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CA Ankush Chirimar
AIR 5,6,32

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Notes*

Brief about Author

- All India Ranker at all 3 levels of CA
- Scored 95 Marks in Audit - Highest marks in history of ICAI till Nov 23
- Articleship at KPMG, Mumbai in Statutory Audit Domain
- Industrial Training at DBS Bank

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SRS 4400 - Engagements to Perform Agreed-Upon Procedures (AUP) Regarding Financial Info

<p>Person performing related services need not be auditor of FS</p> <p>Eg of Related Services</p> <ul style="list-style-type: none"> • Preparation of tax returns • Consulting engagements • Engagements covered by SRS 	<p>Objective</p> <ul style="list-style-type: none"> • No assurance is provided by Auditor. Instead, users draw own conclusions - Diff from Audit • To carry out procedures of audit nature to which auditor, entity & any 3rd parties have agreed & to report on factual findings • Report is restricted to those parties that have agreed to procedures to be performed, since others may misinterpret results
<p>Eg. of AUP to evaluate A/c Payables</p> <ul style="list-style-type: none"> • Comparing names & amounts of suppliers to related names & amount in trial balance • Obtaining suppliers statements or confirmations to confirm balances outstanding • Comparison of statements or confirmations to amounts in trial balance 	<p>General Principles of AUP</p> <ul style="list-style-type: none"> • Auditor should comply with Code of Ethics including integrity, objectivity, professional competence & due care, confidentiality, professional conduct & technical standards • Independence is not required for AUP, unless terms or objective of engagement requires. Where auditor is not independent, statement should be made in report
<p>Terms of Engagement - Matters Included</p> <ul style="list-style-type: none"> • Nature of engagement that it is not audit or review & no assurance will be expressed • Stated Purpose for engagement • Identification of financial info to apply AUP • NTE of specific procedures to be applied • Limitations on distribution of report, If this contradicts L&R, not accept engagement <p>Engagement Letter - Matters Included</p> <ul style="list-style-type: none"> • Auditor sends engagement letter which confirms auditor's acceptance of appointment & helps avoid misunderstandings • List of procedures to be performed as AUP • Statement that distribution of report would be restricted to specified users <p>Procedures & Evidence - includes -</p> <ul style="list-style-type: none"> • Inquiry & analysis • Re computation, comparison & clerical checks • Observation • Inspection • Obtaining confirmations 	<p>Elements of Reporting</p> <ul style="list-style-type: none"> • Title • Addressee - Appointing Authority • Identification of Specific Info on which AUP are applied • Identification of purpose for performing AUP • Listing of procedures performed • Statement that procedures performed were those agreed-upon • Statement that engagement was performed as per this SRS • Statement that had auditor performed additional procedures/audit/review, other matters would have been reported • Description of factual finding • Statement that it is not audit or review • Statement that report is restricted to those agreeing to AUP • Statement that report relates only to elements specified & it does not extend to FS • Date of report • Place of signature • Auditor's signature
<p>Documentation</p> <ul style="list-style-type: none"> • Matters important to provide evidence to support report of factual findings • Evidence that engagement was carried out as per this SRS & terms of engagement 	

<p>SRS 4410 applies to compilation engagements for historical financial info. For other financial info & non-financial info, compilation engagements can be performed under this Standard after necessary adaptation</p> <p>Compilation engagement may be required for</p> <ul style="list-style-type: none"> To comply with Mandatory Periodic FR Requirements of L&R or For other purposes, including - <ul style="list-style-type: none"> For Mgt or TCWG for their particular purposes For Periodic FR for external parties under contract For Transactional Purposes <p>Compilation Engagement is not assurance as it does not require practitioner to verify accuracy or completeness of info or to express audit opinion or review conclusion</p>	<p>Scope of Compilation Engagements</p> <ul style="list-style-type: none"> It will vary. In some cases, Mgt may have already prepared financial info in draft form Mgt retains responsibility for financial info, basis of preparation, Judgment & A/cing Policies & estimates Diff FRFs can be used to prepare present financial info. FRF adopted by Mgt will depend on nature of entity & use of info <p>Ethical Requirements</p> <ul style="list-style-type: none"> Practitioner shall comply with ethical requirements Since its non-assurance engagement, independence requirements do not apply unless L&R requires
<p>Engagement Acceptance & Continuance</p> <p>Practitioner shall not accept engagement unless he has agreed terms with Mgt, & engaging party, including -</p> <ul style="list-style-type: none"> Objective & Scope of engagement Responsibilities of Practitioner Expected form & content of report Intended use of financial info & restrictions on use or distribution Responsibilities of Mgt for - <ul style="list-style-type: none"> Financial info & Acceptable FRF Design, implementation & maintenance of IC Accuracy & completeness of docs & explanations provided by Mgt Judgments in preparation of financial info Identification of AFRF <p>On recurring engagements, practitioner shall evaluate if circumstances require terms to be revised & if there is need to remind Mgt of existing terms</p>	<p>Communication with Mgt & TCWG</p> <p>All matters concerning compilation engagement that, in practitioner's professional judgment, are of sufficient importance to merit attention of Mgt or TCWG</p> <p>Engagement Level QC</p> <p>EP shall take responsibility for -</p> <ul style="list-style-type: none"> Overall quality of each engagement to which he is assigned Engagement being performed as per firm's QCS <p>Documentation</p> <ul style="list-style-type: none"> Significant matters arising during engagement & how they were addressed Copy of final version of compiled financial info for which Mgt or TCWG has taken responsibility & practitioner's report How compiled financial info reconciles with underlying docs & explanations

	<ul style="list-style-type: none"> • May also include, trial balance, significant a/cing records or other info used to perform compilation
<p>Performing Engagement</p> <ul style="list-style-type: none"> • Practitioner shall obtain understanding of following - <ul style="list-style-type: none"> ○ Entity's business & operations, including a/cing system & records ○ AFRF including its application in industry • He shall compile financial info using doc, explanation & significant judgments, provided by Mgt • He shall discuss with Mgt or TCWG, significant judgments for which he has provided assistance • Prior to completion of engagement, he shall read compiled financial info • If doc, explanation & significant judgments, provided by Mgt are incomplete, inaccurate or unsatisfactory, he shall request Mgt for additional or corrected info • If he is unable to complete engagement because Mgt has failed to provide docs & judgments, as requested, he shall withdraw from engagement & inform Mgt & TCWG of reasons for withdrawing • If he becomes aware that - <ul style="list-style-type: none"> ○ Compiled financial info does not adequately describe AFRF ○ Amendments to compiled financial info are required so that its not MM or ○ Compiled financial info is misleading • He shall propose appropriate amendments to Mgt • If Mgt declines, he shall withdraw from engagement & inform Mgt & TCWG of reasons for withdrawing • If withdrawal is not possible, he shall determine PRL responsibilities • He shall obtain acknowledgement from Mgt or TCWG, that they have taken responsibility for final version of compiled financial info 	<p>Elements of Practitioner's Report</p> <ul style="list-style-type: none"> • Report Title • Addressee as per terms of engagement • Description of practitioner's responsibilities • Description of what a compilation engagement requires as per this SRS • Statement that practitioner has compiled financial info based on info provided by Mgt • Explanations that - <ul style="list-style-type: none"> ○ Since it is not assurance engagement, practitioner is not required to verify accuracy or completeness of info ○ Accordingly, practitioner does not express audit opinion or review conclusion • Description of Mgt's & TCWG responsibilities • Identification, including title of each element & date/period of financial info • Identification of AFRF & if Special Purpose FRF is used, description of same • If financial info is prepared using Special Purpose FRF, para that - <ul style="list-style-type: none"> ○ Describes purpose for preparing financial info & intended users, or reference to note in financial info disclosing this info ○ Draws attention of readers to fact that financial info is prepared as per Special Purpose FRF & may not be suitable for other purposes • Date of report • Practitioner's signature • Place of signature



SRE 2400 - Engagements to Review Historical FS

Audit	Review
Performs elaborate & extensive procedures	Perform fewer procedure focusing on inquiry & AP
Draws reasonable conclusions on basis of SAAE	Draws limited conclusions on basis of SAAE
Provides assurance opinion whose language is positively worded	Provides assurance conclusion whose language is negatively worded
Reasonable assurance engagement providing reasonable level of assurance	Limited assurance engagement providing lower level of assurance than Audit

Review is related to FS prepared on basis of **historical financial info just like audit**

<ul style="list-style-type: none"> • SRE 2400 deals with practitioner's responsibility performing review of FS when he is not auditor of FS • Practitioner performs primarily Inquiry & AP to obtain SAAE. If FS have MM, he performs necessary additional procedures 	<p>Objectives</p> <ul style="list-style-type: none"> • Obtain limited assurance about whether FS are free from MM & whether practitioner believes FS are not prepared, in all material respects, as per AFRF • Report on FS & communicate as per SRE <p>When limited assurance cannot be obtained & modified conclusion is insufficient in circumstances, Practitioner shall either disclaim conclusion or withdraw, if possible under L&R</p>
<p>Ethical Requirements & Engagement Level QC</p> <p>Comply with ethical requirements, including independence & EP is responsible for overall quality of each review engagement</p> <p>Factors affecting Acceptance of Review</p> <p>Unless required by L&R, practitioner shall not accept review engagement if -</p> <ul style="list-style-type: none"> • He is not satisfied - <ul style="list-style-type: none"> ○ There is rational purpose for engagement. Rational Purpose may not be present if - <ul style="list-style-type: none"> ▪ L&R requires FS to be audited ▪ There is significant limitation on scope ▪ He suspects association of his name with FS in inappropriate manner ○ That review engagement would be appropriate. If not appropriate, he may recommend another type of engagement, for eg - <ul style="list-style-type: none"> ▪ Audit is more appropriate than review ▪ If circumstances prohibit assurance engagement, he may recommend compilation or other engagements 	<p>Preconditions for Accepting Review Engagement</p> <ul style="list-style-type: none"> • Determine if FRF is acceptable & in Special Purpose FS, obtain purpose of FS & users • Obtain agreement of Mgt that it acknowledge & understands its responsibilities - <ul style="list-style-type: none"> ○ For preparation of FS as per AFRF ○ For such IC as necessary to enable FS preparation free from MM ○ To provide practitioner with - <ul style="list-style-type: none"> ▪ Access to all info ▪ Additional info that he may request ▪ Unrestricted access to persons within entity to obtain audit evidence <p>If practitioner is not satisfied for above matters, he shall discuss with Mgt or TCWG</p> <p>If changes cannot be made, he shall not accept engagement unless required by L&R. If required by L&R, he shall not include reference to review conducted as per this SRE</p> <p>If, after accepting engagement, practitioner is not satisfied as to any preconditions, he shall discuss with Mgt or TCWG & determine -</p>

<ul style="list-style-type: none"> • He believes that ethical requirements, including independence, will not be satisfied • His preliminary understanding indicates that info to perform review is likely to be unavailable or unreliable • He doubts Mgt's integrity that will affect performance of review • Mgt or TCWG impose limitation on scope of work such that it will result in him disclaiming conclusion on FS 	<ul style="list-style-type: none"> • Whether matter can be resolved • Whether to continue engagement • Whether & how to communicate matter in report
<p>Agreeing to Terms of Engagement</p> <ul style="list-style-type: none"> • Prior to performing engagement • Recorded in engagement letter • On recurring engagement, evaluate if terms need to be revised & need to remind Mgt of existing terms • Not agree to change in terms if there is no reasonable justification for doing so • If, prior to completing review, he is requested to change to engagement for which no assurance is obtained, he shall determine if there is reasonable justification • If terms are changed, He & Mgt shall agree & record new terms in engagement letter 	<p>Materiality in Review of FS</p> <ul style="list-style-type: none"> • Practitioner's judgment about what is material is same regardless of level of assurance obtained by him for expressing conclusion • He shall revise materiality when becoming aware of any info during review that would have caused him to determine diff amount initially <p>Obtaining Understanding of Entity</p> <p>To identify areas where MM are likely to arise & design procedures to address those areas</p>
<p>Designing & Performing Inquiry & AP</p> <p>Inquiry - It includes seeking info from Mgt & other persons within entity Depending on circumstances, inquiries also about -</p> <ul style="list-style-type: none"> • Actions taken at meetings of owners, TCWG that affect info & disclosures in FS • Communications entity has received from regulatory agencies • Matter aroused in applying other procedures <p>AP - Practitioner considers whether data from a/cing system & records is adequate for performing AP</p> <p>Why "Inquiry" & "Analytical procedures" are important in Review?</p> <ul style="list-style-type: none"> • Inquiry is principal source of evidence about Mgt intent. In that case, understanding Mgt's past history of performing its intentions, 	<p>Procedures to Address Specific Circumstances</p> <ul style="list-style-type: none"> • Related parties - Practitioner shall remain alert for existence of RP that Mgt has not previously disclosed to him. If he identifies significant transactions outside normal course of business, he shall inquire Mgt about nature of transactions, involvement of RP & business rationale • Fraud & Non-compliance with L&R - When Practitioner identifies/suspects them, he shall communicate to Mgt or TCWG & request assessment of effects on FS & determine if there is responsibility to report fraud or illegal acts to party outside entity • Going concern - If practitioner becomes aware of events or conditions that may cast significant doubt about entity's ability to continue as GC, he shall - <ul style="list-style-type: none"> ◦ Inquire Mgt's future plans & its feasibility

<p>reasons for choosing action & Mgt's ability to pursue action may provide info to corroborate evidence obtained through inquiry</p> <ul style="list-style-type: none"> • Application of professional scepticism is important to evaluate if FS have MM • Inquiry also assists to update practitioner's understanding of entity to identify areas where MMs are likely to arise in FS <p>AP assists practitioner to</p> <ul style="list-style-type: none"> • Update understanding of entity, to identify areas where MM are likely to arise in FS • Provide corroborative evidence for inquiries or AP already performed • Identify inconsistency from expected trends • Serve as additional procedures when he believes that FS have MM 	<ul style="list-style-type: none"> ○ Evaluate result of inquiry, to consider if Mgt response provide sufficient basis to - <ul style="list-style-type: none"> ▪ Continue to present FS as GC if AFRF includes assumption of GC or ▪ Conclude if FS have MM for entity's ability to continue as GC ○ Consider Mgt's responses in light of all info present • Use of work performed by others - If practitioner uses work performed by another practitioner or expert, he shall be satisfied that work performed is adequate for his purposes. When he is engaged to review FS of group, planned NTE of procedures are directed at achieving his objectives for group FS
<p>Additional procedures when FS may have MM</p> <ul style="list-style-type: none"> • Additional Inquiry or AP - In greater detail or focused on affected items or • Other procedure - TOD or confirmations <p>Practitioner performs additional procedures to</p> <p>a) Conclude that matter will not cause MM in FS - no further procedures are required or</p> <p>b) Determine that matter causes MM in FS - No further procedures are required & he will conclude that FS have MM</p> <p>The evaluation of results of additional procedures may enable practitioner to get to (a) or (b) above.</p> <p>If not, he is required to -</p> <ul style="list-style-type: none"> • Continue performing additional procedures until he reaches either (a) or (b) or • If he is not able to reach either a or b, then scope limitation exists & he is not able to form unmodified conclusion on FS 	<p>Subsequent Events</p> <ul style="list-style-type: none"> • If practitioner becomes aware of events occurring b/w date of FS & date of report that require adjustment or disclosure in FS, he shall request Mgt to correct those misstatements • He has no obligation to perform any procedures after date of report. However, if, after date of report but before FS are issued, fact is known that may have caused him to amend report, he shall - <ul style="list-style-type: none"> ○ Discuss with Mgt or TCWG ○ Determine if FS need amendment ○ If so, inquire how Mgt intends to address matter in FS • If Mgt does not amend FS when he requires & his report is already provided to entity, he shall notify Mgt & TCWG not to issue FS. If FS are issued without amendments, he shall take action to prevent reliance on report
<p>Written Representations</p> <p>If Mgt modifies or not provide WR, it may alert practitioner that significant issues may exist</p>	<p>Forming conclusion on FS</p> <p>Practitioner shall consider impact of -</p> <ul style="list-style-type: none"> • Uncorrected misstatements identified during current & previous year's review • Qualitative aspects of a/cing practices

<p>WR shall include that -</p> <ul style="list-style-type: none"> • Mgt has fulfilled responsibility for FS preparation as per AFRF & has provided practitioner with all info as per terms & • All transactions are recorded in FS <p>If L&R requires Mgt to make written public statements of responsibilities & such statements provide WR required above, matters covered by such statements need not be included in WR</p> <p>Practitioner shall also request Mgt's WR that Mgt has disclosed to him -</p> <ul style="list-style-type: none"> • Significant facts of frauds or suspected frauds known to Mgt • Known non-compliance with L&R • Identity of RP & all RP relationships & transactions of which Mgt is aware • All subsequent events requiring adjustment or disclosure, are adjusted or disclosed • All info to use of GC assumption in FS • Material commitments or contingencies affecting FS • Material non-monetary transactions <p>If Mgt not provides WR, practitioner shall -</p> <ul style="list-style-type: none"> • Discuss with Mgt & TCWG • Re-evaluate integrity of Mgt & effect on reliability of WR & evidence • Take appropriate actions & effect on conclusion in report <p>Practitioner shall disclaim conclusion on FS, or withdraw, if possible under L&R, if -</p> <ul style="list-style-type: none"> • There is sufficient doubt about integrity of Mgt such that WR are not reliable or • Mgt not provides WR for its responsibilities 	<p>Unmodified Conclusion - When practitioner has obtained limited assurance to conclude that "nothing has come to his attention to believe that FS are not prepared (compliance framework)/do not give a true & fair view (fair presentation framework), in all material respects, as per AFRF"</p> <p>When practitioner modifies conclusion, he shall</p> <ul style="list-style-type: none"> • Use heading "Qualified Conclusion," "Adverse Conclusion" or "Disclaimer of Conclusion" • Provide description of matter, under heading "Basis for Conclusion" immediately before conclusion para <p>When expressing qualified conclusion, use - "Based on our review, except for effects/possible effects of matter described in Basis for Qualified Conclusion para... (same as unmodified conclusion para)</p> <p>When expressing adverse conclusion, use - "Based on our review, due to significance of matter described in Basis for Adverse Conclusion para, FS do not give true & fair view/ are not prepared, in all material respects, as per AFRF"</p> <p>In Basis for Qualified/Adverse conclusion para</p> <ul style="list-style-type: none"> • Describe & quantify financial effects of MM. If impracticable, he shall so state • Explain how disclosures are misstated if MM relates to disclosures or • Describe nature of omitted info if MM relates to non-disclosure of info. Unless prohibited by L&R, he shall include omitted disclosures, if practicable
<p>Inability to obtain SAAE - Practitioner shall</p> <ul style="list-style-type: none"> • Express qualified conclusion if possible effects of undetected misstatements could be material but not pervasive or • Disclaim conclusion if possible effects of undetected misstatements could be both material & pervasive 	<p>Elements in Practitioner's Report</p> <ul style="list-style-type: none"> • Title indicating independent practitioner • Addressee, as per circumstances • Introductory para that - <ul style="list-style-type: none"> ○ Identifies FS, including title of each statement & date & period of FS ○ Refers to significant a/cing policies ○ States that FS have been reviewed • Description of Mgt's responsibility for - <ul style="list-style-type: none"> ○ FS preparation as per AFRF

<p>Practitioner shall withdraw, when</p> <ul style="list-style-type: none"> • Due to limitation on scope imposed by Mgt after accepting engagement, he is unable to obtain SAAE to form conclusion & • Possible effects of undetected misstatements are material & pervasive & • Withdrawal is possible under L&R <p>When disclaiming conclusion, practitioner shall state in conclusion para that</p> <ul style="list-style-type: none"> • Due to significance of matter described in Basis for Disclaimer of Conclusion para, he is unable to obtain SAAE to form conclusion & • He does not express conclusion on FS • He shall also include reason for inability to obtain SAAE, whenever there is inability <p>Documentation</p> <p>Practitioner shall document following, sufficient to enable experienced practitioner, having no previous connection with engagement, to understand -</p> <ul style="list-style-type: none"> • NTE of procedures performed to comply with this SRE & L&R - <ul style="list-style-type: none"> ○ Who performed work & date completed ○ Who reviewed work performed for QC & period & extent of review • Results from procedures & practitioner's conclusions on basis of results • Significant matters aroused - <ul style="list-style-type: none"> ○ Discussions with Mgt & TCWG ○ If practitioner identified info that is inconsistent with his findings, document how inconsistency was addressed 	<ul style="list-style-type: none"> ○ Such IC as necessary for FS free from MM • If FS are Special Purpose FS - <ul style="list-style-type: none"> ○ Description of purpose of FS & users or reference to note that contains that info ○ If Mgt has multiple FRF, its responsibility to determine AFRF is acceptable • Description of practitioner's responsibility to express conclusion • Description of review of FS & following - <ul style="list-style-type: none"> ○ Practitioner performs procedures, primarily consisting of Inquiries & AP ○ Procedures in review are substantially less than those in audit & practitioner does not express audit opinion on FS ○ Review is limited assurance engagement • Para under heading "Conclusion" containing - <ul style="list-style-type: none"> ○ Practitioner's conclusion on FS & ○ Reference to AFRF used • When conclusion is modified - <ul style="list-style-type: none"> ○ Para containing modified conclusion ○ Para providing description of matter • Reference to practitioner's obligation to comply with ethical requirements • Date of report - No earlier than date on which SAAE is obtained, including that - <ul style="list-style-type: none"> ○ FS are prepared ○ Those with authority have taken responsibility for FS • Practitioner's signature • Place of signature
<p>EOM & OM Paras in Report</p> <ul style="list-style-type: none"> • Include EOM Para when he has obtained SAAE that matter is not MM in FS. EOM Para shall be included immediately after Para containing conclusion under heading "EOM" • Include OM Para if not prohibited by L&R 	<p>Other Reporting Responsibilities</p> <p>Addressed in separate section headed "Report on Other L&R Requirements"</p>

<p>Understanding Entity & its IC</p> <p>Procedures performed by auditor to update understanding of entity & its IC include -</p> <ul style="list-style-type: none"> • Inquiring of Mgt of process by which interim financial info has been prepared • Inquiring of Mgt about effect of changes in entity's business activities • Inquiring about any significant changes in IC • Inquiring about results of Mgt's assessment of risk of MM as result of fraud • Considering nature of any corrected/ uncorrected MMs in prior year's FS • Considering materiality for interim financial info to determine NTE of procedures & evaluating effect of misstatements • Reading documentation of preceding year's audit & reviews to identify matters that may affect current-period interim financial info • Considering any significant risks that were identified in audit of prior year's FS • Reading most recent annual & comparable prior period interim financial info • Considering significant a/cing & reporting matters that are of continuing significance • Considering results of any audit procedures performed for current year's FS • Considering results of any internal audit performed & subsequent actions taken by Mgt • Recently appointed auditor, who has not yet performed audit of annual FS, shall obtain understanding of entity for preparation of both annual & interim financial info 	<p>Inquiries, Analytical & other Review procedures</p> <p>Auditor performs following procedures -</p> <ul style="list-style-type: none"> • Read minutes of meetings to identify matters affecting interim financial info • Consider effect of matters giving rise to modification of audit or review report • Communicate with other component auditors • Inquiring Mgt about following - <ul style="list-style-type: none"> ○ If interim info is prepared as per AFRF ○ If there are new accounting principle ○ If there are changes in a/c principles ○ If there is any uncorrected misstatements ○ Unusual situations affecting interim info ○ Significant assumptions & Mgt's intention ○ If RP are appropriately disclosed ○ Significant changes in commitments ○ Significant changes in contingent liabilities ○ Compliance with debt covenants ○ Matters questioned in review procedures ○ Significant transactions in last days of interim period or first days of next period ○ Knowledge of any fraud or suspected fraud having material effect on interim info ○ Knowledge of any allegations of fraud ○ Knowledge of non-compliance with L&R • AP to identify unusual relationships reflecting MM in interim financial info <p>Subsequent Events, WR & GC same as SRE 2400</p>
<p>Direct communication with entity's lawyer</p> <ul style="list-style-type: none"> • It is appropriate if matter causes auditor to question if interim info is not prepared, in all material respects, as per AFRF, & • He believes entity's lawyer may have info 	<p>Evaluation of Misstatements</p> <ul style="list-style-type: none"> • Auditor evaluates, individually/in aggregate, if uncorrected misstatements are material & if material adjustment is required in interim financial info
<p>Auditor's Responsibility for Accompanying Info</p> <ul style="list-style-type: none"> • Read other info to consider if it is materially inconsistent with interim financial info • If materially inconsistent, consider if interim financial info/other info needs to be amended 	<p>Communication with Mgt & TCWG</p> <ul style="list-style-type: none"> • When material adjustment in interim info is necessary, auditor shall communicate this matter as soon as practicable to Mgt

<ul style="list-style-type: none"> • If amendment is necessary in interim info & Mgt refuses, consider implications for report • If amendment is necessary in other info & Mgt refuses, either describe inconsistency in report, or withholding issuance of report or withdrawing • If other info include MM of fact, discuss with Mgt to consider if valid diff of judgment exists & whether to request Mgt to consult with qualified 3rd party for resolution • If Mgt refuses to correct MM of fact, notify TCWG & obtain legal advice 	<ul style="list-style-type: none"> • If Mgt does not respond within reasonable period, inform TCWG, as soon as practicable, either orally or in writing, depending on nature, sensitivity, significance & timing of matter. If communicated orally, auditor documents communication • If TCWG do not respond within reasonable period, auditor should consider - <ul style="list-style-type: none"> ○ Whether to modify report or ○ Withdrawing from audit of Interim FS ○ Withdrawing from audit of annual FS • During existence of fraud or non-compliance with L&R, auditor shall communicate as soon as practicable to Mgt & consider need to report to TCWG & implication for review
<p>Elements of Reporting</p> <ul style="list-style-type: none"> • Appropriate Title • Addressee • Identification of interim info & title of each statements & date & period • In case of Complete Set of general-purpose FS, statement that Mgt is responsible for preparation of interim info as per AFRF • In other cases, statement that Mgt is responsible for interim info as per AFRF • Statement that auditor is responsible for expressing conclusion on interim info • Statement that review was conducted as per SRE 2410 • Statement that review is substantially less in scope than audit • In case of complete set of FS to achieve fair presentation, whether interim info does not give true & fair view, in all material respects, as per AFRF • In other cases, whether interim info is not prepared, in all material respect, as per AFRF • Date of report • Place of Signature • Signature & membership number • Firm's registration number • UDIN for Both SRE 2400 & SRE 2410 	<p>Departure from AFRF</p> <ul style="list-style-type: none"> • If material adjustment is required in interim info for it be prepared as per AFRF - Auditor should express qualified / adverse conclusion • If interim info is materially affected by departure from AFRF & Mgt don't correct, auditor modifies review report. Modification describes nature of departure & effects on interim info • If info necessary for adequate disclosure is not included in interim info, auditor modifies report & if practicable, includes necessary info in report. Modification to report is accomplished by adding explanatory para to report & qualifying conclusion • When effect of departure is so material & pervasive to interim financial info that qualified conclusion is not adequate to disclose misleading nature of interim financial info, auditor expresses adverse conclusion <p>Documentation</p> <ul style="list-style-type: none"> • Should be sufficient & appropriate to provide basis for auditor's conclusion • To provide evidence that review was performed as per this SRE & applicable L&R requirement

Limitation on Scope

When auditor is **unable to complete review**, he should **communicate**, in **writing**, to **Mgt & TCWG**, **reason** why review cannot be completed & consider if it is **appropriate to issue report**

Limitation on Scope Imposed by Mgt

- Auditor **does not accept** engagement if auditor would be **unable to complete review** because of limitation on scope **imposed by Mgt**
- If, **after accepting** engagement, Mgt imposes **limitation on scope**, auditor **requests** its removal. If **Mgt refuses** & auditor is unable to complete review & express conclusion, He **communicates**, in **writing**, to **Mgt & TCWG**, **reason** why review cannot be completed
- If **L&R requires** auditor to **issue report**, He shall **disclaim conclusion** & provide in report **reason** why review **cannot be completed**

Other Limitations on Scope

- There may be some **rare circumstances** where **limitation** on scope is clearly **confined to one** or more specific matters that, while **material**, are **not pervasive** to interim info. In such cases, auditor **modifies report** by indicating that, except for **matter described in explanatory para**, review was conducted as per **this SRE** & by **qualifying** conclusion
- If auditor expressed **qualified** opinion on **latest annual FS** because of **limitation** on scope of that audit, He shall consider **if** that **limitation** on scope **still exists** &, if so, **implications for report**

Going Concern & Significant Uncertainties

- If **material uncertainty exists** & adequate **disclosure is made** in interim info, auditor **modifies** report by adding **EOM Para**
- If auditor had **modified prior audit or review** report by adding **EOM Para** to highlight **material uncertainty** & If material uncertainty **still exists** & adequate **disclosure is made** in interim info, auditor **modifies current period** report by **adding para** to highlight **continued** material uncertainty
- If material uncertainty is **not adequately disclosed** in interim info, auditor shall **express qualified or adverse** conclusion & **include reference** to such material uncertainty

Other Considerations

- If Mgt has **not included review report** in doc containing interim info, auditor seeks **legal advice** to determine course of **action**
- If in **above case**, report is **modified**, Auditor may also **resign** from audit of **Annual FS**
- **Condensed Set** of Interim info does **not include** all **info** as in **complete set**, but presents **significant events & changes** since annual reporting date, as it is **presumed** that **users** of interim info have **access to latest audited** FS. Eg listed entities
- In **other cases**, interim info include **statement** that it is to be **read with latest audited FS**. In its **absence**, auditor considers whether interim info is **misleading** & **implications** for **report**



SAE 3400 - Examination of Prospective Financial Info (PFI)

<ul style="list-style-type: none"> • Level of assurance provided by SAE is moderate • SAE 3400 need not be performed by statutory auditor of FS <p>“PFI” is financial info based on -</p> <ul style="list-style-type: none"> • Assumption for event that may occur in future • Possible actions by entity <p>It is highly subjective in nature & requires judgment. It can be in form of -</p> <ul style="list-style-type: none"> • Forecast - PFI prepared on basis of - <ul style="list-style-type: none"> ○ Assumptions for future events which Mgt expects to take place & ○ Actions Mgt expects to take • Projection - PFI prepared on basis of - <ul style="list-style-type: none"> ○ Hypothetical assumption for future events & Mgt actions which are not necessarily expected to take place • Or combination of both <p>Scope of SAE-3400</p> <ul style="list-style-type: none"> • This SAE does not apply to examination of PFI in general/narrative terms. Eg. Mgt’s discussion & analysis in annual report. • Other SAs are also applicable 	<p>Nature of Assurance for PFI</p> <p>Opinion as to whether results in PFI will be achieved cannot be expressed</p> <p>Mgt's Responsibility for Preparation & Presentation of PFI</p> <ul style="list-style-type: none"> • Underlying assumptions • Explaining basis of forecast • Identification & Disclosure of PFI <p>Can Professional Accountants be associated with PFI?</p> <ul style="list-style-type: none"> • CA can participate in preparation of forecasts/ projections & can review them, provided he indicates clearly in his report sources of info, basis of forecasts/projections & major assumptions made & • He does not vouch for accuracy of forecasts (vs Prof Ethics Clause) <p>Documentation</p> <ul style="list-style-type: none"> • Matters providing evidence to support report on examination of PFI & • Evidence that such examination was carried out as per this SAE
<p>Duties of Member Examining PFI</p> <p>Auditor shall obtain SAAE if -</p> <ul style="list-style-type: none"> • Mgt’s best-estimate assumptions are not unreasonable & hypothetical assumptions are consistent with purpose of info • PFI is properly prepared on basis of assumptions • PFI is prepared on consistent basis with historical FS using appropriate a/cing policies • PFI is properly presented & all material assumptions are adequately disclosed, indicating if best-estimate or hypothetical 	<p>Precautions Before Accepting Engagement</p> <p>Auditor would consider -</p> <ul style="list-style-type: none"> • Nature of assumptions - best estimates or hypothetical • Elements to be included in info & • Period covered by info • Intended use of info • Whether info will be for general or limited distribution <p>Auditor should not accept, or withdraw from, engagement when assumptions are unrealistic or when PFI will be inappropriate for its intended use. Terms should be agreed with client by sending engagement letter</p>

<p>Determining NTE of Examination Procedures</p> <p>Following factors to be considered -</p> <ul style="list-style-type: none"> • Sources of info, adequacy, reliability of underlying data • Extent of Mgt's Judgment affecting PFI • Likelihood of MM • Mgt's competence for preparation of PFI • Stability of entity's business • Engagement team's experience of business, industry & PFI • Knowledge obtained during previous engagements 	<p>Presentation & Disclosure - consider whether</p> <ul style="list-style-type: none"> • Presentation is informative & not misleading • Assumptions are adequately disclosed, & if best-estimate or hypothetical • Basis of establishing points in range is clearly indicated & range is not selected in biased or misleading manner • Date as of which PFI is prepared & Mgt confirm that assumptions are appropriate as of this date • A/cing policies are clearly disclosed • If there is change in a/cing policy from most recent historical FS, whether reason & effect of change on PFI is adequately disclosed 	
<p>Report on Examination of PFI</p> <ul style="list-style-type: none"> • Title • Addressee • Identification of PFI • Reference to SAs applicable • Statement that Mgt is responsible for PFI & assumptions • Reference to purpose & restricted distribution of PFI • Statement that examination procedures included evidence supporting assumptions, amounts & disclosures in forecast/ projection • Statement of negative assurance if assumptions provide reasonable basis for PFI • Opinion if PFI is properly prepared on basis of assumptions & as per AFRF • Appropriate caveats for achievability of results of PFI • Date of report (when procedures are completed) • Place of signature & • Signature 	<p>Such a report would</p> <ul style="list-style-type: none"> • State whether anything has come to attention that assumptions do not provide reasonable basis for PFI • Express opinion as if PFI is properly prepared on basis of assumptions & as per AFRF • State that - <ul style="list-style-type: none"> ○ Actual results are likely to be diff from PFI & variation could be material ○ If expressed as range there is no assurance that actual results will fall within range ○ In case of projection, PFI has been prepared for (intended use), using hypothetical assumptions & hence, readers are cautioned that PFI should not be used for other purposes 	
<p>When presentation & disclosure of PFI is not adequate, qualified or adverse opinion should be expressed or withdrawal should be made</p>	<p>When significant assumptions do not provide reasonable basis for PFI, adverse opinion with reasons should be expressed, or withdrawal should be made</p>	<p>When examination is affected by conditions that preclude application of necessary procedures, withdrawal or disclaimer of opinion & describing scope limitation in report is considered</p>



SAE 3402 - Assurance Reports on Controls at Service Org (SO)

Type 1 Report comprises	Type 2 Report comprises (additionally)
i. Report on description & design of controls at SO	Operating effectiveness
ii. Written assertion by SO that, in all material respects, & based on suitable criteria - <ul style="list-style-type: none"> a. Description fairly presents SO's system as designed & implemented at specified date b. Controls for control objectives in SO's description of its system were suitably designed as at specified date 	a. & b. throughout specified period c. Controls in SO's system description operated effectively throughout specified period
SAU's assurance report that conveys reasonable assurance about matters referred to in (ii)	Includes description of TOC & its results

Scope of SAE 3402

It apply **only when** SO is responsible for **design of controls** & does **not** deal with assurance engagement -

- To report **only** on whether **controls operated** as described or
- To report **only** on controls **other than** those **relevant** to user entities' IC for FR

Performing Engagement	Elements of Reporting
<ul style="list-style-type: none"> • Compliance with ethical requirements - including independence • Determination of Mgt & TCWG & communication with them - SAU shall determine appropriate persons within SO • Acceptance & change in term of engagement Before, accepting engagement, SAU has to ensure that - <ul style="list-style-type: none"> ○ He has necessary capabilities & competence ○ Criteria will be suitable & available to user entities & their auditors ○ Scope of Engagement & SO's description will not be so limited that they are unlikely to be useful to user entities & auditors ○ If SO requests change in terms before completion, he shall be satisfied that there is reasonable justification for change • Assessing Suitability of Criteria - Criteria should be suitable in evaluating if controls are suitably designed & for type 2 reports, if controls are operating effectively • Determination of Materiality - SAU shall consider materiality for fair presentation of description, suitability of design of controls & for type 2 report, operating effectiveness • Obtaining understanding of SO's system - including controls in scope of engagement 	<ul style="list-style-type: none"> • Title - Independent SAU's report • Addressee • Identification of <ul style="list-style-type: none"> ○ SO's system description & assertion, including type 1 or type 2 report ○ If description refers complementary user entity controls (tested by user auditor), statement that SAU has not evaluated suitability of design or operating effectiveness of them & that control objectives in system description can be achieved only if they are suitably designed or operating effectively ○ Those parts of SO's system description that are not covered by SAU's opinion ○ If Services are performed by Sub-SO, nature of activities performed by Sub-SO • Statement that report & for type 2 report, description of TOCs are only for user entities & their auditors • Identification of criteria & party specifying control objectives • Statement that SO is responsible for <ul style="list-style-type: none"> ○ Providing Services covered by description ○ Designing & implementing controls to achieve control objectives ○ Preparing system description & assertions, including completeness, accuracy & method of presentation

<ul style="list-style-type: none"> • Obtaining evidence for description - SAU shall obtain & read SO's system description & evaluate if they are fairly presented • Obtaining evidence for design of controls - SAU shall determine which controls at SO are necessary to achieve control objectives & shall assess if they are suitably designed • Obtaining evidence for operating effectiveness - For type 2 report, SAU shall test controls & assess their operating effectiveness throughout period • Understanding IAF - SAU shall obtain understanding of responsibilities of IAF & activities performed to determine if SAU can use specific work of IAs • Asking for WR from Responsible Party <ul style="list-style-type: none"> ○ That reaffirm assertion of description ○ That it has provided SAU with all info ○ That it has disclosed to SAU following, of which it is aware - <ul style="list-style-type: none"> ▪ Design deficiencies in controls ▪ Instances where controls have not operated as described ▪ Fraud, Non-compliance with L&R or uncorrected deviations ▪ Any events subsequent to period of SO's description up to date of SAU's report having significant effect on SAU's report (Subsequent Events) 	<ul style="list-style-type: none"> ○ Stating control objectives • Statement that SAU's responsibility is to express opinion on SO's description, design of controls & for type 2 report, on operating effectiveness of controls • Statement that engagement was performed as per SAE 3402 which requires SAU to comply with ethical requirements & achieve objectives of this SAE • Summary of SAU's procedures & statement that SAAE is obtained &, for type 1 report, SAU has not performed procedures for operating effectiveness & therefore no opinion is expressed • Statement of limitations of controls & for type 2 report, risk of projecting evaluation of operating effectiveness to future periods • SAU's opinion, positive form, on whether, in all material respects, based on suitable criteria - Same as Objectives • Date of SAU's report - not earlier than date of obtaining SAAE • Signature by practitioner • Place of signature - City
<p>Additional reporting in Type 2 report</p> <ul style="list-style-type: none"> • Separate section after opinion that describes TOCs performed & their results • State which controls were tested, identify if items tested represent all or samples in population & indicate nature of tests • If deviations are identified, include extent of testing performed (sample size) & number & nature of deviations • Report deviations even if control objective was achieved (minor deviations) 	<p>Modified Opinion - If -</p> <ul style="list-style-type: none"> • SO's description does not fairly present system • Controls for control objectives are not suitably designed • For Type 2 report, controls tested did not operate effectively or • SAU is unable to obtain SAAE • Report shall contain description of all reasons for modification
<p>Documentation (Same as SRE 2400) Sufficient for experienced SAU, having no previous connection with engagement, to understand -</p> <ol style="list-style-type: none"> (a) NTE of procedures to comply with SAE & L&R (b) Results of procedures & evidence obtained (c) Significant matters aroused, conclusions reached & judgments made 	



SAE 3420 - Assurance Engagements to Report on Compilation of Pro Forma Financial Info (PFFI) Included in Prospectus

<ul style="list-style-type: none"> • SAE 3420 applies where such reporting is required by securities exchange or if it is generally accepted practice in jurisdiction where prospectus is issued • Purpose of PFFI is solely to demonstrate impact of transaction on unadjusted financial info as if they had occurred at earlier date. It does not represent actual financial info 	<p>Compilation Steps of PFFI</p> <ul style="list-style-type: none"> • Identifying source • Extracting unadjusted financial info from that source • Making pro forma adjustments to unadjusted financial info & • Presenting PFFI with disclosures
<p>Engagement Acceptance</p> <ul style="list-style-type: none"> • Determine if practitioner has capabilities & competence to perform engagement • Evaluate wording of opinion prescribed by L&R to determine if practitioner will express such opinion based on performing procedures • On basis of preliminary knowledge & discussion, determine if criteria is suitable & it is unlikely that PFFI will be misleading • Where sources has modified audit opinion or review conclusion or EOM para, consider if L&R permits use/reference in report of modified opinion or conclusion or EOM para • If entity's historical info is never audited or reviewed, consider if practitioner can obtain sufficient understanding of entity & its FR • If transaction includes acquisition & acquiree's historical financial info is never audited or reviewed, consider if practitioner can obtain sufficient understanding of acquiree & its FR • Obtain agreement of responsible party for its responsibility for - <ul style="list-style-type: none"> ○ Compiling PFFI on basis of criteria & ○ Adequately disclosing & describing criteria to users if not publicly available ○ Providing practitioner with - <ul style="list-style-type: none"> ▪ Access to all info (including of acquiree) ▪ Additional info that he may request ▪ Access to person within entity & entity's advisors from whom practitioner obtains evidence ○ When needed, access to individuals within acquiree in business combination 	<p>Practitioner's Responsibility</p> <ul style="list-style-type: none"> • To report, if PFFI has been compiled by responsible party on basis of applicable criteria & if criteria provides reasonable basis for presenting effects of transaction • Criteria may be established by authorized org or L&R. If do not exist, then developed by responsible party <p>Planning & Performing Engagement - Practitioner shall</p> <ul style="list-style-type: none"> • Understanding how responsible party has compiled PFFI • Obtain evidence for source appropriateness • If there is no audit or review report on source, perform procedures to be satisfied that source is appropriate • Determine if responsible party has appropriately extracted unadjusted financial info from source • Assess if applicable criteria is suitable • Consider materiality for evaluating if PFFI has been compiled as per criteria • Obtain evidence for appropriateness of pro forma adjustments, including Adjustments to unadjusted financial info that - <ul style="list-style-type: none"> ○ Illustrate impact of significant transaction as if it had occurred at earlier date & ○ Are necessary for PFFI to be compiled as per AFRF & it's a/cing policies • Evaluate presentation of PFFI • Read other info in Prospectus to identify material inconsistencies with PFFI

Written Representations

- In **compiling** PFFI, responsible party has **identified** all **pro forma adjustments** to illustrate impact of transaction &
- **PFFI** has been **compiled** on basis of **applicable criteria**

Opinion

Unmodified Opinion

When **PFFI** has been **compiled**, in all material respects, by responsible party on **basis of applicable criteria**

Modified Opinion

- Where **L&R precludes** (prohibits) publication of prospectus containing **modified opinion**, Practitioner shall **discuss** with **responsible party**. If responsible party does **not agree** to make **changes**, he shall -
 - **Withdraw** from engagement or
 - Consider seeking **legal advice**
- Where **L&R may not preclude** publication of **prospectus** containing **modified opinion**, Practitioner shall **express modified opinion**

EOM Para

EOM Para is included in report provided practitioner has obtained **SAAE** that **matter does not modify opinion**

Elements of Report

- **Title** - Independent assurance report
- **Addressee** as per terms
- **Introductory para that identify**
 - **PFFI**
 - **Period or date** of PFFI &
 - **Source** & if **audit or review report** on such source is published
 - Reference to **criteria & source** of criteria
- Statement that **responsible party** is responsible for **compiling PFFI** on basis of **criteria**
- Description of **practitioner's responsibilities**, including -
 - To **express opinion** about if PFFI has been compiled, in all material respects, on basis of criteria
 - He does **not provide** any **assurance** that **actual outcome** of transaction at earlier date would have been **as presented**
 - That he is **not responsible** for **reissuing reports** on **historical** financial info used, **nor** he has performed **audit** or review of **financial info used** in compiling PFFI
- Statement that engagement was **performed as per SAE 3420**
- Statements that -
 - **Reasonable assurance** engagement to report on PFFI involves procedures to assess if **criteria** provides **reasonable basis** & to obtain **SAAE** about if -
 - Pro forma **adjustments** give **appropriate effect** to criteria
 - PFFI reflects **proper application of adjustments** to unadjusted financial info
 - **Procedures** selected depends on **judgment & understanding** of entity
 - Engagement also involves **evaluating presentation** of PFFI
- Unless otherwise required by L&R, **practitioner's opinion** wording that -
 - **PFFI** has been **compiled**, in all material respects, on basis of **applicable criteria** or
 - **PFFI** has been **properly compiled** on basis stated
- Practitioner's **signature**
- **Date** of report &
- **Place** of signature