

# **Announcements of the Council Regarding Status of Various Documents Issued by the Institute of Chartered Accountants of India**

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## **A. Clarification Regarding Authority Attached to Documents Issued by the Institute<sup>1</sup>**

1. The Institute has, from time to time, issued 'Guidance Notes' on a number of matters. With the formation of the Accounting Standards Board and the Auditing and Assurance Standards Board, 'Accounting Standards' and 'Standards on Auditing' are also being issued.
2. Members have sought guidance regarding the level of authority attached to the various documents issued by the Institute and the degree of compliance required in respect thereof. This note is being issued to provide this guidance.
3. Guidance Notes, though recommendatory in nature, are issued to assist professional accountants in implementing the Engagement Standards and the Standards on Quality Control issued under the authority of the Council. Guidance Notes are also issued to provide guidance on other generic or industry specific audit issues, not necessarily arising out of a Standard. Professional accountants should be aware of and consider Guidance Notes applicable to the engagement. A professional accountant who does not consider and apply the guidance included in a relevant Guidance Note should take reasonable and adequate care in performing the alternate procedures adopted by him to deal with the objectives and basic principles set out in the Guidance Note. In such situations, a professional accountant should also document the rationale in performing the alternate procedures. Similarly, while discharging his attest function, a member should examine whether the recommendations in a Guidance Note relating to an accounting matter have been followed or not. If the same have not been followed, the member should consider whether keeping in view the circumstances of the case, a disclosure in his report is necessary in accordance with Engagement Standards.
4. The 'Accounting Standards' and 'Standards on Auditing' issued by the Accounting Standards Board and the Auditing and Assurance Standards Board, respectively, establish standards which have to be complied with to ensure that financial statements are prepared in accordance with generally accepted accounting standards and that auditors carry out their audits in

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<sup>1</sup> Published in the December, 1985 issue of the 'The Chartered Accountant'. Revised in February, 2022. The revised (the announcement has been revised primarily from auditing perspective) clarification was considered and approved by the Council of ICAI at its 408<sup>th</sup> meeting held on 3<sup>rd</sup> & 4<sup>th</sup> February, 2022. Further revised in terms of the decision taken by the Council of ICAI at its 422<sup>nd</sup> meeting held on 30<sup>th</sup> June & 1<sup>st</sup> July, 2023.

accordance with the generally accepted auditing practices. They become mandatory on the dates specified either in the respective document or by notification issued by the Council.

## B. Announcements/ Clarifications

### 1. Amendment to SQC 1 - Retention Period for Engagement Documentation\* (Working Papers)

Paragraph 83 of the Standard on Quality Control (SQC) 1, *Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements*, states as follows:

“83. *The needs of the firm for retention*

.....  
.....

*In the specific case of audit engagements, the retention period ordinarily is **no shorter than ten years** from the date of the auditor’s report, or, if later, the date of the group auditor’s report.” (emphasis added)*

The Council of the Institute of Chartered Accountants of India, at its 289<sup>th</sup> meeting held on August 19, 2009 at New Delhi, pursuant to the provisions of Rule 12 of the Chartered Accountants (Procedures of Investigations of Professional and Other Misconduct and Conduct of Cases) Rules, 2007, has decided to amend paragraph 83 of the SQC 1 as follows:

“83. *The needs of the firm for retention*

.....  
.....

*In the specific case of audit engagements, the retention period ordinarily is **no shorter than seven years** from the date of the auditor’s report, or, if later, the date of the group auditor’s report.” (emphasis added)*

### 2. Requirement to include the registration number of the firm as allotted by ICAI, in the audit reports signed by members of the ICAI\*\*

The Council of the Institute of Chartered Accountants of India (ICAI), at its 292<sup>nd</sup> meeting held on January 13, 2010 has decided to require the members of the Institute of Chartered Accountants of India to include, in addition to the other requirements relating to signature on the audit report, as prescribed under the

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\* Issued in August, 2009.

\*\* Issued in January, 2010 and revised in February, 2022. The revised announcement was considered and approved by the Council of ICAI at its 408<sup>th</sup> meeting held on 3<sup>rd</sup> & 4<sup>th</sup> February, 2022.

relevant Standard on Auditing, the registration number of the firm as allotted by ICAI, in the audit reports signed by them.

This requirement would come into effect from April 1, 2010.

### **3. Amendment to SA 230 - Retention Period for Engagement Documentation\* (Working Papers)**

#### **Consequential Amendment to Audit Documentation Retention Period in Standard on Auditing (SA) 230, Audit Documentation**

The Council of the Institute of Chartered Accountants of India had in August 2009, pursuant to the provisions of Rule 12 of the Chartered Accountants (Procedures of Investigations of Professional and Other Misconduct and Cases) Rules, 2007 had amended the audit documentation retention period appearing as ten years in paragraph 83 of Standard on Quality Control 1 to seven years.

As a consequence of the above decision of the Council, with the issuance of this announcement by the Auditing and Assurance Standards Board, the audit documentation retention period appearing as ten years in paragraph A23 of the Standard on Auditing (SA) 230, Audit Documentation, issued in January 2009, shall also stand amended to seven years.

### **4. Requirement to mention the firm registration number allotted by ICAI in all reports issued, including certificates, by members of the ICAI\*\***

Attention of the members is invited to the announcement regarding requirement relating to mentioning the firm registration number in the audit reports, published on page 1312 of the February 2010 issue of the Journal.

The Council of the Institute of Chartered Accountants of India, in terms of the decision taken at the 296<sup>th</sup> meeting held in June 2010 has decided to extend the requirement to mention the firm registration number to all reports issued pursuant to any attestation engagement, including certificates, issued by the members as proprietor of/ partner in the said firm. The requirement shall apply where such firm registration number has been allotted by the Institute of Chartered Accountants of India.

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\* Issued in May, 2010.

\*\* Issued in August, 2010 and revised in February, 2022. The revised announcement was considered and approved by the Council of ICAI at its 408<sup>th</sup> meeting held on 3<sup>rd</sup> & 4<sup>th</sup> February, 2022.

The Council further decided to make this requirement effective for all attestation reports/ certificates issued on or after 1<sup>st</sup> October, 2010.

#### **5. Compliance with Paragraphs 61 and 62 of the Standard on Review Engagements (SRE) 2410\***

1. The Council of the Institute of Chartered Accountants of India, at its 308<sup>th</sup> meeting, considered an issue relating to difficulties being faced by the members of the Institute in compliance with paragraphs 61 and 62 of the SRE 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, raised by the Auditing and Assurance Standards Board of the Institute.
2. The Council noted that paragraphs 61 and 62 of SRE 2410 require as under:
  - “61. *The terms of the engagement include management’s agreement that where any document containing interim financial information indicates that such information has been reviewed by the entity’s auditor, the review report will also be included in the document. If management has not included the review report in the document, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances.*
  62. *If the auditor has issued a modified review report and management issues the interim financial information without including the modified review report in the document containing the interim financial information, the auditor considers seeking legal advice to assist in determining the appropriate course of action in the circumstances, and the possibility of resigning from the appointment to audit the annual financial statements.”*
3. The Council noted that a number of entities were publishing interim financial results with a declaration that the “results have been approved by the Board of Directors at its meeting held on xxxxx and have been subjected to limited review by the statutory auditors.” The companies, however, were not publishing the review report along with such published results. Accordingly, it was either that the auditors had not obtained an agreement with the management that they would publish the review report along with the reviewed results or that despite the said agreement, the management had not complied therewith. The Council noted that in the latter cases, the auditor would be penalised under the

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\* Issued in October, 2011.

requirements of SRE 2410 even when the default/ breach had been committed by the management.

4. The Council was of the view that it is not practically feasible for the auditor to ensure that every document released by the management containing the interim financial information indicating that such information has been reviewed by the entity's auditor, the review report has been included in the said document.
5. On a consideration of the matter, the Council is of the opinion that paragraphs 61 and 62 did not envisage the auditor to take steps to ensure that on every occasion when the review results were published by the management, it also published the review report therewith. The responsibility of the auditor was upto issuance of the review report on the results, at most till the time the interim results, along with the review report, were filed by the company with the concerned stock exchange. Further, since such filing led to the concerned interim results and the review report thereon becoming available in the public domain, the same would be construed as sufficient compliance by the auditor with the requirements of paragraphs 61 and 62 of SRE 2410.
6. The Council, however, felt that if, subsequent to the issuance of the review report, the auditor became aware of situations where the management had not published the review report especially where the review report contained auditor's reservations, he would need to bring the same to the attention of the management and, if considered necessary, take legal advice.

**6. Applicability of SA 700(Revised), Forming an Opinion and Reporting on Financial Statements, to Formats of Auditor's Reports Prescribed Under Various Laws and/ or Regulations\***

1. The Council of ICAI, at its 326th meeting held from 27th to 29th July 2013 considered the issue relating to application of Standard on Auditing (SA) 700, Forming An Opinion And Reporting on Financial Statements to such cases where the format of the auditor's report is prescribed under the relevant law or the regulation thereunder and are per se not in line with the requirements of SA 700. The Council further considered the aforesaid matter at its 408th meeting held from 3rd to 4th February 2022 in light of SA 700 (Revised), "Forming an Opinion and Reporting on Financial Statements". The Council noted that in many cases such prescribed auditor's report were

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\* Issued in August 2013 and revised in February, 2022. The revised announcement was considered and approved by the Council of ICAI at its 408th meeting held on 3rd & 4th February, 2022.

required to be filed online in a preset form and, hence, it was not possible for the auditors to make necessary changes in these reports to bring them in line with the SA 700 (Revised). Similarly, many a times, even where the auditor's report were to be submitted in a physical form and not filed online, the concerned regulatory/ government agencies may not accept such audit reports which contained any changes made by the auditors to the prescribed formats to bring them in line with SA 700 (Revised).

2. In view of the above, the Council decided that while the matter was being taken up by the Institute with the relevant regulatory authorities/ Government agencies, etc., to change the prescribed formats for bringing the same in line with the requirements of SA 700 (Revised), the members may, in the situations described in paragraph 1 above, submit the auditor's report in the format/s prescribed under the relevant law or regulation until announcement of necessary change is made by the appropriate authority. In such cases the members would not be viewed as having not complied with the provisions of SA 700 (Revised).

3. In this context, it may also be noted that paragraph A56 of the SA 200, Overall Objectives of the Independent Auditor and the Conduct of An Audit in Accordance With Standards on Auditing clearly states as follows:

"A56. In performing an audit, the auditor may be required to comply with legal or regulatory requirements in addition to the SAs. The SAs do not override laws and regulations that govern an audit of financial statements....."

4. Further, paragraph 49 of SA 700(Revised) requires that if the auditor is required by law or regulation applicable to the entity to use a specific layout or wording of the auditor's report, the auditor's report shall refer to Standards on Auditing only if the auditor's report includes, at a minimum, each of the elements as prescribed in the said paragraph.

5. On a perusal of a cross section of the formats of the auditor's report prescribed under various laws, specially, the Income-tax Act, 1961 and the Value Added Tax Acts of various States, it is clear that these prescribed formats do not contain all the elements of the auditor's report as required in paragraph 49 of SA 700 (Revised). In the background of the difficulties mentioned in paragraph 1 above, it may also not be possible for the auditors to suitably modify the prescribed format. Accordingly, it would not per se be possible for the auditors to state in their audit reports that the audit has been carried out in accordance with the Standards on Auditing. However, the auditors would be required to carry out the audits in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India.

**7. Manner of Disclosure in the Auditor's Report of the Fact of Inclusion of Unaudited Financial Statements/ Information of Component/s in the Financial Statements Audited by the Principal Auditor(s)\***

1. An independent auditor of the financial statements of an entity may, at times, need to rely upon work of the other auditors. For example, in an audit of the stand alone financial statements of an entity the independent auditor thereof (the Principal Auditor) may need to rely upon the financial statements of the entity's component/s such as branch/es, division/s, etc., which have been audited by other independent auditor/s. Similarly, in an audit of the consolidated financial statements of a group, the independent auditor thereof (the Principal Auditor), may need to rely upon the work of the independent auditors of the components of the group such as subsidiary/ies, joint venture/s, associate/s, etc., whose audited financial statements/ information have been included in the consolidated financial statements and have been audited by their respective independent auditors (the Component Auditors).

2. There may also be a situation where the financial statements of one or more components included in the stand alone financial statements of an entity/ consolidated financial statements of a group have not been audited either by the Principal Auditor or the Component Auditor/s.

3. Members have sought guidance on the appropriate manner of disclosure of information in the independent auditor's report of the Principal Auditor about the fact that the financial statements/ information pertaining to certain/ all components, included in the stand alone financial statements of an entity/ consolidated financial statements of a group are unaudited.

4. The Council at its 331<sup>st</sup> meeting held on 10<sup>th</sup> February, 2014 considered the above matter and decided as under:

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\* Issued in February, 2014 and revised in February, 2022. The revised announcement was considered and approved by the Council of ICAI at its 408<sup>th</sup> meeting held on 3<sup>rd</sup> & 4<sup>th</sup> February, 2022.



### Disclosures in the Principal Auditor's Report

<b>Situation 1</b>	Component/s is/ are unaudited and such component/s is/ are not material to the financial statements of the entity/ consolidated financial statements of the Group	The principal auditor may or may not disclose the fact of such component/s in the Principal Auditor's report. In case the Principal Auditor decided to make such disclosure, the same would be done under the "Other Matters" paragraph, pursuant to SA 706(Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i> . An illustrative manner of reporting is given in Illustration 2 in the Appendix to SA 700(Revised).
<b>Situation 2</b>	Component/s is/ are audited by auditor/s other than the Principal Auditor and such component/s is/ are not material to the financial statements of the entity/ consolidated financial statements of the Group	
<b>Situation 3</b>	Component/s is/ are audited by auditor/s other than the Principal Auditor and such component/s is/ are material to the financial statements of the entity/ consolidated financial statements of the Group	The principal auditor would need to disclose the fact of such component/s in the Principal Auditor's report. Such disclosure would be done under the "Other Matters" paragraph, pursuant to SA 706(Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i> . An illustrative manner of reporting is given in Illustration 2 in the Appendix to SA 700(Revised).

<b>Situation 4</b>	Component/s is/ are unaudited and such component/s is/ are material to the financial statements of the entity/ consolidated financial statements of the Group	The Principal Auditor needs to consider its/ their impact on the auditor's opinion on the financial statements of the entity/ consolidated financial statements of the group, in terms of the principles laid down in SA 705(Revised), <i>Modifications to the Opinion in the Independent Auditor's Report</i> .
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5. Further, in case of the auditor's reports of the statutory central auditors, the manner of disclosure about the audited/ unaudited components as given in the illustrative formats of the auditor's report in the Guidance Note on Audit of Banks would continue to apply.

**8. Manner of Signing of Certificates by Chartered Accountants<sup>2</sup>**

1. The Council of the Institute of Chartered Accountants of India (ICAI), at its 349<sup>th</sup> meeting held on 17<sup>th</sup> and 18<sup>th</sup> January, 2016 considered an issue relating to manner of signing of certificates by Chartered Accountants. The Council noted that presently different practices were in vogue in respect of the manner of signing of various certificates issued by the members of the ICAI.

2. On a consideration of the matter, the Council, with a view to bring uniformity in the manner of signing of certificates, has decided to require the members of the ICAI to include (in addition to any other requirements in this regard prescribed by the relevant law or regulation under which the certificate is being issued) the following details in their "Signatures" on the certificates issued by them.

- Name of the CA firm<sup>3</sup>
- Firm Registration Number (FRN)<sup>4</sup>
- Name of the Member
- Designation (Partner/ proprietor)
- Membership Number

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<sup>2</sup> Issued in February, 2016.  
<sup>3</sup> Where applicable/ so allotted by ICAI.  
<sup>4</sup> Where applicable/ so allotted by ICAI.

**9. Important Announcement on revised Effective Date/ Applicability of following Standards on Auditing<sup>5</sup> –**

- **SA 700 (Revised), “Forming an Opinion and Reporting on Financial Statements”**
- **SA 701, “Communicating Key Audit Matters in the Independent Auditor’s Report”**
- **SA 705 (Revised), “Modifications to the Opinion in the Independent Auditor’s Report”**
- **SA 706 (Revised), “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report”**

1. The Council of the ICAI, at its 364<sup>th</sup> meeting held on March 23-25, 2017 considered the deferment of applicability date of SA 701 and Revised SAs 700, 705, 706. At the meeting, the Council noted the following points:

- SA 701 and Revised SAs 700, 705 & 706 were approved by the Council at its 350<sup>th</sup> meeting held in February 2016. All these standards are applicable for audits of financial statements for periods beginning on or after April 1, 2017.
- Members have requested ICAI to consider the deferment of applicability of these standards by a period of one year because the members are finding it difficult to implement them. There is need to provide adequate training and implementation guidance to the members on these standards so as to equip them with the requirement and to implement these standards appropriately. It was then noted that issue of Implementation Guide and training programmes may take considerable time.

2. After detailed deliberations at the meeting, the Council, in partial modification of the decision taken by it at its 350<sup>th</sup> meeting held in February 2016, decided that the effective date/applicability of the following Standards on Auditing–

- SA 700 (Revised), “Forming an Opinion and Reporting on Financial Statements”
- SA 701, “Communicating Key Audit Matters in the Independent Auditor’s Report”

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<sup>5</sup> Issued in April, 2017.

- SA 705 (Revised), “Modifications to the Opinion in the Independent Auditor’s Report”
- SA 706 (Revised), “Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report”

be deferred by one year and consequently the said Standards shall now be effective/applicable for audits of financial statements for periods beginning on or after **April 1, 2018** (instead of audits of financial statements for periods beginning on or after **April 1, 2017** as was earlier decided and referred to above).

**However, please note that the extant SAs 700, 705 and 706 will continue to apply.**

This is for information and compliance to all concerned.

Issued under the authority of the Council of ICAI.

<p><b>10. Important Clarification on Amendment to Paragraph 17 of Revised Guidance Note on Audit of Consolidated Financial Statements<sup>6</sup></b></p>
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I. The Council of ICAI at its 365<sup>th</sup> meeting held on May 17-19, 2017 considered a matter regarding amendment to paragraph 17 of Revised Guidance Note on Audit of Consolidated Financial Statements issued in October 2016. At the meeting, the Council noted that the members had expressed concerns regarding the 3<sup>rd</sup> bullet point of Paragraph 17 of Guidance Note (text given below) and requested that the guidance given therein needs to be clarified.

- “However, while considering the observations (for instance modification and /or emphasis of matter in accordance with SA 705/706) of the component auditor in his report on the standalone financial statements, the concept of materiality would not be considered. Thus, the component auditor's observations, if any, on the component’s financial statements, irrespective of whether the auditors of the component are also the auditors of the CFS or not, are required to be included in the parent auditor's report on the CFS, regardless of materiality. (Refer paragraph 46 of this Guidance Note)”

II. After detailed deliberations, the Council concluded that the 3<sup>rd</sup> bullet of Paragraph 17 of the Guidance Note requires to be amended to clarify that the intent of the Guidance Note was also to ensure compliance of SA 600 in such matter. Accordingly, the Council decided to amend the aforesaid 3<sup>rd</sup> bullet in the following manner:

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<sup>6</sup> Issued in May, 2017.

**While considering the observations (for instance modification and /or emphasis of matter/other matter in accordance with SA 705/706) of the component auditor in his report on the standalone financial statements, the parent auditor should comply with the requirements of SA 600, “Using the Work of Another Auditor”.**

This is for information and compliance to all concerned.

Issued under the authority of the Council of ICAI.

**11. Advisory for the Members regarding Allocation of Work among the Joint Auditors in case of Bank Audits<sup>7</sup>**

1. As you are aware that ICAI has issued Standard on Auditing (SA) 299(Revised), “Joint Audit of Financial Statements”. Regarding allocation of work among the joint auditors, SA 299(Revised) provides as follows:

“12. 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. (Ref: Para. A2)

A1. Where joint auditors are appointed, they should, by mutual discussion, divide the audit work among themselves. The division of work would usually be in terms of audit of identifiable units or specified areas. In some cases, due to the nature of the business of the entity under audit, such a division of work may not be possible. In such situations, the division of work may be with reference to items of assets or liabilities or income or expenditure. Certain areas of work, owing to their importance or owing to the nature of the work involved, would often not be divided and would be covered by all the joint auditors. (Ref: Para. 8(a))

A2. The documentation of allocation of work helps in avoiding any dispute or confusion which may arise among the joint auditors regarding the scope of work to be carried out by them. Further, the communication of allocation of work to the entity helps in avoiding any dispute or confusion which may arise between the entity and the joint auditors. (Ref: Para. 12)”

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<sup>7</sup> Issued in March, 2018 and revised in February, 2022. The revised announcement was considered and approved by the Council of ICAI at its 408<sup>th</sup> meeting held on 3<sup>rd</sup> & 4<sup>th</sup> February, 2022.

2. ICAI has received information from RBI that there have been certain issues between the banks' joint auditors and the banks' management regarding the allocation of work among the joint auditors.

3. In this matter, ICAI hereby advises its members that while allocating work amongst themselves, all efforts should be made that the allocation of work amongst them should be in agreement with the management of the bank. When so required, the said allocation may be carried out in consultation with those charged with governance of the bank.

**12. Withdrawal of the Implementation Guide on Auditor's Report under Rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 and Amendment to Schedule III to Companies Act, 2013<sup>8</sup>**

I. The Ministry of Corporate Affairs vide notification dated March 30, 2017 notified "Companies (Audit and Auditors) Amendment Rules, 2017" and "Amendment to Schedule III to the Companies Act, 2013". Vide this amendment, the following new clause was inserted in Rule 11 of Companies (Audit and Auditors) Rules, 2014:

*"(d) whether the company had provided requisite disclosures in its financial statements as to holdings as well as dealings in Specified Bank Notes during the period from 8th November, 2016 to 30th December, 2016 and if so, whether these are in accordance with the books of accounts maintained by the company."*

Amendment was also made to Schedule III to the Companies Act, 2013 to require that every company shall disclose the details of Specified Bank Notes (SBN) held and transacted during the period from 8<sup>th</sup> November, 2016 to 30<sup>th</sup> December, 2016 in the manner given in the amended Schedule III.

II. In April 2017, the Auditing and Assurance Standard Board (AASB) issued the "Implementation Guide on Auditor's Report under Rule 11(d) of Companies (Audit and Auditors) Amendment Rules, 2017 and Amendment to Schedule III to Companies Act, 2013" to provide guidance to the members on the matter.

III. Subsequently, on this matter, a Clarification dated 01.09.2018 was issued by the Corporate Laws and Corporate Governance Committee (CLCGC) stating

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<sup>8</sup> Issued in November, 2018.

that “Since this disclosure requirement was event specific, and hence was relevant for Financial Year 2016-17 only and required disclosure is also for period falling under that financial year. Therefore, in Notes to Account as well as Audit Report, the disclosure requirement relating to SBNs are not applicable for the Financial Year 2017-18 & subsequent years. Consequent disclosures may be made in the Financial Statements/Audit Reports.”

The Clarification issued by CLCGC is available on ICAI’s website at the following link: [https://www.icaai.org/new\\_post.html?post\\_id=15085](https://www.icaai.org/new_post.html?post_id=15085)

- IV. AASB at its 190<sup>th</sup> meeting held on 1<sup>st</sup> & 2<sup>nd</sup> November 2018 considered the matter and decided to withdraw the aforesaid Implementation Guide. Accordingly, the aforesaid Implementation Guide is withdrawn with effect from the date of hosting of this Announcement on the ICAI’s website.

<b>13. Using Information Available at Information Utility (IU) Platform for External Confirmations<sup>9</sup></b>
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1. Standards on Auditing (SAs) recognize the importance of ‘External Confirmations’ as audit evidence. Relevant extracts of some SAs regarding external confirmations are reproduced below.

- More assurance is ordinarily obtained from consistent audit evidence obtained from different sources or of a different nature than from items of audit evidence considered individually. For example, corroborating information obtained from a source independent of the entity may increase the assurance the auditor obtains from audit evidence that is generated internally, such as evidence existing within the accounting records, minutes of meetings, or a management representation. (*Para A8 of SA 500, Audit Evidence*)
- An external confirmation represents audit evidence obtained by the auditor as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium. External confirmation procedures frequently are relevant when addressing assertions associated with certain account balances and their elements. However, external confirmations need not be restricted to account balances only. For example, the auditor may request confirmation of the terms of

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<sup>9</sup> Issued in February, 2019.

agreements or transactions an entity has with third parties; the confirmation request may be designed to ask if any modifications have been made to the agreement and, if so, what the relevant details are. External confirmation procedures also are used to obtain audit evidence about the absence of certain conditions, for example, the absence of a “side agreement” that may influence revenue recognition. (*Para A18 of SA 500, Audit Evidence*)

- The auditor shall consider whether external confirmation procedures are to be performed as substantive audit procedures (*Para 19 of SA 330, “The Auditor’s Responses to Assessed Risks”*)
- Audit evidence in the form of external confirmations received directly by the auditor from appropriate confirming parties may assist the auditor in obtaining audit evidence with the high level of reliability that the auditor requires to respond to significant risks of material misstatement, whether due to fraud or error. (*Para A53 of SA 330*).
- The auditor may design external confirmation requests to obtain additional corroborative information as a response to address the assessed risks of material misstatement, due to fraud at the assertion level (*Para A37 of SA 240, “The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements”*)

2. SA 505, ‘External Confirmations’ provides detailed requirements and guidance for auditors regarding the use of external confirmation procedures to obtain audit evidence. Para 7(b) of SA 505 requires the auditor to select the appropriate confirming party. Further, para A2 of SA 505 provides as follows:

- Responses to confirmation requests provide more relevant and reliable audit evidence when confirmation requests are sent to a confirming party the auditor believes is knowledgeable about the information to be confirmed. For example, a financial institution official who is knowledgeable about the transactions or arrangements for which confirmation is requested may be the most appropriate person at the financial institution from whom to request confirmation.

3. On the matter of External Confirmations, the ICAI has recently received communication from the National Financial Reporting Authority (NFRA) regarding functions of National e-Governance Services Limited (NeSL) which might be useful for the auditors in obtaining audit evidence through external confirmations. The highlights of the same are as under:



- NeSL incorporated as a Union Government Company has set up the ‘**Information Utility (IU)**’ and is regulated by the Insolvency and Bankruptcy Board of India. The IU is designed as an institutional intervention that stores evidence of financial contracts to assist in stressed assets resolution. The IU is open to financial and operational creditors since January 2018. Till date, approx. two-third of the loans to companies given by banks have been filed in the IU as creditors have an incentive to buy protection and enhance enforceability of contracts under the IBC. The IU is designed to receive financial information from any party to the debt. The debtors are expected to verify and authenticate the liability as sent by their respective creditors to IU. However, in the absence of any such statutory requirement, the debtors are not filing this information or reconciling the same with IU. The auditors can have full access to the information stored in IU in respect of client company as reported by their creditors.

4. The Auditing and Assurance Standards Board of ICAI at its 193<sup>rd</sup> meeting held on 25th January 2019 (meeting adjourned and continued on 5th February 2019) considered the aforesaid communication received from NFRA. After detailed discussion on the matter, the Board was of the view that the information available at IU platform would be highly useful in the audit process and will strengthen the audit opinion. Accordingly, the following guidance is being issued for the benefit of the members:

*Whenever, external confirmations are required as per the requirements of SA 505 - External Confirmations, auditors should seek external confirmations directly from the third parties (the confirming parties). Further, auditors are advised to use the information available at the Information Utility platform of National e-Governance Services Limited, as detailed in paragraph 3 above, as an additional source of external confirmations to strengthen the audit evidence.*

#### **14. Requirement of Mentioning UDIN while Signing Audit Reports<sup>10</sup>**

1. The members may be aware that “Unique Document Identification Number (UDIN)” has been made mandatory as per the Council decision taken at its 379th meeting held on 17-18 December 2018 in the following phases:

- All Certification done by Practising CAs w.e.f. 1st February 2019.
- All GST & Tax Audit Reports w.e.f. 1st April 2019.

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<sup>10</sup> Issued in June, 2019.

- All other attest functions w.e.f. 1st July 2019.

In this regard, an Announcement dated 14th March 2019 has been hosted on ICAI's website at the following link:

**[https://www.icaai.org/new\\_post.html?post\\_id=15505](https://www.icaai.org/new_post.html?post_id=15505)**

2. With a view to bring uniformity in the manner of signing audit reports by the members of ICAI, it has been decided to require the members of ICAI to also mention the UDIN immediately after the ICAI's membership number while signing audit reports. This requirement will be in addition to other requirements relating to the auditor's signature prescribed in the relevant law or regulation and the Standards on Auditing.
3. This requirement will come into effect from 1st July 2019.

**15. Clarification on Auditor's Certificate on Return of Deposits pursuant to Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014<sup>11</sup>**

This has reference to Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014 and further amendments.

In this regard, the Ministry of Corporate Affairs vide its letter no. File No: P-01/08/2013- CL-V Vol. VI dated June 24, 2019 has clarified on the matter as under:

- The Auditor's Certificate is mandatory only in case of return of deposits.
- For filing particulars of transactions not considered as deposits information contained therein as on 31st March of that year need not be from the duly audited Financial Statement.
- Only in case of Return of Deposit information contained therein as on 31st March of that year should be from duly audited financial statement of the company.

Also in order to provide guidance to members, the Auditing and Assurance Standards Board of ICAI has issued Illustrative Auditor's Certificate on Return of Deposits, which is available on the below cited link:

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<sup>11</sup> Issued in June, 2019.

***Illustrative Auditor's Certificate on Return of Deposits as at [state the year end] pursuant to Rule 16 of the Companies (Acceptance of Deposits) Rules, 2014, as amended.***

**16. Requirement to mention UDIN in all Reports and Certificates issued by Members of the ICAI<sup>12</sup>**

1. Attention of the members is invited to the Announcement dated 4th June 2019 regarding "Requirement of mentioning UDIN while signing audit reports" hosted on ICAI's website at the following link: [https://www.icaai.org/new\\_post.html?post\\_id=15671&c\\_id=240](https://www.icaai.org/new_post.html?post_id=15671&c_id=240)
2. It is hereby clarified that the aforesaid requirement to mention UDIN will, mutatis mutandis, apply to all reports issued pursuant to any attestation engagement and certificates issued by the members of ICAI.
3. This Announcement will come into force from immediate effect.

**17. Advisory on Auditor's Reporting on Section 197(16) of the Companies Act, 2013<sup>13</sup>**

1. Section 197(16) of the Companies Act, 2013 requires as under:  
*"The auditor of the company shall, in his report under section 143, make a statement as to whether the remuneration paid by the company to its directors is in accordance with the provisions of this section, whether remuneration paid to any director is in excess of the limit laid down under this section and give such other details as may be prescribed"*
2. The aforesaid reporting requirement for auditors of public companies needs to be covered in auditor's report under the **Section "Report on Other Legal and Regulatory Requirements"**. Accordingly, auditors of public companies are advised to comply with the aforesaid reporting requirements in their auditor's reports.
3. This Advisory will come into force from immediate effect.

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<sup>12</sup> Issued in August, 2019.

<sup>13</sup> Issued in September, 2019.

**18. Announcement on Applicability of “Implementation Guide on Resignation/ Withdrawal from an Engagement to Perform Audit of Financial Statements” to Statutory Auditors of Listed Entities and their Material Subsidiaries<sup>14</sup>**

1. The Auditing and Assurance Standards Board of ICAI issued “Implementation Guide on Resignation/ Withdrawal from an Engagement to Perform Audit of Financial Statements” on 30th November 2018. Paragraph 25 of the aforesaid Implementation Guide which prescribes applicability of the aforesaid Implementation Guide is reproduced below:

**“Applicability**

*25. This Implementation Guide is applicable in case of audits of all listed entities. Further, in case of audits of banks, insurance companies and other corporate entities, the guidance given in this Implementation Guide be also followed, as applicable.”*

2. SEBI has issued a Circular dated 18th October 2019 regarding “Resignation of statutory auditors from listed entities and their material subsidiaries”. The aforesaid Circular prescribes various conditions to be satisfied by listed entities, their material subsidiaries and their statutory auditors. Some members have raised queries regarding applicability of the aforesaid Implementation Guide to statutory auditors of listed entities and their material subsidiaries.

3. It is hereby clarified that statutory auditors of listed entities and their material subsidiaries are required to comply with the aforesaid Circular.

4. This Announcement will come into force from immediate effect.

**19. Advisory on Exhibit B3 of SEBI’s Circular dated 29th March 2019 regarding Procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with the listed entity<sup>15</sup>**

1. As the members are aware that SEBI has issued a Circular dated 29th March 2019 regarding Procedure and formats for limited review / audit report of the listed entity and those entities whose accounts are to be consolidated with

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<sup>14</sup> Issued in December, 2019.

<sup>15</sup> Issued in December, 2019.

the listed entity. Exhibit B3 of the abovementioned Circular pertains to "Independent Auditor's Review Report on Review of Consolidated Unaudited Quarterly and Year to date Financial Results for banks". Point Nos. 7 and 8 of Exhibit B3 require quantification of (a) total assets (b) total revenue (c) Total net profit/(loss) after tax (d) cash flows(net) with respect to branches of banks.

2. It has come to our notice that the members are facing implementation challenges while reporting as per Exhibit B3 since reporting of net profit/(loss) after tax and cash flows of branches is not practically possible. The matter was taken up with SEBI and it has been advised that ICAI may issue necessary guidance to the members on the matter.

3. Accordingly, the members are advised that while reporting as per Exhibit B3 they need not report on net profit/(loss) after tax and cash flows of branches if such details are not contained in the financial statements.

4. This Advisory will come into force from immediate effect.

<b>20. Use of Electronic Signature for Signing Audit Reports and Certificates<sup>16</sup></b>
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Attention of the members is invited to paragraph 46 (Signature of the Auditor) of SA 700(Revised), "Forming an Opinion and Reporting on Financial Statements". The corresponding application guidance to this paragraph (paragraph A57) of SA 700(Revised) states as under: –

*"In some cases, law or regulation may allow for the use of electronic signatures in the auditor's report".*

It may be noted that the Information Technology Act, 2000 ("IT Act 2000") contains provisions regarding the use of electronic signature for the authentication of electronic records. Relevant provisions of the IT Act 2000 are reproduced below:

***"Section 2(ta): Definition of electronic signature***

*Electronic signature means authentication of any electronic record by a subscriber by means of the electronic technique specified in the Second Schedule and includes digital signature.*

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<sup>16</sup> Issued in April, 2020.

### **Section 3A: Electronic signature**

(1) *Notwithstanding anything contained in section 3, but subject to the provisions of sub-section (2), a subscriber may authenticate any electronic record by such electronic signature or electronic authentication technique which—*

- (a) *is considered reliable; and*
- (b) *may be specified in the Second Schedule.*

(2) *For the purposes of this section any electronic signature or electronic authentication technique shall be considered reliable if—*

- (a) *the signature creation data or the authentication data are, within the context in which they are used, linked to the signatory or, as the case may be, the authenticator and to no other person;*
- (b) *the signature creation data or the authentication data were, at the time of signing, under the control of the signatory or, as the case may be, the authenticator and of no other person;*
- (c) *any alteration to the electronic signature made after affixing such signature is detectable;*
- (d) *any alteration to the information made after its authentication by electronic signature is detectable; and*
- (e) *it fulfils such other conditions which may be prescribed.*

(3) *The Central Government may prescribe the procedure for the purpose of ascertaining whether electronic signature is that of the person by whom it is purported to have been affixed or authenticated.*

(4) *The Central Government may, by notification in the Official Gazette, add to or omit any electronic signature or electronic authentication technique and the procedure for affixing such signature from the Second Schedule:*

*Provided that no electronic signature or authentication technique shall be specified in the Second Schedule unless such signature or technique is reliable.*

(5) Every notification issued under sub-section (4) shall be laid before each House of Parliament.

**Section 4: Legal recognition of electronic records**

Where any law provides that information or any other matter shall be in writing or in the typewritten or printed form, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied if such information or matter is—

- (a) rendered or made available in an electronic form; and
- (b) accessible so as to be usable for a subsequent reference.

**Section 5: Legal recognition of electronic signatures**

Where any law provides that information or any other matter shall be authenticated by affixing the signature or any document shall be signed or bear the signature of any person, then, notwithstanding anything contained in such law, such requirement shall be deemed to have been satisfied, if such information or matter is authenticated by means of electronic signature affixed in such manner as may be prescribed by the Central Government.

*Explanation.—For the purposes of this section, —signed, with its grammatical variations and cognate expressions, shall, with reference to a person, mean affixing of his hand written signature or any mark on any document and the expression— —signature shall be construed accordingly.*

Attention of the members is also invited to relevant provisions of the Indian Evidence Act, 1872 which are reproduced below:

**“Section 3: Interpretation—clause**

**Evidence** — “Evidence” means and includes—

- (1) all statements which the Court permits or requires to be made before it by witnesses, in relation to matters of fact under inquiry;

such statements are called oral evidence;

- (2) all documents including electronic records produced for the inspection of the Court;

*such documents are called documentary evidence.*

**Section 47A: Opinion as to digital signature where relevant**

*When the Court has to form an opinion as to the electronic signature of any person, the opinion of the Certifying Authority which has issued the electronic Signature Certificate is a relevant fact.*

**Section 67A: Proof as to electronic signature**

*Except in the case of a secure electronic signature, if the electronic signature of any subscriber is alleged to have been affixed to an electronic record the fact that such electronic signature is the electronic signature of the subscriber must be proved.”*

From the aforesaid provisions of the IT Act 2000 and the Indian Evidence Act, 1872, it may be concluded that these Acts allow use of electronic signature for authentication of various documents. The IT Act 2000 also prescribes certain conditions to be fulfilled for an electronic signature to be considered as reliable.

Accordingly, the members of ICAI may use electronic signature for signing audit reports, all reports issued pursuant to any attestation engagement and certificates. However, the members need to ensure compliance with all the requirements relating to signature prescribed in the relevant law or regulation, Standards on Auditing and relevant announcements/ clarifications issued by ICAI on the matter including the requirement to mention UDIN.

**Please note that the requirement to mention UDIN is applicable both for manually and digitally signed reports/certificates including certificates uploaded online.**

This Announcement will come into force from immediate effect.



**C. List of Engagement and Quality Control Standards as on 30.04. 2022**

<b>Quality Control</b>			
<b>S. No.</b>	<b>Standard Number (SQC) (1-99)</b>	<b>Standards on Quality Control (SQCs)</b>	<b>Effective Date</b>
1	1	Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements	Effective for all engagements relating to accounting periods beginning on or after April 1, 2009.
<b>Audits and Reviews of Historical Financial Information</b>			
	<b>Standard Number (SA) (100-999)</b>	<b>Standards on Auditing (SAs)</b>	<b>Date from which effective</b>
	<b>100-199</b>	<b>Introductory Matters</b>	
	<b>200-299</b>	<b>General Principles and Responsibilities</b>	
2	200	Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
3	210	Agreeing the Terms of Audit Engagements	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
4	220	Quality Control for an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
5	230	Audit Documentation	Effective for audits of financial statements for

			periods beginning on or after April 1, 2009.
6	240	The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
7	250	Consideration of Laws and Regulations in an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
8	260(Revised)	Communication with Those Charged with Governance	Effective for audits of financial statements for periods beginning on or after April 1, 2017.
9	265	Communicating Deficiencies in Internal Control to Those Charged with Governance and Management	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
10	299(Revised)	Joint Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
	<b>300-499</b>	<b>Risk Assessment and Response to Assessed Risks</b>	
11	300	Planning an Audit of Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
12	315	Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
13	320	Materiality in Planning and Performing an Audit	Effective for audits of financial statements for periods beginning on or after April 1, 2010.

14	330	The Auditor's Responses to Assessed Risks	Effective for audits of financial statements for periods beginning on or after April 1, 2008.
15	402	Audit Considerations Relating to an Entity Using a Service Organisation	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
16	450	Evaluation of Misstatements Identified during the Audit	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
	<b>500–599</b>	<b>Audit Evidence</b>	
17	500	Audit Evidence	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
18	501	Audit Evidence - Specific Considerations for Selected Items	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
19	505	External Confirmations	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
20	510	Initial Audit Engagements—Opening Balances	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
21	520	Analytical Procedures	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
22	530	Audit Sampling	Effective for audits of financial statements for periods beginning on or after April 1, 2009.

23	540	Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
24	550	Related Parties	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
25	560	Subsequent Events	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
26	570(Revised)	Going Concern	Effective for audits of financial statements for periods beginning on or after April 1, 2017.
27	580	Written Representations	Effective for audits of financial statements for periods beginning on or after April 1, 2009.
	<b>600-699</b>	<b>Using Work of Others</b>	
28	600	Using the Work of Another Auditor	Effective for all audits related to accounting periods beginning on or after April 1, 2002.
29	610(Revised)	Using the Work of Internal Auditors	Effective for audits of financial statements for periods beginning on or after April 1, 2016.
30	620	Using the Work of an Auditor's Expert	Effective for audits of financial statements for periods beginning on or after April 1, 2010.
	<b>700-799</b>	<b>Audit Conclusions and Reporting</b>	
31	700(Revised)	Forming an Opinion and Reporting on Financial	Effective for audits of financial statements for

		Statements	periods beginning on or after April 1, 2018.
32	701	Communicating Key Audit Matters in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
33	705(Revised)	Modifications to the Opinion in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
34	706(Revised)	Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
35	710	Comparative Information - Corresponding Figures and Comparative Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2011.
36	720(Revised)	The Auditor's Responsibilities Relating to Other Information	Effective for audits of financial statements for periods beginning on or after April 1, 2018.
	<b>800-899</b>	<b>Specialized Areas</b>	
37	800	Special Considerations- Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks	Effective for audits of financial statements for periods beginning on or after April 1, 2011.
38	805	Special Considerations- Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement	Effective for audits of financial statements for periods beginning on or after April 1, 2011.
39	810	Engagements to Report on Summary Financial Statements	Effective for audits of financial statements for periods beginning on or after April 1, 2011.

	<b>Standard Number (SRE) (2000-2699)</b>	<b>Standards on Review Engagements (SREs)</b>	<b>Date from which effective</b>
40	2400(Revised)	Engagements to Review Historical Financial Statements	Applicable for reviews of financial statements for periods beginning on or after April 1, 2016.
41	2410	Review of Interim Financial Information Performed by the Independent Auditor of the Entity	Applicable for reviews of interim financial information for periods beginning on or after April 1, 2010.
<b>Assurance Engagements Other Than Audits or Reviews of Historical Financial Information</b>			
	<b>Standard Number (SAE) (3000-3699)</b>	<b>Standards on Assurance Engagements (SAEs)</b>	<b>Date from which effective</b>
	<b>3000-3399</b>	<b>Applicable to all Assurance Engagements</b>	
	<b>3400-3699</b>	<b>Subject Specific Standards</b>	
42	3400	The Examination of Prospective Financial Information	Effective in relation to reports on projections/ forecasts, issued on or after April 1, 2007.
43	3402	Assurance Reports on Controls at a Service Organisation	Effective for assurance reports covering periods ending on or after April 1, 2011.
44	3420	Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus	Effective for assurance reports dated on or after April 1, 2016.

<b>Related Services</b>			
	<b>Standard Number (SRS) (4000-4699)</b>	<b>Standards on Related Services (SRSs)</b>	<b>Date from which effective</b>
45	4400	Engagements to Perform Agreed-upon Procedures Regarding Financial Information	Applicable to all agreed upon procedures engagements beginning on or after April 1, 2004.
46	4410(Revised)	Compilation Engagements	Effective for compilation engagements undertaken after March 31, 2016.