership structure and the way it is financed (for example, if an entity is financed solely by debt rather than equity, users may put more emphasis on assets, and claims on them, than on the entity's earnings)
e	Relative Volatility of the benchmark
5	Performance Materiality In order to perform audit of financial statements, auditor needs to set a level of materiality after selecting appropriate benchmark. However during the course of audit, auditor intends to lower the risk of not detecting a material misstatement and hence he may verify certain transactions or financial items which may be below the set level of materiality however such transactions appear to be important. Such level (which is below the materiality level) at which auditor performs his procedures is known as performance materiality level.
6	Revision of Materiality a. Materiality for the financial statements as a whole or for particular class of transactions may need to be revised as a result of a change in circumstances that occurred during the audit (for example, a decision to dispose of a major part of the entity's business), new information, or a change in the auditor's understanding of the entity and its operations as a result of performing further audit procedures. b. If the auditor concludes a lower materiality for the same, then he should consider the fact that whether it is necessary to revise performance materiality and whether the nature, timing and extent of the further audit procedures remain appropriate.

SA 330 AUDITOR'S RESPONSES TO ASSESSED RISK

1	Objective: to obtain sufficient appropriate audit evidence about the assessed risks of material misstatement, through designing and implementing appropriate responses to those risks
2	Test of Controls An audit procedure designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements
a	Use audit techniques to test (i) How the controls were applied at relevant times during the period under audit. (ii) The consistency with which they were applied. (iii) By whom or by what means they were applied
b	Determine whether the controls to be tested depend upon other controls (indirect controls), and if so, whether it is necessary to obtain audit evidence supporting the effective operation of those indirect controls
c	shall test controls for the particular time, or throughout the period depending upon the assessed risks of material misstatement
d	While relying upon evidence obtained during previous audits, re-test the controls to check consistency and verify changes in internal controls.
3	Test of Details
a	Irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance, and disclosure
b	consider whether external confirmation procedures are to be performed
c	Shall include the following audit procedures related to the financial statement closing process: (a) Agreeing or reconciling the financial statements with the underlying accounting records; and (b) Examining material journal entries and other adjustments made during the course of preparing the financial statements
d	Perform audit procedures to evaluate whether the overall presentation of the financial statements, including the related disclosures, is in accordance with the applicable financial reporting framework.

SA 402 AUDIT CONSIDERATIONS RELATING TO AN ENTITY USING A SERVICE ORGANIZATION

1	<p>Objective</p> <p>a) To obtain an understanding of the nature and significance of the services provided by the service organisation and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement.</p> <p>b) To design and perform audit procedures responsive to those risks.</p>
2	<p>Risk Assessment Procedure</p> <p>When obtaining an understanding of the user entity in accordance with SA 315, the user auditor shall obtain an understanding of how a user entity uses the services of a service organisation in the user entity's operations, including:</p>
a	The nature of the services provided by the service organisation and the significance of those services to the user entity, including the effect thereof on the user entity's internal control
b	The nature and materiality of the transactions processed or accounts or financial reporting processes affected by the service organisation
c	The degree of interaction between the activities of the service organisation and those of the user entity
d	the relevant contractual terms for the activities undertaken by the service organisation
3	<p>Further Audit Procedure- Test of Controls</p>
a	Obtaining a Type 2 report, if available. The user auditor shall determine whether the service auditor's report provides sufficient appropriate audit evidence about the effectiveness of the controls by performing following procedures:
a-i	Evaluating whether the description, design and operating effectiveness of controls at the service organisation is at a date or for a period that is appropriate for the user auditor's purposes
a-ii	Whether complementary user entity controls have been identified by the service organisation and verifying whether the user entity has designed and implemented such controls and, if so, testing their operating effectiveness
a-iii	Evaluating the adequacy of the time period covered by the tests of controls
b	Performing appropriate tests of controls at the service organisation
c	Using another auditor to perform tests of controls at the service organisation on behalf of the user auditor.
4	<p>Sub-Service Organisation</p>
a	If a service organisation uses a subservice organisation, the service auditor's report may either include or exclude the subservice organisation's relevant control objectives and related controls in the service organisation's description of its system and in the scope of the service auditor's engagement. These two methods of reporting are known as the inclusive method and the carve-out method, respectively.
b	If the Type 1 or Type 2 report excludes the controls at a subservice organisation, and the services provided by the subservice organisation are relevant to the audit of the user entity's financial statements, the user auditor is required to apply the requirements of this SA in respect of the subservice organisation

SA 450 EVALUATION OF MISSTATEMENTS IDENTIFIED

1	Accumulate misstatements identified during the audit, other than those that are clearly trivial.
2	Communicate on a timely basis all misstatements accumulated during the audit with the appropriate level of management, unless prohibited by law or regulation. The auditor shall request management to correct those misstatements.
3	If management refuses to correct some or all of the misstatements communicated by the auditor, the auditor shall obtain an understanding of management's reasons
4	The auditor shall determine whether the overall audit strategy and audit plan need to be revised if the aggregate of misstatements accumulated during the audit approaches materiality determined in accordance with SA 320.
5	Communicate with those charged with governance uncorrected misstatements and the effect that they, individually or in aggregate, may have on the opinion in the auditor's report, unless prohibited by law or Regulation. The auditor shall request that uncorrected misstatements be corrected.
6	The auditor shall request a written representation from management and, where appropriate, those charged with governance whether they believe the effects of uncorrected misstatements are immaterial, individually and in aggregate, to the financial statements as a whole. A summary of such items shall be included in or attached to the written representation.

SA 500 AUDIT EVIDENCE

1	Design and perform audit procedures in such a way as to enable the auditor to obtain sufficient appropriate audit evidence to be able to draw reasonable conclusions on which to base the auditor's opinion.
2	The reliability of information to be used as audit evidence, and therefore of the audit evidence itself, is influenced by its source and its nature, and the circumstances under which it is obtained, including the controls over its preparation and maintenance where relevant
3	Using the Work of management's expert
a	Evaluate the competence, capabilities and objectivity of that expert;
b	Obtain an understanding of the work of that expert; and
c	Evaluate the appropriateness of that expert's work as audit evidence for the relevant assertion.
4	Evaluation of evidence
a	If: (i) audit evidence obtained from one source is inconsistent with that obtained from another; or (ii) the auditor has doubts over the reliability of information to be used as audit evidence
b	The auditor shall determine what modifications or additions to audit procedures are necessary to resolve the matter, and shall consider the effect of the matter, if any, on other aspects of the audit.

SA 501 AUDIT EVIDENCE- SPECIFIC CONSIDERATIONS FOR SELECTED ITEMS

1	Objective of SA 501- Obtain Sufficient and appropriate audit evidence
a	Existence and condition of inventory
b	Completeness of litigation and claims involving the entity
c	Presentation and disclosure of segment information in accordance with the applicable financial reporting framework
2	Evidence about existence and condition of inventory
a	Audit procedure
a-i	Evaluate management's instructions and procedures for recording and controlling the results of the entity's physical inventory counting
a-ii	Observe the performance of management's count procedures
a-iii	Inspect the inventory
a-iv	Perform test counts
b	<u><i>If physical inventory counting is conducted at a date other than the date of the financial statements:</i></u> Audit procedures as prescribed above + stock reconciliation for changes between cut off date and alternate date
c	<u><i>If the auditor is unable to attend physical inventory counting due to unforeseen circumstances:</i></u> the auditor shall make or observe some physical counts on an alternative date, and perform audit procedures on intervening transactions
d	<u><i>If attendance at physical inventory counting is impracticable:</i></u> perform alternative audit procedures and If it is not possible to do so, the auditor shall modify the opinion in the auditor's report in accordance with SA 705
3	Evidence about completeness of litigation and claims- to identify litigation and claims involving the entity
a	(i) Inquiry of management and, where applicable, others within the entity, including in-house legal counsel; (ii) Reviewing minutes of meetings of those charged with governance and (iii) Reviewing correspondence between the entity and its external legal counsel; and (iv) Reviewing legal expense accounts
b	Seek direct communication with the entity's external legal counsel as per SA 505
c	The auditor shall request management and, where appropriate, those charged with governance to provide written representations that all known actual or possible litigation and claims have been disclosed to the auditor and appropriately accounted for and disclosed in accordance with the applicable financial reporting framework.
4	Evidence about presentation and disclosure of segment information- as per Applicable financial reporting framework.

SA 505 EXTERNAL CONFIRMATIONS

1	Meaning: Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.
2	Type of Confirmation request
a	<u>Positive Confirmation request:</u> A request that the confirming party respond directly to the auditor indicating whether the confirming party agrees or disagrees with the information in the request, or providing the requested information.
b	<u>Negative Confirmation Request:</u> A request that the confirming party respond directly to the auditor only if the confirming party disagrees with the information provided in the request.
3	Evaluating Responses
a	If the auditor identifies factors that give rise to doubts about the reliability of the response to a confirmation request, the auditor shall obtain further audit evidence to resolve those doubts
b	In the case of each non-response to positive confirmation request, the auditor shall perform alternative audit procedures to obtain relevant and reliable audit evidence
c	If the auditor has determined that a response to a positive confirmation request is necessary to obtain sufficient appropriate audit evidence, alternative audit procedures will not provide the audit evidence the auditor requires. If the auditor does not obtain such confirmation, the auditor shall determine the implications for the audit and the auditor's opinion in accordance with SA 705
4	External Confirmation Procedure
a	Determining the information to be confirmed or requested
b	Selecting the appropriate confirming party
c	Designing the confirmation requests
d	Sending the requests, including follow-up requests when applicable
5	Management's refusal to allow the auditor to send confirmation request
a	Inquire as to management's reasons for the refusal, and seek audit evidence as to their validity and reasonableness
b	Evaluate the implications of management's refusal on the auditor's assessment of the relevant risks of material misstatement
c	Perform alternative audit procedures designed to obtain relevant and reliable audit evidence if the reasons are valid
d	<u>If the auditor concludes that management's refusal to allow the auditor to send a confirmation request is unreasonable, or the auditor is unable to obtain relevant and reliable audit evidence from alternative audit procedures,</u> the auditor shall communicate with those charged with governance in accordance with SA 260. The auditor also shall determine the implications for the audit and the auditor's opinion in accordance with SA 705.

SA 510- INITIAL AUDIT ENGAGEMENT- VERIFICATION OF OPENING BALANCES

1	Initial audit Engagement: An engagement in which either: (i) The financial statements for the prior period were not audited; or (ii) The financial statements for the prior period were audited by a predecessor auditor.
2	Audit procedures for verifying Opening Balance
a	read the most recent financial statements, if any, and the predecessor auditor's report thereon, if any
b	whether the prior period's closing balances have been correctly brought forward to the current period
c	whether the opening balances reflect the application of appropriate accounting policies
d	accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements
e	whether changes in the accounting policies have been properly accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework.
3	Audit Conclusions and Reporting
a	auditor is unable to obtain sufficient appropriate audit evidence- qualified opinion or a disclaimer of opinion
b	auditor concludes that the opening balances contain a misstatement that materially affects the current period's financial statements- shall express a qualified opinion or an adverse opinion, as appropriate
c	If the predecessor auditor's opinion regarding the prior period's financial statements included a modification to the auditor's opinion that remains relevant and material to the current period's financial statements, the auditor shall modify the auditor's opinion on the current period's financial statements

SA 520 ANALYTICAL PROCEDURES

1	Objective: To design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion as to whether the financial statements are consistent with the auditor's understanding of the entity
2	Meaning the term "analytical procedures" means evaluations of financial information through analysis of plausible relationships among both financial and non-financial data.
3	Precautions to be taken
a	Determine the suitability of particular substantive analytical procedures for given assertions
b	Evaluate the reliability of data from which the auditor's expectation of recorded amounts is developed
c	Develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise to identify a misstatement
d	Determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation.
4	Techniques to be used
a	Trend analysis
b	Ratio analysis
c	Reasonableness tests
d	Structural modelling
5	Evaluating Responses Analytical procedures also encompass such investigation as is necessary of identified fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount.

SA 530 AUDIT SAMPLING

Objective	
(a)	The objective of the auditor when using audit sampling is to provide a reasonable basis for the auditor to draw conclusions about the population from which the sample is selected.
Definitions	
(a)	Audit sampling (sampling) The application of audit procedures to less than 100% of items within a population of audit relevance such that all sampling units have a chance of selection in order to provide the auditor with a reasonable basis on which to draw conclusions about the entire population.
(b)	Sampling risk The risk that the auditor's conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. Sampling risk can lead to two types of erroneous conclusions: (i) In the case of a test of controls, that controls are more effective than they actually are, or in the case of a test of details, that a material misstatement does not exist when in fact it does. The auditor is primarily concerned with this type of erroneous conclusion because it affects audit effectiveness and is more likely to lead to an inappropriate audit opinion. (ii) In the case of a test of controls, that controls are less effective than they actually are, or in the case of a test of details, that a material misstatement exists when in fact it does not. This type of erroneous conclusion affects audit efficiency as it would usually lead to additional work to establish that initial conclusions were incorrect.
(c)	Non-sampling risk – The risk that the auditor reaches an erroneous conclusion for any reason not related to sampling risk.
(d)	Anomaly – A misstatement or deviation that is demonstrably not representative of misstatements or deviations in a population.
(e)	Tolerable misstatement – A monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population.
(f)	Tolerable rate of deviation – A rate of deviation from prescribed internal control procedures set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the rate of deviation set by the auditor is not exceeded by the actual rate of deviation in the population.
Requirements	
1. General Considerations	
(a)	When designing an audit sample, the auditor shall consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn.
(b)	The auditor shall determine a sample size sufficient to reduce sampling risk to an acceptably low level
(c)	The auditor shall select items for the sample in such a way that each sampling unit in the population has a chance of selection
(d)	The auditor shall perform audit procedures, appropriate to the purpose, on each item selected.
2. Sampling Methods	
(a)	Random Sampling Random selection ensures that all items in the population or within each stratum have a known chance of selection. It may involve use of random number tables. Random sampling includes two very popular methods which are discussed below– (i) Simple Random Sampling: Under this method each unit of the whole population e.g. purchase or sales invoice has an equal chance of being selected. The mechanics of selection of items may be by choosing numbers from table of random numbers by computers or picking up numbers randomly from a drum. It is considered that random number tables are

	<p>simple and easy to use and also provide assurance that the bias does not affect the selection. This method is considered appropriate provided the population to be sampled consists of reasonably similar units and fall within a reasonable range.</p> <p>(ii) Stratified Sampling: This method involves dividing the whole population to be tested in a few separate groups called strata and taking a sample from each of them. Each stratum is treated as if it was a separate population and if proportionate of items are selected from each of these stratum. The number of groups into which the whole population has to be divided is determined on the basis of auditor judgment.</p>
(b)	<p>Interval Sampling or Systematic Sampling: Systematic selection is a selection method in which the number of sampling units in the population is divided by the sample size to give a sampling interval, for example 50, and having determined a starting point within the first 50, each 50th sampling unit thereafter is selected. When using systematic selection, the auditor would need to determine that sampling units within the population are not structured in such a way that the sampling interval corresponds with a particular pattern in the population.</p>
(c)	<p>Monetary Unit Sampling: It is a type of value-weighted selection in which sample size, selection and evaluation results in a conclusion in monetary amounts.</p>
(d)	<p>Haphazard sampling: Haphazard selection, in which the auditor selects the sample without following a structured technique. Although no structured technique is used, the auditor would nonetheless avoid any conscious bias or predictability (for example, always choosing or avoiding the first or last entries on a page)</p>
(e)	<p>Block Sampling: This method involves selection of a block(s) of contiguous items from within the population. Block selection cannot ordinarily be used in audit sampling because most populations are structured such that items in a sequence can be expected to have similar characteristics to each other, but different characteristics from items elsewhere in the population.</p>
<p>3. Sample Results</p>	
(a)	<p>In the extremely rare circumstances when the auditor considers a misstatement or deviation discovered in a sample to be an anomaly, the auditor shall obtain a high degree of certainty that such misstatement or deviation is not representative of the population</p>
(b)	<p>The auditor shall obtain this degree of certainty by performing additional audit procedures to obtain sufficient appropriate audit evidence that the misstatement or deviation does not affect the remainder of the population.</p>
(c)	<p>The auditor shall project misstatements found in the sample to the population.</p> <p>When a misstatement has been established as an anomaly, it may be excluded when projecting misstatements to the population. However, the effect of any such misstatement, if uncorrected, still needs to be considered in addition to the projection of the non-anomalous misstatements.</p>
(d)	<p>The auditor shall evaluate:</p> <p>(a) The results of the sample; and</p> <p>(b) Whether the use of audit sampling has provided a reasonable basis for conclusions about the population that has been tested.</p>

SA 540 AUDIT EVIDENCE FOR ACCOUNTING ESTIMATES AND RELATED DISCLOSURES

Objective	
To obtain sufficient appropriate audit evidence whether in the context of the applicable financial reporting framework:	
(a)	accounting estimates, including fair value accounting estimates, in the financial statements, whether recognised or disclosed, are reasonable and
(b)	related disclosures in the financial statements are adequate
Requirements	
Risk assessment procedures: auditor shall obtain an understanding of the following:	
(a)	requirements of the applicable financial reporting framework relevant to accounting estimates
(b)	How management identifies those transactions, events and conditions that may give rise to the need for accounting estimates
(c)	make inquiries about changes in circumstances that may give rise to new, or the need to revise existing, accounting estimates
(d)	How management makes the accounting estimates, and an understanding of the data on which they are based, including: <ul style="list-style-type: none"> (i) The method, including where applicable the model, used in making the accounting estimate; (ii) Relevant controls; (iii) Whether management has used an expert; (iv) The assumptions underlying the accounting estimates; (v) Whether there has been or ought to have been a change from the prior period in the methods for making the accounting estimates, and if so, why; and (vi) Whether and, if so, how management has assessed the effect of estimation uncertainty.
Responses to the assessed Risks of Material Misstatement	
(a)	Test of details: <ol style="list-style-type: none"> 1. Whether management has appropriately applied the requirements of the applicable financial reporting framework 2. Whether the methods for making the accounting estimates are appropriate and have been applied consistently 3. whether changes, if any, in accounting estimates or in the method for making them from the prior period are appropriate in the circumstances. 4. whether events occurring up to the date of the auditor's report provide audit evidence regarding the accounting estimate. 5. how management made the accounting estimate and the data on which it is based and test the same
(b)	Test the operating effectiveness of the controls over how management made the accounting estimate, together with appropriate substantive procedures
(c)	The auditor shall develop a point estimate or a range to evaluate management's point estimate taking into account relevant variables and to evaluate any significant differences from management's point estimate.
(d)	consider whether specialised skills or knowledge in relation to one or more aspects of the accounting estimates are required in order to obtain sufficient appropriate audit evidence.
(e)	Check whether management has considered alternative assumptions or outcomes, and why it has rejected them, or how management has otherwise addressed estimation uncertainty in making the accounting estimate.
(f)	auditor shall obtain written representations from management and, where appropriate, those charged with governance whether they believe significant assumptions used in making accounting estimates are reasonable.

SA 550 RELATED PARTIES

1	Definition
a	A related party as defined in the applicable financial reporting framework
b	Where the applicable financial reporting framework establishes minimal or no related party requirements
b-i	A person or other entity that has control or significant influence, directly or indirectly through one or more intermediaries, over the reporting entity
b-ii	Another entity over which the reporting entity has control or significant influence, directly or indirectly through one or more intermediaries
b-iii	Another entity that is under common control with the reporting entity through having: <ul style="list-style-type: none"> i. Common controlling ownership; ii. Owners who are close family members; or iii. Common key management. <p>Note: However, entities that are under common control by a state (i.e., a national, regional or local government) are not considered related unless they engage in significant transactions or share resources to a significant extent with one another.</p>
2	Risk Assessment Procedure
a	shall inquire of management regarding: <ul style="list-style-type: none"> (i) The identity of the entity's related parties, including changes from the prior period; (ii) The nature of the relationships between the entity and these related parties; and (iii) Whether the entity entered into any transactions with these related parties during the period and, if so, the type and purpose of the transactions
b	to obtain an understanding of the controls, if any, that management has established to: <ul style="list-style-type: none"> (i) Identify, account for, and disclose related party relationships and transactions in accordance with the applicable financial reporting framework; (ii) Authorise and approve significant transactions and arrangements with related parties
c	<u>Examples of RISKS ASSOCIATED WITH RELATED PARTY RELATIONSHIP AND TRANSACTIONS:</u> <ul style="list-style-type: none"> i. ii. iii. iv.
3	Auditor's Responses to the assessed Risk
a	<u>Identification of Previously Unidentified or Undisclosed Related Parties or Significant Related Party Transactions:</u> During the audit, the auditor may inspect records or documents that may provide information about related party relationships and transactions, for example: <ul style="list-style-type: none"> • Entity income tax returns. • Information supplied by the entity to regulatory authorities. • Shareholder registers to identify the entity's principal shareholders. • Statements of conflicts of interest from management and those charged with governance. Records of the entity's investments

b	<p>For identified significant related party transactions outside the entity's normal course of business, the auditor shall:</p> <p>(a) Inspect the underlying contracts or agreements, if any, and evaluate whether:</p> <p>(i) The business rationale (or lack thereof) of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets;</p> <p>(ii) The terms of the transactions are consistent with management's explanations</p> <p>(iii) The transactions have been appropriately accounted for and disclosed in accordance with the applicable financial reporting framework; and</p> <p>(b) Obtain evidence that the transactions have been appropriately authorised & approved</p>
c	whether related party transactions are at Arm's Length or not.
d	in accordance with the applicable financial reporting framework
e	<p><u>the auditor shall obtain written representations from management-</u></p> <p>They have disclosed to the auditor and in the financial statements related party relationships and transactions.</p>

SA 560 SUBSEQUENT EVENTS

Objective	
(a)	Obtain sufficient appropriate audit evidence about whether events occurring between the date of the financial statements and the date of the auditor's report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements; and
(b)	Respond appropriately to facts that become known to the auditor after the date of the auditor's report, that, had they been known to the auditor at that date, may have caused the auditor to amend the auditor's report.
Definitions	
(a)	Date of the financial statements – The date of the end of the latest period covered by the financial statements.
(b)	Date of approval of the financial statements – The date on which all the statements that comprise the financial statements, including the related notes, have been prepared and those with the recognised authority have asserted that they have taken responsibility for those financial statements.
(c)	Date of the auditor's report – The date the auditor dates the report on the financial statements in accordance with SA 700.
(d)	Date the financial statements are issued – The date that the auditor's report and audited financial statements are made available to third parties.
(e)	Subsequent events – Events occurring between the date of the financial statements and the date of the auditor's report, and facts that become known to the auditor after the date of the auditor's report.
Requirements	
Events Occurring Between the Date of the Financial Statements and the Date of the Auditor's Report	
(a)	Obtaining an understanding of any procedures management has established to ensure that subsequent events are identified.
(b)	Inquiring of management and, where appropriate, those charged with governance as to whether any subsequent events have occurred which might affect the financial statements.
(c)	Reading minutes, if any, of the meetings, of the entity's owners, management and those charged with governance, that have been held after the date of the financial statements
(d)	Reading the entity's latest subsequent interim financial statements, if any.
(e)	Obtain written representations as per SA 580, that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.
Facts Which Become Known to the Auditor After the Date of the Auditor's Report but Before the Date the Financial Statements are Issued	
(a)	Discuss the matter with management and, where appropriate, those charged with governance.
(b)	Determine whether the financial statements need amendment and, if so,
(c)	Inquire how management intends to address the matter in the financial statements
(d)	The auditor shall: Provide a new or amended auditor's report that includes a statement in an Emphasis of Matter paragraph or Other Matter(s) paragraph that conveys that

	auditor's procedures on subsequent events are restricted solely to the amendment of the financial statements as described in the relevant note to the financial statements.
III. Facts Which Become Known to the Auditor After the Financial Statements have been Issued.	
(a)	Discuss the matter with management and, where appropriate, those charged with governance.
(b)	Determine whether the financial statements need amendment and, if so,
(c)	Inquire how management intends to address the matter in the financial statements.
(d)	If management does not take the necessary steps to ensure that anyone in receipt of the previously issued financial statements is informed of the situation and does not amend the financial statements in circumstances where the auditor believes they need to be amended, If management or those charged with governance do not take these necessary steps, the auditor shall take appropriate action to seek to prevent reliance on the auditor's report.

SA 570 GOING CONCERN

1	Auditor's Responsibility
	to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern.
2	Risk Assessment Procedures
a	When performing risk assessment procedures as required by SA 315, the auditor shall consider whether events or conditions exist that may cast significant doubt on the entity's ability to continue as a going concern.
b	auditor shall discuss with management the basis for the intended use of the going concern basis of accounting
3	Further Audit Procedures- Auditor's responses to the assessed Risks
a	auditor shall request management to extend its assessment period to at least twelve months from that date
b	inquire of management as to its knowledge of events or conditions beyond the period of management's assessment that may cast significant doubt on the entity's ability to continue as a going concern.
c	Where the entity has prepared a cash flow forecast, and analysis of the forecast is a significant factor in considering the future outcome of events or conditions in the evaluation of management's plans for future actions: (i) Evaluating the reliability of the underlying data generated to prepare the forecast; and (ii) Determining whether there is adequate support for the assumptions underlying the forecast
d	Requesting written representations from management and, where appropriate, those charged with governance, regarding their plans for future actions and the feasibility of these plans.
4	Conclusions and Reporting- Refer Audit Report Notes

Drafting of Going Concern Paragraph :

Material Uncertainty Related to Going Concern We draw attention to Note XX in the financial statements, which indicates that the Company incurred a net loss of ZZZ during the year ended December 31, 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note XX, indicate that a material uncertainty exists 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.

SA 580 WRITTEN REPRESENTATION

1	Definition A written statement by management provided to the auditor to confirm certain matters or to support other audit evidence. Written representations in this context do not include financial statements, the assertions therein, or supporting books and records
2	Form and Content of Written Representation
a	It must be in paper form as a representation letter addressed to the auditor
b	Content: i) request management to provide a written representation that it has fulfilled its responsibility for the preparation of the financial statements in accordance with the applicable financial reporting framework ii) It has provided the auditor with all relevant information and access as agreed in the terms of the audit engagement iii) All transactions have been recorded and are reflected in the financial statements iv) As required by Other SAs v) As required by auditor's judgment
c	The date of the written representations shall be as near as practicable to, but not after, the date of the auditor's report.
3	Doubt over Reliability of Written Representation
a	if written representations are inconsistent with other audit evidence, the auditor shall perform audit procedures to attempt to resolve the matter
b	If the matter remains unresolved, the auditor shall reconsider the assessment of the competence, integrity, ethical values or diligence of management
c	If the auditor concludes that the written representations are not reliable, the auditor shall take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705
4	Management Refuses to provide Written Representation
(a)	Discuss the matter with those charged with governance;
(b)	Re-evaluate the integrity of management and evaluate the effect that this may have on the reliability of representations (oral or written) and audit evidence in general; and
(c)	Take appropriate actions, including determining the possible effect on the opinion in the auditor's report in accordance with SA 705

SA 600 USING THE WORK OF OTHER AUDITOR

1	Principal Auditor means the auditor with responsibility for reporting on the financial information of an entity
2	Other auditor means an auditor, other than the principal auditor, with responsibility for reporting on the financial information of a component
3	Risk Assessment procedure by Principal Auditor
(a)	the materiality of the portion of the financial information which the principal auditor audits;
(b)	the principal auditor's degree of knowledge regarding the business of the components;
(c)	the risk of material misstatements in the financial information of the components audited by the other auditor; and
4	Co-ordination with Other Auditor
a	advise the other auditor of the use that is to be made of the other auditor's work
b	inform the other auditor of matters such as areas requiring special consideration
c	advise the other auditor of the significant accounting, auditing and reporting requirements and obtain representation as to compliance with them
d	consider the significant findings of the other auditor.
e	obtain representation as to compliance with them.
5	Reporting Considerations
a	When the principal auditor concludes, based on his procedures, that the work of the other auditor cannot be used and the principal auditor has not been able to perform sufficient additional procedures regarding the financial information of the component audited by the other auditor, the principal auditor should express a qualified opinion or disclaimer of opinion because there is a limitation on the scope of audit.
b	When the principal auditor has to base his opinion on the financial information of the entity as a whole relying upon the statements and reports of the other auditors his report should state clearly the division of responsibility for the financial information of the entity by indicating the extent to which the financial information of components audited by the other auditors
c	In all circumstances, if the other auditor issues, or intends to issue, a modified auditor's report, Principal auditor should evaluate materiality and then modify opinion, if required.
6	Access over working papers <u>Principal auditor can visit the component and review the financial information, however, he cannot establish his right over the working papers of other auditor because working papers are property of auditor</u>

SA 610 USING THE WORK OF INTERNAL AUDITOR

1	SA 610 discusses the following approach
a	Using the work of Internal Audit Function
a-i	Evaluate Independence and organisational status of Internal Auditor
a-ii	Evaluate Scope of Internal audit as decided by the management to check whether there are any restriction on his scope
a-iii	Whether internal auditor has taken due professional care while performing procedures
b	Direct Assistance from the internal auditor
b-i	The use of internal auditors to perform audit procedures under the direction, supervision and review of the external auditor
b-ii	If using internal auditors to provide direct assistance is not prohibited by law or regulation, and the external auditor plans to use internal auditors to provide direct assistance on the audit, The external auditor shall not use an internal auditor to provide direct assistance if: (a) There are significant threats to the objectivity of the internal auditor; or (b) The internal auditor lacks sufficient competence to perform the proposed work
b-iii	Prior to using internal auditors to provide direct assistance for purposes of the audit, the external auditor shall: (a) Obtain written agreement from an authorized representative of the entity that the internal auditors will be allowed to follow the external auditor's instructions, and that the entity will not intervene in the work the internal auditor performs for the external auditor; and (b) Obtain written agreement from the internal auditors that they will keep confidential specific matters as instructed by the external auditor and inform the external auditor of any threat to their objectivity
b-iv	The external auditor shall direct, supervise and review the work performed by internal auditors on the engagement in accordance with SA 220. The direction, supervision and review by the external auditor of the work performed by the internal auditors shall be sufficient in order for the external auditor to be satisfied that the internal auditors have obtained sufficient appropriate audit evidence to support the conclusions based on that work

SA 620 USING THE WORK OF AUDITOR'S EXPERT

1	Management's Expert An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity.
2	Auditor's Expert An individual or organisation possessing expertise in a field other than accounting or auditing, whose work in that field is used by the auditor. An auditor's expert may be either an auditor's internal expert (who is a partner or staff, including temporary staff, of the auditor's firm or a network firm), or an auditor's external expert.
3	Examples of using the work of expert
a	The actuarial calculation of liabilities associated with insurance contracts or employee benefit plans.
b	The interpretation of contracts, laws and regulations.
c	The analysis of complex or unusual tax compliance issues
4	Factors to be considered before determining nature timing and extent of audit procedures
(a)	The nature of the matter to which that expert's work relates;
(b)	The risks of material misstatement in the matter to which that expert's work relates;
(c)	The significance of that expert's work in the context of the audit;
(d)	The auditor's knowledge of and experience with previous work performed by that expert
(f)	whether the auditor's expert has the necessary competence, capabilities and objectivity for the auditor's purposes
5	Procedures to evaluate adequacy of expert's work
(a)	The relevance and reasonableness of that expert's findings or conclusions, and their consistency with other audit evidence;
(b)	If that expert's work involves use of significant assumptions and methods, the relevance and reasonableness of those assumptions and methods in the circumstances
(c)	If that expert's work involves the use of source data that is significant to that expert's work, the relevance, completeness, and accuracy of that source data.
6	Reference to Expert's Work in auditor's report
(a)	The auditor shall not refer to the work of an auditor's expert in an auditor's report containing an unmodified opinion unless required by law or regulation to do so.
(b)	If the auditor makes reference to the work of an auditor's expert in the auditor's report because such reference is relevant to an understanding of a modification to the auditor's opinion, the auditor shall indicate in the auditor's report that such reference does not reduce the auditor's responsibility for that opinion.

SA 800 Series..

1. The Standards on Auditing (SAs) in the 200-700 series apply to an audit of financial statements prepared for general purpose i.e balance sheet/P&L prepared as per generally accepted financial reporting framework.
2. This set of SA deals with special considerations in the application of 200-700 series SAs to an audit of financial statements
3. **Following must be noted for applicability of SA 800/805/810:**
 - a. SA 800: This SA is written in the context of a complete set of financial statements prepared in accordance with a special purpose framework. Example: preparing financial statements as per provisions of contract or as required for complying with regulator.
 - b. SA 805: This SA deals with special considerations in the application of those SAs to an audit of a single financial statement or of a specific element, account or item of a financial statement. Example, A schedule of net tangible assets, including related notes.
 - c. SA 810: This Standard on Auditing (SA) deals with the auditor's responsibilities when undertaking an engagement to report on summary financial statements derived from financial statements audited in accordance with SAs usually done by that same auditor
4. These standards do not over ride the requirements of other standards i.e. other standards are to be considered for auditing financial statements under special purpose framework or reporting upon summary of financial statements
5. **Procedures under SA 800:**
 - a. Obtain understanding of the purpose for which financial statements have been prepared, intended users and steps taken by management that AFRF is acceptable
 - b. Obtain an understanding of the entity's selection and application of accounting policies
 - c. The auditor's report on special purpose financial statements shall include an -Emphasis of Matter paragraph alerting users of the auditor's report that the financial statements are prepared in accordance with a special purpose framework and that, as a result, the financial statements may not be suitable for another purpose
6. **Procedures under SA 805:**
 - a. In the case of an audit of a single financial statement or of a specific element of a financial statement, other SAs shall be observed irrespective of whether the auditor is also engaged to audit the entity's complete set of financial statements
 - b. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's complete set of financial statements, the auditor shall express a separate opinion for each engagement
 - c. The relevance of each of the SAs requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, SAs such as SA 240, SA 550, and SA 570 are, in principle, relevant.

7. Procedures under SA 810:

- a. The auditor shall, ordinarily, accept an engagement to report on summary financial statements in accordance with this SA only when the auditor has been engaged to conduct an audit in accordance with SAs of the financial statements from which the summary financial statements are derived
- b. Obtain agreement from the management for its responsibility of preparing and presenting summary financial statements
- c. Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial statements.
- d. Evaluate whether the summary financial statements adequately disclose the applied criteria.
- e. Compare the summary financial statements with the related information in the audited financial statements for inconsistency, if any.
- f. Phrases for reporting
 - (i) The summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with [the applied criteria]
 - (ii) The summary financial statements are a fair summary of the audited financial statements, in accordance with [the applied criteria]

SRE 2400: ENGAGEMENTS TO REVIEW HISTORICAL FINANCIAL INFORMATION

1	A practitioner, who is not the auditor of an entity, undertakes an engagement to review financial statements and on the form and content of the report that the practitioner issues in connection with such a review.
2	The objective is to check whether anything has come to the practitioner's attention that causes the practitioner to believe that the financial statements are not prepared, in all material respects, in accordance with the applicable financial reporting framework (negative/limited assurance)
3	The agreed terms of engagement shall be recorded in an engagement letter or other suitable form of written agreement, and shall include:
a	The intended use and distribution of the financial statements, and any restrictions on use or distribution where applicable
b	Identification of the applicable financial reporting framework
c	The objective and scope of the review engagement
d	The responsibilities of the practitioner
e	The responsibilities of management
f	A statement that the engagement is not an audit, and that the practitioner will not express an audit opinion on the financial statements
g	Reference to the expected form and content of the report to be issued by the practitioner, and a statement that there may be circumstances in which the report may differ from its expected form and content
4	Procedures for the review of financial statements
a	Obtaining an understanding of the entity's business and the industry in which it operates
b	Inquiries concerning the entity's accounting principles and practices
c	Inquiries concerning the entity's procedures for recording, classifying and summarising transactions
d	Inquiries concerning all material assertions in the financial statements
e	Analytical procedures designed to identify relationships and individual items that appear unusual.

SRE 2410: REVIEW OF INTERIM FINANCIAL INFORMATION

1	Applicable for: Statutory Auditor of an entity + Review of Interim financial information (quarterly financial statements)
2	The agreed terms of the engagement shall include
a	The objective of a review of interim financial information
b	The scope of the review
c	Management's responsibility for the interim financial information, maintaining effective internal control relevant to preparation of interim financial information, providing information to the auditor and provide written representation.
d	The anticipated form and content of the report to be issued, including the identity of the addressee of the report.
e	Management's agreement that where any document containing interim financial information indicates that the interim financial information has been reviewed by the entity's auditor, the review report will also be included in the document.
3	PROCEDURES FOR REVIEW:
a	Understanding the entity and its environment
b	Identifying potential areas of misstatement
c	Performing analytical and review procedures
d	Conducting inquiries wherever required
e	Obtaining management representations
f	Evaluate the effect of uncorrected misstatements
4	SUMMARY OF REPORT FORMAT: To The Management, Introductory Paragraph Scope [BASIS FOR MODIFIED CONCLUSION] Conclusion Basis of accounting and restriction on distribution and use

SAE 3400: EXAMINATION OF PROSPECTIVE FINANCIAL INFORMATION

1	Before accepting an engagement to examine prospective financial information, the auditor would consider the following, amongst other things:
a	The intended use of the information
b	whether the information will be for general or limited distribution
c	The nature of the assumptions, that is, whether they are best-estimates or hypothetical assumptions
d	The elements to be included in the information
e	The period covered by the information
2	Objective: to provide assurance on reasonableness of the assumptions and not on the accuracy of the forecast as it would amount to professional misconduct under Clause 3 Part I Second Schedule to CA Act, 1949.
3	Following are some of the factors that are relevant to the auditor's consideration of the period of time covered by the prospective financial information:
a	The operating cycle, for example, in the case of a major construction project undertaken by a construction company, the time required to complete the project.
b	The degree of reliability of assumptions, for example, if the entity is introducing a new product, the prospective period covered could be short and broken into small segments, such as weeks or months
c	The needs of users, for example, prospective financial information may be prepared in connection with an application for a loan for the period of time required to generate sufficient funds for repayment
4	The auditor should consider matters such as:
a	The knowledge obtained during any previous engagements
b	Management's competence regarding the preparation of prospective financial information
c	The likelihood of material misstatement
d	The extent to which the prospective financial information is affected by the management's judgment
e	The sources of information considered by the management for the purpose, their adequacy, reliability of the underlying data, including data derived from third parties, such as industry statistics, to support the assumptions
f	The stability of entity's business;
g	The engagement team's experience with the business and the industry in which the entity operates and with reporting on prospective financial information.

SAE 3402- ASSURANCE ON CONTROLS AT SERVICE ORGANISATION

1	It complements SA 402 (Refer SA 402 notes)
2	This standard is meant for service auditor for factors to be considered while verifying controls of service organisation
3	Description on internal controls will be prepared by service organisation and service auditor shall only provide assurance
4	Before agreeing to accept or continue, service auditor shall consider the following:
a	Service Organisation has accepted its responsibility for implementation of internal controls and preparing its description and to provide all necessary information
b	Skills and competence of service auditor are adequate for the assignment
c	Restrictions on scope of assignment, if any
5	Check whether description given by service organisation is adequate or not
6	Method to be used- Carve out method (assurance on Service organisation controls)- Inclusive method (assurance on Service and subservice organisation controls)
7	Report to be issued – Type 1 (design + description of controls) or Type 2 report (design + description + operating effectiveness of controls)
8	Check whether: a) How control was applied b) The consistency with which control was applied c) By whom or by what means the control was applied

**SAE 3420: ASSURANCE ENGAGEMENTS TO REPORT ON COMPILATION OF PRO
FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS**

1	This SAE deals with reasonable assurance engagements undertaken by a practitioner to report on the responsible party's (management) compilation of pro forma financial information included in a prospectus
2	Pro forma Financial information is prepared after making some adjustments (pro forma adjustments) to entity's financial statements. For example, excluding extra-ordinary items while preparing pro forma financial information.
3	Objective of the auditor is to obtain reasonable assurance whether the pro forma financial information has been compiled, in all material respects, by the responsible party on the basis of the applicable criteria and to report.
4	Before agreeing to accept an engagement, the practitioner shall
a	Determine that the practitioner has the capabilities and competence to perform the engagement
b	Determine that the applicable criteria are suitable and that it is unlikely that the pro forma financial information will be misleading for the purpose for which it is intended
c	Where the sources from which the unadjusted financial information have been extracted, have been audited and a modified audit opinion has been expressed then whether reference can be given to such report.
d	Obtain the agreement of the responsible party that it acknowledges and understands its responsibility for: (i) Adequately disclosing and describing the applicable criteria to the intended users; (ii) Compiling the pro forma financial information on the basis of the applicable criteria
5	Audit Procedures
a	Assessing the Suitability of the Applicable Criteria
b	Obtaining an Understanding of how the Responsible Party has Compiled the Pro Forma Financial -Information and Other Engagement Circumstances
c	Obtaining Evidence about the Appropriateness of the Source from Which the Unadjusted financial Information Has Been Extracted
d	Obtaining evidence of the appropriateness of the Pro Forma Adjustments
e	Evaluating the Presentation of the Pro Forma Financial Information
6	Report Format and Consideration
a	A title that clearly indicates that the report is an independent assurance report
b	An addressee(s), as agreed in the terms of engagement
c	Introductory paragraphs that identify: (i) The pro forma financial information; (ii) The source from which the unadjusted financial information has been extracted,; (iii) The period covered by, or the date of, the pro forma financial information; and (iv) A reference to the applicable criteria
d	A statement that the responsible party is responsible for compiling the pro forma financial information on the basis of the applicable criteria
e	A description of the practitioner's responsibilities
f	A statement that the engagement was performed in accordance with SAE 3420
g	Whether "The pro forma financial information has been properly compiled on the basis stated"

SRS 4400 AGREED UPON PROCEDURES

1	In an engagement to perform agreed-upon procedures, the auditor is engaged by the client to issue a report of factual findings. For example to perform certain procedures concerning individual items of financial data, say, accounts payable, accounts receivable etc.
2	As the auditor simply provides a report of the factual findings of agreed upon procedures, no assurance is expressed by him in his report.
3	Matters to be agreed include the following:
a	Nature of the engagement including the fact that the procedures performed will not constitute an audit or a review and that accordingly no assurance will be expressed.
b	Stated purpose for the engagement.
c	Identification of the financial information to which the agreed-upon procedures will be applied.
d	Nature, timing and extent of the specific procedures to be applied.
e	Limitations on distribution of the report of factual findings
4	Contents of Report:
	- Title
	- Addressee
	- Identification of specific financial or non-financial information to which the agreed-upon procedures have been applied
	-A statement that the procedures performed were those agreed-upon with the recipient
	-A statement that the engagement was performed in accordance with the Standard on Related Services applicable to agreed-upon procedures engagements
	- Identification of the purpose
	- A listing of the specific procedures performed
	- A description of the auditor's factual findings
	- A statement that the procedures performed do not constitute either an audit or a review and, as such, no assurance is expressed
	- A statement that it does not extend to the entity's financial statements taken as a whole

SRS 4410 ENGAGEMENTS TO COMPILE FINANCIAL INFORMATION

1	It deals with the practitioner's responsibilities when engaged to assist management with the preparation and presentation of financial information and also non-financial information
2	It does not require the practitioner to verify the accuracy or completeness of the information provided by management for the compilation, or otherwise to gather evidence to express an audit opinion or a review conclusion on the preparation of the financial information.
3	Practitioner should apply accounting and financial reporting expertise to assist management.
4	Comply with ethical requirements (independence not required)
5	Quality control as per SQC-1 continues to apply
6	Matters to be agreed include the following
a	neither an audit nor a review will be carried out and that accordingly no assurance will be expressed
b	engagement cannot be relied upon to disclose fraud or defalcations
c	Nature of the information to be supplied by the client
d	Intended use and distribution of the information, once compiled
e	Basis of accounting on which financial information is to be compiled
f	management is responsible to the users for the information to be compiled by the accountant
7	If the accountant becomes aware that the information is incorrect or unsatisfactory, the accountant should consider performing additional procedures
8	If the accountant becomes aware of material misstatements, he should persuade the management to carry out necessary amendments. If it is not done and the financial statements are still considered to be misleading, the accountant should withdraw from the engagement
9	The financial statements or other financial information compiled by the accountant should contain a reference such as "Unaudited," "Compiled without Audit or Review" and also "Refer to Compilation Report" on each page of the financial information or on the front of the complete set of financial statements.

SQC 1 QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF HISTORICAL FINANCIAL INFORMATION, AND OTHER ASSURANCE AND RELATED SERVICES ENGAGEMENTS

<u>Objective</u>	
(a)	The purpose of this Standard on Quality Control (SQC) is to establish standards and provide guidance regarding a firm’s responsibilities for its system of quality control for audits and reviews of historical financial information, and for other assurance and related services engagements. This SQC applies to all firms.
<u>Definitions</u>	
(a)	Engagement documentation- record of work performed
(b)	Engagement partner- SA 220
(c)	Engagement quality control review- SA 220
(d)	Engagement quality control reviewer- SA 220
(e)	Engagement team- SA 220
(f)	Suitably qualified external person- SA 220
<u>Requirements</u>	
(a)	Elements of a System of Quality Control
(b)	Leadership Responsibilities for Quality within the Firm
(c)	Ethical Requirements
(d)	Independence
(e)	Acceptance and Continuance of Client Relationships and Specific Engagements
(f)	Human Resources
(g)	Assignment of Engagement Teams
(h)	Engagement Performance
(i)	Consultation
(j)	Differences of Opinion
(k)	Engagement Documentation
(l)	Monitoring

PROFESSIONAL ETHICS

Introduction

This chapter governs the code of conduct of the members of the Institute of Chartered Accountants of India. It is based upon the following:

- a) **Chartered Accountants Act, 1949** and the Schedules thereto (First and Second Schedule)
- b) **Chartered Accountants Regulations, 1988**
- c) **Council General Guidelines, 2008**
- d) **Decisions of ethical standard board**

The discussions in this chapter are **broadly divided** into following

- 1) **Schedules to the Act- 2 Schedules with 34 clauses**
- 2) **Other provisions**

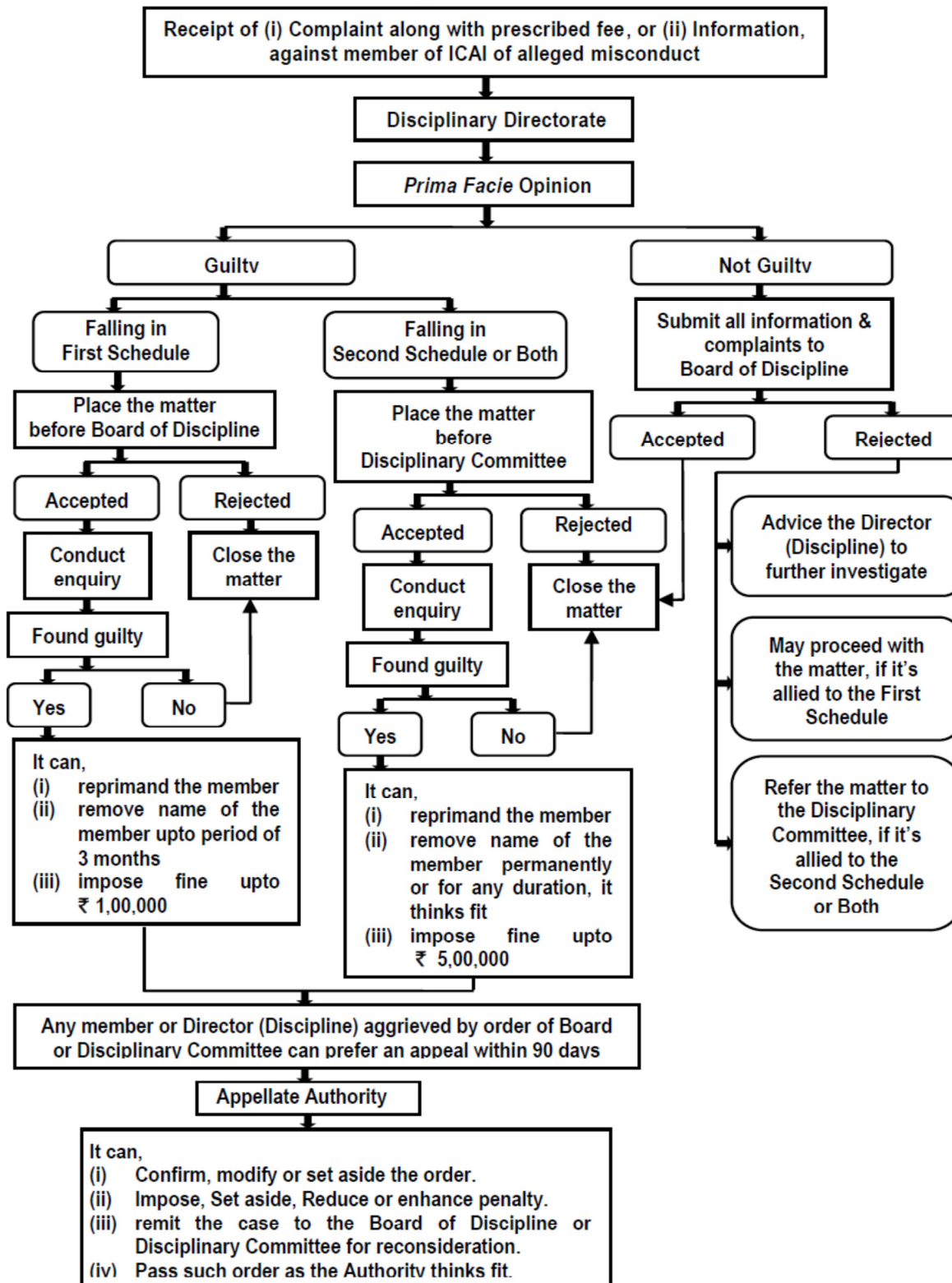
Important Terms

S.N	Terms	Particulars
1	Type of Misconduct	
a	Professional Misconduct	Any wrongdoing in professional capacity as explained in the Act
b	Other Misconduct	An act that brings disrepute to the profession in view of the council whether or not related to professional work
2	Class of Members	
a	CA in Practice	member of the Institute and is holding Certificate of Practice (includes such members of the Institute who are deemed to be in Practice). Deemed to be in practice: in consideration of remuneration received or to be received, member: (i) engages himself in the practice of accountancy or (ii) offers to perform or performs service involving the auditing or verification or certification or the preparation or holds himself out to the public as an accountant or (iii) renders professional services or assistance or (iv) renders such other services as, in the opinion of the Council may be rendered by a Chartered Accountant in practice
b	Otherwise occupied	A member who is not in practice Note- Explanation - An associate or a fellow of the Institute who is a salaried employee of a Chartered Accountant in practice or a firm of such Chartered Accountants shall notwithstanding such employment, be deemed to be in practice for the limited purpose of the training of Articled Assistants.

Disciplinary Mechanism

Provisions of the Chartered Accountant, Act, 1949 regarding (i) Disciplinary Directorate, (ii) Board of Discipline, (iii) Disciplinary Committee, (iv) Appellate Authority and procedure in enquiries for disciplinary matters relating to misconduct of the members of the Institute are as hereunder:

Flow Chart of Discipline Procedure Mechanism



First Schedule

Part I: CA in practice + Professional Misconduct

Clause No.	Key Phrase	Bare Clause
1	Use of firm name by others	Allows any person to practice in his name as a chartered accountant unless such person is also a chartered accountant in practice and is in partnership with or employed by him.
2	Sharing fees with others	pays or allows or agrees to pay or allow, directly or indirectly, any share, commission or brokerage in the fees or profits of his professional business, to any person other than -a member of the Institute or -a partner or a retired partner or -the legal representative of a deceased partner, or - a member of any other professional body or - with such other persons having such qualification as may be prescribed, for the purpose of rendering such professional services from time to time in or outside India.
3	Accepting share in fees of others	accepts or agrees to accept any part of the profits of the professional work of a person who is not a member of the Institute. Provided that nothing herein contained shall be construed as prohibiting a member 'from entering into profit sharing or other similar arrangements, including receiving any share commission or brokerage in the fees, with a member of such professional body or other person having qualifications, as is referred to in clause (2) of this part
4	Entering into partnership with others	enters into partnership, in or outside India, with any person other than -Chartered Accountant in practice or -such other person who is a member of any other professional body having such qualifications as may be prescribed, including a resident who but for his residence abroad would be entitled to be registered as a member under clause (v) of sub-section (1) of section 4 or -whose qualifications are recognized by the Central Government or the Council for the purpose of permitting such partnerships. Provided that nothing herein contained shall be construed as prohibiting a member 'from entering into partnerships', with a member of such professional body or other person having qualifications, as is referred to in clause (2) of this part
5	Securing work through wrongful means	Secures either through the services of a person who is not an employee of such Chartered Accountant or who is not his partner or by means which are not open to a Chartered Accountant, any professional business.
6	Soliciting clients through advertisements	Solicits clients or professional work either directly or indirectly by circular, advertisement, personal communication or interview or by any other means. Provided that nothing herein contained shall be construed as preventing or prohibiting - (i) Any Chartered Accountant from applying or requesting for or inviting or securing professional work from another chartered accountant in practice; or (ii) A member from responding to tenders or enquiries issued by various users of professional services or organizations from time to time and securing professional work as a consequence.

7	Advertising professional attainments	-Advertises his professional attainments or services, or -uses any designation or expressions other than the Chartered Accountant on professional documents, visiting cards, letter heads or sign boards unless it be a degree of a University established by law in India or recognized by the Central Government or a title indicating membership of the Institute of Chartered Accountants or of any other institution that has been recognized by the Central Government or may be recognized by the Council. Provided that a member in practice may advertise through a write up, setting out the service provided by him or his firm and particulars of his firm subject to such guidelines as may be issued by the Council.
8	Communication with previous auditor	accepts a position as auditor previously held by another chartered accountant or a certified auditor who has been issued certificate under the Restricted Certificate Rules, 1932 without first communicating with him in writing.
9	Compliance with SEC 139, 140,141 & 142 of companies act, 2013	Accepts an appointment as auditor of a company without first ascertaining from it whether the requirements of Section 225 of the Companies Act, 1956, in respect of such appointment have been duly complied with (now Section 139, 140 and 142 read with Section 141 of the Companies Act, 2013).
10	Performance or Percentage based fees	Charges or offers to charge, accepts or offers to accept in respect of any professional employment fees which are based on a percentage of profits or which are contingent upon the findings, or results of such employment, except as permitted under any regulations made under this Act.
11	Engaging in other occupation	Engages in any business or occupation other than the profession of chartered accountant unless permitted by the Council so to engage. Provided that nothing contained herein shall disentitle a chartered accountant from being a director of a company (Not being managing director or a whole time director) unless he or any of his partners is interested in such company as an auditor.
12	Signing by others	Allows a person not being a member of the institute in practice or a member not being his partner to sign on his behalf or on behalf of his firm, any balance sheet, profit and loss account, report or financial statements.

S.No	WORKING NOTES FOR PART I First Schedule										
1	<p>For- CLAUSE 1 Who can be allowed to practice in a CA's name?</p> <table border="1" data-bbox="284 277 927 499"> <tr> <td>Non- CA</td> <td>Not allowed</td> </tr> <tr> <td>CA (not in practice)</td> <td>Not allowed</td> </tr> <tr> <td>CA in practice- employed</td> <td>Allowed</td> </tr> <tr> <td>CA in practice- partner</td> <td>Allowed</td> </tr> <tr> <td>CA in practice- neither employed nor partner</td> <td>Allowed</td> </tr> </table>	Non- CA	Not allowed	CA (not in practice)	Not allowed	CA in practice- employed	Allowed	CA in practice- partner	Allowed	CA in practice- neither employed nor partner	Allowed
Non- CA	Not allowed										
CA (not in practice)	Not allowed										
CA in practice- employed	Allowed										
CA in practice- partner	Allowed										
CA in practice- neither employed nor partner	Allowed										
2	<p>Who can sign report/certificate/opinion on behalf of CA in practice? →His partner who is also a CA in practice- Allowed →Any other person- Not allowed</p> <p>Who can sign in routine and administrative matters such as correspondence with clients, issuing draft reports, acknowledgements, raising bills etc..? →His partner who is also a CA in practice- Allowed →His employee who is a CA- allowed →His employee/article who is not a CA- allowed</p> <p>Therefore, power to sign can be freely delegated to any person of the firm of such CA in practice in case of routine matters not involving report or certification</p>										
3	<p>List of professionals with whom partnership is allowed: Regulation 53A of CA Regulations, 1988</p> <p>(a) Members of The Institute of Company Secretaries of India established under the Company Secretaries Act, 1980. (b) Members of The Institute of Cost & Works Accountants of India established under the Cost & Works Accountants Act, 1959. (c) Members of Bar Council of India established under the Advocates Act, 1961. (d)The Indian Institute of Architects established under the Architects Act, 1972. (e)The Institute of Actuaries of India established under the Actuaries Act, 2006. (f) Bachelor in TALE from university established by law or an institution recognised by law in India (T-Technology, A-Architecture, L-Law, E-Engineering). (g) Master in Business Administration from Universities established by law or technical institutions recognised by All India Council for Technical Education.</p> <p>Note: Apart from the above professionals, member of the institute can enter into partnership with members of foreign accounting institute with whom the ICAI has signed MOU after approval from Central Government.</p>										
4	<p>Sharing % of fees with the government- Audit of co-operative societies: The Institute came across certain Circulars/Orders issued by the Registrars of various State Co-operative Societies wherein it has been mentioned that certain amount of audit fee is payable to the concerned State Government- ALLOWED as decided by the Council</p>										
5	<p>Sharing of profits and sale of goodwill</p> <p>a) In case of a partnership firm, profits can be shared with legal representative only if partnership deed already had such a provision permitting fees sharing with legal representative. b) In case of a proprietor, legal representative can sell the goodwill subject to certain conditions as given below: →Purchaser- CA IN PRACTICE →CONSIDERATION- should not involve any element of share in future profits →Permission of the council required and timelines to be followed: a) No dispute regarding legal heir: ICAI permission to be sought and sale should be completed within a year of death b) Dispute regarding legal heir: ICAI should be informed about the dispute within a year of death and sale should be completed with ICAI permission within one year from the settlement of dispute.</p>										
6	<p>Various forms of solicitation: A. Requesting another CA in practice to provide work</p>										

Allowed.

→ Member should not claim superiority over another firm

→ Should not disclose names of the clients in write-up

B. Submitting tenders**i) Invitation from the client/organisation**

1) Tender relates to areas exclusively reserved for CAs (e.g. statutory audit of X Ltd)- tender can be submitted only if minimum fees to be quoted is prescribed in the invitation.

2) Tender relates to services open for other professionals (e.g. Internal audit of X Ltd)- Submitting tender allowed

ii) No invitation from the client/organisation- submitting tender amounts to misconduct

C. Advertisement and note in the press

→ Members should not advertise for soliciting work.

→ not permitted to use the less open method of circulating letters to a small field of possible clients.

→ Personal canvassing or canvassing for clients of previous employer through the help of the employees are also not permitted.

The **exceptions to the above rule are:**

(i) a member may advertise changes in partnerships of dissolution of a firm, or of any change in address of practice and telephone numbers. (should be limited to a bare statement of facts and consideration given to the appropriateness of the area of distribution of the newspaper)

(ii) a member is also permitted to issue a classified advertisement in the journal/ newsletter of the Institute

D. Advertisement for coaching activities

→ **Not allowed-** an advertisement of Coaching /teaching activities by a member in practice may amount to indirect solicitation.

→ **Not allowed-** members must avoid advertising their association with Coaching / teaching activities through hoardings, posters, banners and by any other means.

→ **Allowed-** may put, outside their Coaching/teaching premises, sign board mentioning the name of Coaching/teaching Institute, contact details and subjects taught therein only.

E. Application for empanelment for allotment of audit and other professional work

The Government departments and other similar institutions prepare panels of chartered accountants for allotment of audit and other professional work.

→ free to write to the concerned organization with a request to place his name on the panel.

→ cannot make roving enquiries about the existence of the panel itself.

→ Allowed to quote fees on enquiries being received from such bodies.

F. Publication of Name or Firm Name by Chartered Accountants in the Telephone or other Directories published by Telephone Authorities or Private Bodies

→ **Allowed to put such entries subject to certain restrictions as follows:**

a) No highlight or special importance.

b) No priority entry

c) Sequential logical order.

d) No additional payments for box and bold numbers.

G. Publication of Books or Articles

→ not permitted to indicate in a book or an article, published by him, the association with any firm of Chartered Accountants.

→ **Allowed** to highlight academic achievements and degrees

→ Cannot mention nature of services and other designations

H. Issue of greeting cards or invitations

→ the designation "Chartered Accountant" as well as the name of the firm may be used provided such cards are sent only to clients, relatives and close friends of the members concerned.

I. Scope of Representation which an auditor is entitled to make under Section 225(3) Companies Act, 1956 (now section 140(4)(iii) of the Companies Act, 2013)

→ The wording of his representation should be such that apart from the opportunity not being abused to secure needless publicity, it does not to soliciting for his continuance as an

auditor.

→The letter should merely set out in a dignified manner how he has been acting independently and conscientiously through the term of office and may, in addition, indicate his willingness to continue as auditor if re appointed by the shareholders.

J. Acceptance of original professional work by a member emanating from the client Introduced to him by another member

→The Council has decided that a member should not accept the original professional work emanating from a client introduced to him by another member.

→If any professional work of such client comes to him directly, it should be his duty to ask the client that he should come through the other member dealing generally with his original work.

K. Giving public Interviews

→it should not result in publicity.

→he should not handover his profile and ask the presenter to read profile.

→should not mention association with firm and nature of services.

L. Website

i) No restriction on design and colour

ii) Pull model and not push model

iii) may provide a link to the Website of:

a) ICAI,

b) its Regional Councils and Branches

c) Govt./Govt. Departments/Regulatory authorities

d) other Professional Bodies, such as, American Institute of Certified Public Accountants

(AICPA), the Institute of Chartered Accountants of England & Wales (ICAEW) and The Canadian Institute of Chartered Accountants (CICA).

iv) allowed to provide following information:

a) Member/Trade/Firm name.

b) Year of establishment

c) Member/Firm's Address (both Head Office and Branches)

d) Nature of services rendered (to be displayable only on specific "pull" request)

e) Details of Partners

f) Details of Employees

g) No. of articled clerks. (to be displayable only on specific "pull" request).

h) Job vacancies for the Chartered Accountant/firm of Chartered Accountants (including articleship).

i) Nature of assignments handled

j) Disclosure of names of clients and/or fees charged, on the website is permissible only where it is required by a regulator, whether or not constituted under a statute, in India or outside India, provided that such disclosure is only to the extent of requirement of the regulator.

k) articles, professional information, professional updation

l) bulletin boards

m) chat rooms can be provided which permit chatting amongst members of the ICAI and between Firms and its clients

n) can provide on line advice to their clients

o) listing on suitable search engine should be permitted

v) mention the date upto which it is updated

vi) THE ICAI LOGO ONLY

(use of logo/monogram of any kind/form/style/design/colour, etc. whatsoever on any display material or media is prohibited. Use/printing of member/firm name in any other manner amounting to logo/monogram was also prohibited).

vii) Display of passport size photograph only

viii) permitted to have their Webpages in their trade name or individual name.

ix) Website name should not solicit client

x) Do not issue any circular or any other advertisement or any other material of any kind whatsoever by virtue of which they solicit people to visit their Website. However, permitted to mention their Website address on their professional stationery

	<p>xi) No Advertisement of any other nature permitted on the website</p> <p>xii) Can register on websites providing platforms to professionals for providing consultancy services. Allowed to designate as “CA” and mention name of the firm. Professional achievements, Contact address and name of the firm with suffix “CA” not allowed.</p>
7	<p>Use of degree/designation- Sec 7 of CA Act, 1949 -The member of the Institute are now permitted to use the word 'CA' as prefix before their name irrespective of the fact that they are in practice or not.</p> <p>a) CA in Practice</p> <p>→Must use designation “Chartered Accountant”</p> <p>→Cannot use any other designation</p> <p>→Can mention degrees from universities recognised by law in India or recognised by Central Government.</p> <p>→may use any other letters or description indicating membership of Accountancy Bodies which have been approved by the Council or of bodies other than Accountancy Institutes.</p> <p>→Members of the Institute in practice who are otherwise eligible may practice as advocates subject to the permission of the Bar Council. Use of designation as follows:</p> <p>-For Advocacy matters- Cannot use designation “Chartered Accountant”</p> <p>-For other matters- Continue to use designation “Chartered Accountant”</p> <p>-Cannot use CA and Lawyers simultaneously (together in one visiting card).</p> <p>b) Not in Practice</p> <p>→Can use any other designation provided they are not using designation Chartered Accountant.</p> <p>Note: Practicing CA using Associates of ‘Correspondents of... etc. on letter heads, visiting cards etc. of firms of Chartered Accountants:</p> <p>The Council has not barred entering into such association and the restriction given under the above clause is to bar an advertisement appearing / derived from such associations</p>
8	<p>Additional points for clause 7 Part I first Schedule:</p> <p>a) The date of setting up the practice by a member or the date of establishment of the firm on the letterheads and other professional documents, etc. should not be mentioned. However <i>in the Website, the year of establishment can be given on the specific “pull” request.</i></p> <p>c) not permissible for the chartered accountants in practice to print their photograph on their visiting cards</p> <p>d) allowed to print Quick Response Code (QR Code) on the visiting Card, provided that the Code does not contain information that is not otherwise permissible to be printed on a visiting Card</p> <p>e) Exemption:</p> <p>(a) Advertisements for recruiting staff in the members’ own office.</p> <p>(b) Advertisements inserted on behalf of clients requiring staff or wishing to acquire or dispose of business or property.</p> <p>(c) Advertisement for the sale of a business or property by a member acting in a professional capacity as trustee, liquidator or receiver</p> <p>f) Notice in the press relating to the success in an examination of an individual candidate: The candidate’s name and address, school and local background, examinations passed with details of any prize or place gained, the name of the principal, firm and town in which the principal practices may be published.</p> <p>g) reports and certificates issued are limited to what is necessary.</p> <p>h) The Members may advertise through a write up setting out their particulars or of their firms and services provided by them. (cannot publish in mass media but can be circulated amongst clients and as a response to enquiries)</p>
9	<p>Clause 8 Part I first Schedule working:</p> <p>a) applies to all types of audit where previous auditor was a CA.</p> <p>b) Communication must be sent by the proposed auditor before accepting the engagement</p> <p>c) Proposed auditor should have a proof of delivery- either handwritten acknowledgement or sending letter through Registered A.D (acknowledgment due) Post.</p> <p>d) if retiring auditor does not reply within reasonable time then proposed auditor can give a conditional acceptance after verifying whether there are such reasons for not accepting audit.</p> <p>e) if retiring auditor replies and it has following reasons mentioned then proposed auditor cannot</p>

	<p>accept audit: a) Non compliance with Sec 139, 140, 141 and 142 of Companies Act, 2013) b) Non-payment of undisputed audit fees by auditees other than in case of sick units for carrying out the statutory audit under the Companies Act or various other statutes</p>
10	<p>Regulation 192 of CA Regulations, 1988- Exceptions: (a) “In the case of a receiver or a liquidator, the fees may be based on a percentage of the realization or disbursement of the assets; (b) In the case of an auditor of a co-operative society, the fees may be based on a percentage of the paid up capital or the working capital or the gross or net income or profits; (c) In the case of a valuer for the purposes of direct taxes and duties, the fees may be based on a percentage of the value of property valued; (d) in the case of certain management consultancy services as may be decided by the resolution of the Council from time to time, the fees may be based on percentage basis which may be contingent upon the findings, or results of such work; (e) in the case of certain fund raising services, the fees may be based on a percentage of the fund raised; (f) in the case of debt recovery services, the fees may be based on a percentage of the debt recovered; (g) in the case of services related to cost optimisation, the fees may be based on a percentage of the benefit derived; and (h) any other service or audit as may be decided by the Council</p>
11	<p>Resolutions of the council permitting to engage in other professions (CA REGULATIONS, 1988) 1) General Resolution Permission granted generally - Members of the Institute in practice be generally permitted to engage in the following categories of occupations, for which no specific permission from the Council would be necessary in individual cases: (1) Employment under Chartered Accountants in practice or firms of such chartered accountants. (2) Private tutorship. (3) Authorship of books and articles. (4) Holding of Life Insurance Agency License for the limited purpose of getting renewal commission. (5) Attending classes and appearing for any examination. (6) Holding of public elective offices such as M.P., M.L.A. and M.L.C. (7) Honorary office leadership of charitable-educational or other non-commercial organisations. (8) Acting as Notary Public, Justice of the Peace, Special Executive Magistrate and the like. (9) Part-time tutorship under the coaching organisation of the Institute. (10) Valuation of papers, acting as paper-setter, head-examiner or a moderator, for any examination. (11) Editorship of professional journals. (12) Acting as Surveyor and Loss Assessor under the Insurance Act, 1938 provided they are otherwise eligible. (13) Acting as recovery consultant in the banking sector (14) Owning agricultural land and carrying out agricultural activity 2) Specific Resolution Members of the Institute in practice may engage in the following categories of business or occupations, after obtaining the specific and prior approval of the Council in each case: (1) Full-time or part-time employment in business concerns provided that the member and/or his relatives do not hold “substantial interest” in such concerns. (2) Full-time or part-time employment in non-business concern. (3) Office of managing director or a whole-time director of a body corporate within the meaning of the Companies Act, 1956 (now Companies Act, 2013). (4) Interest in family business concerns (including such interest devolving on the members as a result of inheritance / succession / partition of the family business) or concerns in which interest has been acquired as a result of relationships and in the management of which no active part is taken.</p>

<p>(5) Interest in an educational institution.</p> <p>(6) Part-time or full-time lectureship for courses other than those relating to the Institute’s examinations conducted under the auspices of the Institute or the Regional councils or their branches.</p> <p>(7) Part-time or full-time tutorship under any educational institution other than the coaching organization of the Institute.</p> <p>(8) Editorship of journals other than professional journals.</p> <p>(9) Any other business or occupation for which the Executive Committee considers that permission may be granted.</p>

Part II: CA in Service + Professional Misconduct

Clause No.	Key Phrase	Bare Clause
1	Sharing emoluments with others	pays or allows or agrees to pay directly or indirectly to any person any share in the emoluments of the employment undertaken by him.
2	Accepting referral commissions	accepts or agrees to accept any part of fees, profits or gains from a lawyer, a chartered accountant or broker engaged by such company, firm or person or agent or customer of such company, firm or person by way of commission or gratification. <i>[Note: A member in the foregoing circumstances would be guilty of misconduct regardless of the fact that he was in whole-time or part-time employment or that he was holding Certificate of Practice along with his employment.]</i>

S.No	Working notes for Part II First Schedule
1	For Clause 1 Sharing salary as a consideration for job procurement is a misconduct.
2	For Clause 2 Accepting Reward from employers is not a misconduct.

Part III: Members of the institute + Professional Misconduct

Clause No.	Key Phrase	Bare Clause
1	ACA vs FCA	not being a fellow of the Institute, acts as a fellow of the Institute.
2	Does not provide information to the ICAI, etc.	does not supply the information called for, or does not comply with the requirements asked for, by the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline, Disciplinary Committee, Quality Review Board or the Appellate Authority.
3	Incorrect information in tender, write-up, website etc.	while inviting professional work from another chartered accountant or while responding to tenders or enquiries or while advertising through a write up, or anything as provided for in items (6) and (7) of Part I of this Schedule, gives information knowing it to be false.
S.No	Working Notes for Part III First Schedule	
1	<p>For Clause 1</p> <p>Section 5 of the Chartered Accountants Act, 1949:</p> <p>Associate Member: Any person, whose name has been entered in the Register, shall be deemed to have become an Associate of the Institute and shall also be entitled to use the letters A.C.A. after his name to indicate that he is an Associate Member of the Institute.</p>	

	<p>Fellow Member: The name of following types of members shall be entered into the Register as a Fellow of the Institute, on payment of such fees along with the application made and granted in the prescribed manner-</p> <p>(i) An associate member who has been in continuous practice in India for at least 5 years, (ii) A member who has been an associate for a continuous period of not less than 5 years and who possess such qualifications as may be prescribed by the Council with a view to ensuring that he has experience equivalent to the experience normally acquired as a result of continuous practice for a period of 5 years as a Chartered Accountant.</p>
2	<p>For Clause 2 Read with clause 3 Part II Second Schedule to CA Act, 1949</p>

Part IV: Other Misconduct

Clause No.	Key Phrase	Bare Clause
1	Imprisonment upto 6 months	is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term not exceeding six months.
2	Disrepute to the profession	in the opinion of the Council, brings disrepute to the profession or the Institute as a result of his action whether or not related to his professional work.

S.No.	Working Notes for Part IV First Schedule
1	<p>For Clause 1 Court will cover court outside India. Punishment prescribed matters and not punishment given.</p>
2	<p>For Clause 2 Some illustrative examples, where a member may be found guilty of “Other Misconduct”, under the aforesaid provisions rendering, himself unfit to be member are:</p> <p>(i) Where a chartered accountant retains the books of account and documents of the client and fails to return these to the client on request without a reasonable cause. (ii) Where a chartered accountant makes a material misrepresentation. (iii) Where a chartered accountant uses the services of his articled or audit assistant for purposes other than professional practice. (iv) Misappropriation by office-bearer of a Regional Council of the Institute, of a large amount and utilisation thereof for his personal use. (v) Not replying within a reasonable time and without a good cause to the letter of the public authorities. (vi) Where certain assessment records of income tax department belonging to the client of Chartered Accountant were found in the almirah of the bed-room of the chartered accountant. (vii) Where a chartered accountant had adopted coercive methods on a bank for having a loan sanctioned to him.</p>

Second Schedule

Part I: CA in Practice + Professional Misconduct

Clause No.	Key Phrase	Bare Clause
1	Client Confidentiality	Discloses Information acquired in the course of his professional engagement to any person other than his client so engaging him without the consent of his client or otherwise than as required by any law for the time being in force.
2	Certification without	If he certifies or submits in his name or in the name of his firm, a

	examination	report of an examination of financial statements unless the examination of such statements and the related records has been made by him or by a partner or an employee in his firm or by another chartered accountant in practice.
3	Vouching for the accuracy of the forecast	Permits his name or the name of his firm to be used in connection with an estimate of earnings contingent upon future transactions in manner which may lead to the belief that he vouches for the accuracy of the forecast.
4	Expressing opinion where substantial interest is involved	Expresses his opinion on financial statements of any business or enterprise in which he, his firm, or a partner in his firm has a substantial interest.
5	Knowingly fails to disclose material fact	fails to disclose a material fact known to him which is not disclosed in a financial statement, but disclosure of which is necessary in making such financial statement not misleading where he is concerned with that financial statement in a professional capacity.
6	Knowingly fails to report material misstatement	Fails to report a material misstatement known to him to appear in a financial statement with which he is concerned in a professional capacity.
7	Gross negligence	does not exercise due diligence, or is grossly negligent in the conduct of his professional duties.
8	Failure to obtain sufficient information	Fails to obtain sufficient information which is necessary for expression of an opinion or its exceptions are sufficiently material to negate the expression of an opinion.
9	Material departure from standard auditing practices	Fails to invite attention to any material departure from the generally accepted procedure of audit applicable to the circumstances.
10	Misappropriating client's money	fails to keep moneys of his client other than fees or remuneration or money meant to be expended in a separate banking account or to use such moneys for purposes for which they are intended within a reasonable time.

Sr.No	Working Notes for Part I Second Schedule						
1	<p>For Clause 1: → duty not to disclose continues even after the completion of his assignment → Who can give the consent?</p> <table border="1" style="margin-left: 40px;"> <tr> <td>Proprietor</td> <td>Proprietor himself or his representative</td> </tr> <tr> <td>Partnership firm</td> <td>Any of the partner</td> </tr> <tr> <td>Company</td> <td>M.D can give only if he is authorised to do so by the Board. If no such authorisation given to M.D then Board shall give consent</td> </tr> </table> <p>→ Read with ownership principle of working papers as per SQC-1 → Role of chartered accountants in relation to unlawful acts by their clients- Taxation fraud: No duty is cast on a member to inform the Income tax Authorities about taxation frauds by his client of which he comes to know during the course of his professional work- because member is merely acting as a representative of the client and hence due to the attorney-client relationship member cannot act without client's permission- Section 126 of the Evidence Act, 1872.</p>	Proprietor	Proprietor himself or his representative	Partnership firm	Any of the partner	Company	M.D can give only if he is authorised to do so by the Board. If no such authorisation given to M.D then Board shall give consent
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2	<p>For Clause 3 Vouching for the accuracy of the forecast/projections/estimated earnings etc As per SAE 3400, while examining prospective financial information, member can provide assurance whether assumptions are reasonable or not but he cannot vouch/make others</p>						

	believe that forecast is accurate and results are expected to be achieved
3	<p>For Clause 4</p> <p><u>a) Assignment involves expressing an opinion on Financial Statements</u></p> <p><u>i) Client= Company</u> → Person Partner Firm Relative holding securities but not a substantial interest: Not Guilty under Clause 4 Part I Second schedule but check disqualification u/s 141(3) of companies act, 2013 in case of statutory audit → Person Partner Firm Relative holding substantial interest: Guilty under Clause 4 Part I Second schedule and disqualification u/s 141(3) of companies act, 2013 in case of statutory audit</p> <p><u>ii) Client= Other than Company</u> → Check substantial interest of the person partner firm or relative in the entity + applicable laws and regulations before accepting the assignment.</p> <p><u>b) Any other assignment e.g. consultancy, tax representation</u> Clause 4 is not applicable.</p>
4	<p>For Clause 5 & 6</p> <pre> graph TD A[Knowingly fails to disclose/report] --> B[Material fact not appearing in financial statements] A --> C[Material Misstatement appearing in the financial statements] B --> D[Clause 5 Part I Second Schedule] C --> E[Clause 5 Part I Second Schedule] </pre>
5	<p>For Clause 10</p> <pre> graph TD A[Money Recd from Client] --> B[Client's money] A --> C[Towards professional fees] B --> D[Used within Reasonable time] B --> E[Not used within reasonable time] D --> F[For other than client's purpose- Guilty] E --> G[Not deposited in a separate bank account- Guilty] C --> H[Clause 10 is NA] </pre>

Part II: Members of the institute + Professional Misconduct

Clause No.	Key Phrase	Bare Clause
1	Violating other	contravenes any of the provisions of this Act or the regulations made

	provisions	there under or any guidelines issued by the Council.
2	Employer's confidentiality	being an employee of any company, firm or person, discloses confidential information acquired in the course of his employment except as and when required by any law for the time being in force or except as permitted by the employer.
3	Incorrect information to the ICAI, etc..	Includes in any information, statement, return or form to be submitted to the Institute, Council or any of its Committees, Director (Discipline), Board of Discipline. Disciplinary Committee, Quality Review Board or the Appellate Authority any particulars knowing them to be false.
4	Defalcation of cash in professional capacity	Defalcates or embezzles money received in his professional capacity.

Part III : Other Misconduct

Clause No.	Key Phrase	Bare Clause
1	Imprisonment exceeding 6 months	A member of the Institute, whether in practice or not, shall be deemed to be guilty of other misconduct, if he is held guilty by any civil or criminal court for an offence which is punishable with imprisonment for a term exceeding six months.

Sr.No	Working notes for Part III Second Schedule
1	Court includes court outside India

Other Provisions apart from Schedules to the Act

S.No	Reference	Particulars
1	Fundamental Principles	Integrity, Objectivity, Confidentiality, Professional Behaviour, Professional Competence and due care
2	Membership of the institute	Sec 4 of CA Act, 1949 - Clear Final Examination of the Chartered Accountancy Course - Complete prescribed training - Register as a member of the institute
3	Associate Member	Any person, whose name has been entered in the Register, shall be deemed to have become an Associate of the Institute and shall also be entitled to use the letters A.C.A. after his name to indicate that he is an Associate Member of the Institute.
4	Fellow Member	(i) An associate member who has been in continuous practice in India for at least 5 years, (ii) A member who has been an associate for a continuous period of not less than 5 years and who possesses such qualifications as may be prescribed by the Council with a view to ensuring that he has experience equivalent to the experience normally acquired as a result of continuous practice for a period of 5 years as a Chartered Accountant.
5	Removal of Name from Register (SEC 20)	the Council may remove, from the Register, the name of any member of the Institute in the following cases- (i) who is dead; or (ii) from whom a request has been received to that effect; or (iii) who has not paid any prescribed fee required to be paid by him; or (iv) who is found to have been subject at the time when his name was entered in the Register, or who at any time thereafter has become subject, to any of the disabilities mentioned in Section 8, or who for any other reason has ceased to be entitled to have his name borne

		on the Register.
6	Restoration of membership	Refer WN1
7	Cancellation of COP	<p>a Certificate of Practice (COP) shall be liable for cancellation, if:</p> <p>(i) the name of the holder of the certificate is removed from the Register; or</p> <p>(ii) the Council is satisfied, after giving an opportunity of being heard to the person concerned, that such certificate was issued on the basis of incorrect, misleading or false information, or by mistake or inadvertence; or</p> <p>(iii) a member has ceased to practise; or</p> <p>(iv) a member has not paid annual fee for certificate of practice till 30th day of September of the relevant year.</p> <p>Where a COP is cancelled, the holder shall surrender the same to the Secretary.</p>
8	Disabilities for the purpose of Membership (Sec 8)	<p>Section 8 of the Chartered Accountants Act, 1949:</p> <p>(i) If he has not attained the age of 21 years at the time of his application; or</p> <p>(ii) If he is adjudged as person of unsound mind; or</p> <p>(iii) If he is an undischarged insolvent; or</p> <p>(iv) If he, being a discharged insolvent, has not obtained from the court a certificate stating that his insolvency was caused by misfortune without any misconduct on his part; or</p> <p>(v) If he has been convicted by a competent Court whether within or without India,</p> <ul style="list-style-type: none"> - of an offence involving moral turpitude and punishable with transportation or imprisonment or - of an offence, not of a technical nature, committed by him in his professional capacity <p>unless</p> <ul style="list-style-type: none"> -in respect of the offence committed he has either been granted a pardon or, -on an application made by him in this behalf, the Central Government has, by an order in writing, removed the disability; or <p>(vi) If he has been removed from membership of the Institute on being found on inquiry to have been guilty of professional or other misconduct</p>
9	KYC NORMS	Refer note amended as per May 18 RTP
10	Tax Audit Assignments	<p>60 tax audit assignments per partner in the firm.</p> <p>According to a clarification on Tax Audit Assignments by Committee on Ethical Standards Board) of the Institute, if there are 10 partners in a firm of Chartered Accountants in practice, then all the partners of the firm can collectively sign 600 tax audit reports. This maximum limit of 600 tax audit assignments may be distributed between the partners in any manner whatsoever. For instance, 1 partner can individually sign 600 tax audit reports in case remaining 9 partners are not signing any tax audit report.</p>
11	Statutory Audit-Special consideration	<p>In case of Public Sector Undertaking(s)/ Government Company(ies)/Listed Company(ies) and other Public Company(ies) having turnover of ` 50 crores or more, A member of the Institute in practice shall not accept the appointment as statutory auditor if he accepts any other work(s) or assignment(s) or service(s) on a remuneration which in total exceeds the fee payable for carrying out the statutory audit of the same Undertaking/company.</p>
12	Ratio between Qualified and Unqualified Staff	<p>In the Council's view, a practicing firm of Chartered Accountants engaged in audit work should have at least one member for every five non-qualified members of the staff, excluding articled and audit clerks, typists, peons and other persons not engaged directly in such</p>

		professional work
13	Indebtedness As per council Guidelines	A member of the Institute in practice or a partner of a firm in practice or a firm shall not accept appointment as auditor of a concern while indebted to the concern or given any guarantee or provided any security in connection with the indebtedness of any third person to the concern, for limits fixed in the statute and in other cases for amount exceeding ` 10,000/-
14	Companies not to Engage in Accountancy	Section 25 of the Chartered Accountants Act, 1949 provides that: (1) No company, whether incorporated in India or elsewhere, shall practise as chartered accountants. Here, the term “company” shall include any limited liability partnership which has company as its partner for the purpose of this section. In addition, as per section 141(2) of the Companies Act, 2013, where a firm (including a limited liability partnership) is appointed as an auditor of a company, then, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm. On thoroughly studying the provisions of both the Acts, the LLPs, though allowed to be appointed as an auditor in accordance with the Companies Act, 2013, however, it can't be engaged into practice, if it has company as its partner, as per the Chartered Accountants Act, 1949. Therefore, in short, the LLP not having any company as its partner, can be engaged into practicing and thus take audit assignments.
15	Maintenance of Branch office- Section 27 of Chartered Accountants Act, 1949	→ if a Chartered Accountant in practice or a Firm of Chartered Accountants has more than one office in India, each one of such offices should be in the separate charge of a member of the Institute. → exemption has been given to members practicing in hill areas: a) open temporary offices in a city in the plains for a limited period not exceeding 3 months in a year b) name board of the firm in the temporary office should not be displayed at times other than the period such office is permitted to function as above c) temporary office should not be mentioned in the letterheads, visiting cards or any other documents as a place of business of the member/firm d) Inform the ICAI before opening and closing such office. → General Exemption: (a) the second office is located in the same premises, in which the first office is located or, (b) the second office is located in the same city, in which the first office is located or, (c) the second office is located within a distance of 50 km. from the municipal limits of a city, in which the first office is located. → Chartered Accountant in-charge of the branch of another firm should be associated with him or with the firm either as a partner or as a paid assistant. If he is a paid assistant, he must be in whole time employment with him.
16	Maintenance of Books of Accounts	As per Council General Guidelines, 2008. A member of the Institute in practice or the firm of Chartered Accountants of which he is a partner, shall maintain and keep in respect of his / its professional practice, proper books of account including the following- (i) a Cash Book; (ii) a Ledger.
17	Significance of Certificate of Practice	(i) Once the person concerned becomes a member of the Institute, he is bound by the provisions of the Chartered Accountants Act and its Regulations. If and when he appears before the Income-tax Tribunal as an Income-tax representative after having become a member of the Institute, he could so appear only in his capacity as a Chartered Accountant and a member of the Institute. Having, as it were, brought himself within the jurisdiction of the

		Chartered Accountants Act and its Regulations, he could not set them at naught by contending that even though he continues to be a member of the Institute and has been punished by suspension from practice as a member, he would be entitled, in substance, to practice in some other capacity. (ii) A member of the Institute can have no other capacity in which he can take up such practice, separable from his capacity to practice as a member of the Institute.
18	Regulation 47 of CA Regulations, 1988	Premium from Articled Assistant : CA in practice should not accept premium from articled assistant in lieu of providing article training.
19	Minimum Audit Fees to be charged	Minimum audit fees circular issued by the ICAI is recommendatory and not mandatory. However audit fees charged should not amount to undercutting leading to solicitation
20	Penalties u/s 24 for falsely claiming to be a member.	Section 24 of the Chartered Accountants Act, 1949 provides that any person who (i) not being a member of the Institute; (a) represents that he is a member of the Institute; or (b) uses the designation Chartered Accountant; (ii) being a member of the Institute, but not having a certificate of practice, represents that he is in practice or practices as a Chartered Accountant, shall be punishable on first conviction with fine which may extend to ` 1000, and on any subsequent conviction with imprisonment which may extend to 6 months or with fine which may extend to ` 5,000, or with both.
21	ESB Dsecision	A Chartered Accountant in practice may be an equity research adviser, but he cannot publish retail report, as it would amount to other business or occupation.
22	ESB Decision	A Chartered Accountant, who is a member of a Trust, cannot be the auditor of the said trust.
23	ESB Decision	A Chartered Accountant in practice may engage himself as Registration Authority (RA) for obtaining digital signatures for clients
24	ESB Decision	A Chartered accountant can hold the credit card of a bank when he is also the auditor of the bank, provided the outstanding balance on the said card does not exceed Rs 10000 beyond the prescribed credit period limit on credit card given to him.
25	ESB Decision	A Chartered Accountant in practice can act as mediator in Court, since acting as a “mediator” would be deemed to be covered within the meaning of “arbitrator”; which is inter-alia permitted to members in practice as per Regulation 191 of the Chartered Accountants Regulations, 1988
26	ESB Decision	A Chartered Accountant in practice is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank.
27	ESB Decision	The Ethical Standards Board in 2013 generally apply the stipulations contained in the then amended Rule 11U of Income Tax generally, wherein statutory auditor /tax auditor cannot be the valuer of unquoted equity shares of the same entity. The Board has at its recent Meeting (January, 2017) has reviewed the above, and decided that where law prohibits for instance in the Income Tax Act and the rules framed there under, such prohibition on statutory auditor/tax auditor to be the valuer will continue, but where there is no specific restriction under any law, the said eventuality will be permissible, subject to compliance with the provisions, as contained in the Code of Ethics relating to independence.
28	ESB Decision	The Ethical Standards Board had in 2011 decided that it is not permissible for

		<p>a member who has been Director of a Company, upon resignation from the Company to be appointed as an auditor of the said Company, and the cooling period for the same may be 2 years.</p> <p>The Board has at its recent Meeting (January, 2017) has reviewed the above, and noted that the Section 141 of Companies Act, 2013 on disqualification of auditors does not mention such prohibition; though threats pertaining to the said eventuality have been mentioned in Code of Ethics.</p> <p>Further, the Board was of the view that a member may take decision in such situation based on the provisions of Companies Act, 2013 and provisions of Code of Ethics.</p>
29	ESB Decision	A chartered accountant in practice cannot become Financial Advisors and receive fees/commission from Financial Institutions such as Mutual Funds, Insurance Companies, NBFCs etc.
30	ESB Decision	A chartered accountant cannot exercise lien over the client documents/ records for non-payment of his fees.
31	ESB Decision	It is not permissible for CA Firm to print its vision and values behind the visiting cards, as it would result in solicitation and therefore would be violative of the provisions of Clause (6) of Part-I of First Schedule to the Chartered Accountants Act, 1949.
32	ESB Decision	It is not permissible for chartered accountants in practice to take agencies of UTI, GIC or NSDL.
33	ESB Decision	It is permissible for a member in practice to be a settlor of a trust.
34	ESB Decision	A member in practice cannot hold Customs Brokers Licence under section 146 of the Customs Act, 1962 read with Customs Brokers Licensing Regulations, 2013 in terms of the provisions of Code of Ethics. Act, 1962 read with Customs Brokers Licensing Regulations, 2013 in terms of the provisions of code of ethics.
35	ESB Decision	A Chartered accountant in service may appear as tax representative before tax authorities on behalf of his employer, but not on behalf of other employees of the employer.
36	ESB Decision	A chartered accountant who is the statutory auditor of a bank cannot for the same financial year accept stock audit of the same branch of the bank or any of the branches of the same bank or sister concern of the bank, for the same financial year.
37	ESB Decision	A CA Firm which has been appointed as the internal auditor of a PF Trust by a Government Company cannot be appointed as its Statutory Auditor.
38	ESB Decision	A concurrent auditor of a bank 'X' cannot be appointed as statutory auditor of bank 'Y', which is sponsored by 'X'.
39	ESB Decision	A CA/CA Firm can act as the internal auditor of a company & statutory auditor of its employees PF Fund under the new Companies Act (2013).
40	ESB Decision	The Ethical Standards Board while noting that there is requirement for a Director u/s 149(3) of the Companies Act, 2013 to reside in India for a minimum period of 182 days in the previous calendar year, decided that such a Director would be within the scope of Director Simplicitor (which is generally permitted as per ICAI norms), if he is non – executive director, required in the Board Meetings only, and not paid any remuneration except for attending such Board Meetings.